



RULES - IMPLEMENTATION

MAY 5, 2015

COMMERCIAL PACKAGE POLICY

LI-ML-2015-002

COLORADO COMMERCIAL PACKAGE POLICY PACKAGE MODIFICATION FACTOR REVISION TO BE IMPLEMENTED

This circular announces the implementation of ML-2015-RLA1, a revision of Colorado CLM Division Nine - Commercial Package Policy package modification factors.

BACKGROUND

In circular [CE-AA-2014-013](#), we announced our 2015 experience review schedule for Commercial Package Policy.

In circular [LI-ML-2015-001](#), we provided you with information and informed you of staff action on the 2015 Group 1 Commercial Package Policy experience reviews.

ISO ACTION

We are implementing ML-2015-RLA1, a revision of Colorado Commercial Package Policy package modification factors. The statewide changes for property, liability and combined are addressed on the first page of the attached Executive Summary.

Refer to the attachment for complete details.

EFFECTIVE DATE

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

COMPANY ACTION

ISO has not filed this revision on behalf of insurers.

You must independently determine what revision to make and when to make any revision effective. If you decide to use all or any part of ISO's revision to revise your rules, you must make an appropriate submission with the Insurance Department.

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

WE WILL SUBMIT OUR REFERENCE FILING TO THE INSURANCE DEPARTMENT ON AUGUST 27, 2015. ANY SUBMISSION YOU MAY MAKE WITH THE INSURANCE DEPARTMENT WITH RESPECT TO THIS FILING SHOULD NOT BE SUBMITTED PRIOR TO THIS DATE.

In all correspondence with the Insurance Department on this revision, you should refer to ISO Reference Filing Number ML-2015-RLA1, NOT this circular number.

RATING SOFTWARE IMPACT

No new attributes are being introduced with this revision.

POLICYHOLDER NOTIFICATION

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2014-030](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

REVISION DISTRIBUTION

We will issue a Notice to Manualholders with an edition date of 10-15 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

REFERENCE(S)

- [LI-ML-2015-001](#) (04/01/2015) Commercial Package Policy Experience Reviewed By Staff
- [CE-AA-2014-013](#) (10/14/2014) 2015 ISO Experience Review Schedule Announced
- [LI-CL-2014-030](#) (07/01/2014) Revised Lead Time Requirements Listing For States That Require Advance Notification To Policyholders Is Updated

ATTACHMENT(S)

ML-2015-RLA1

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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 rule filing a Statement of Actuarial Opinion; therefore we are including the following acknowledgment:

I, Igor Pogrebinsky, am a Director of 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.

EMERGING ISSUES

ISO actively pursues emerging issues and long-term trends that may affect the United States and international insurance industry.

Currently available to all ISO participating insurers via ISONet is the Emerging Issues portal. The portal features in-depth information on a variety of emerging topics of interest to insurance industry professionals. To help you remain up-to-date on important issues, the portal includes Today's Hot Link and a News Feed to highlight new developments. The Emerging Issues portal can be accessed without additional charge by clicking [HERE](#).

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COLORADO

ADVISORY PACKAGE MODIFICATION FACTOR REVIEW

COMMERCIAL PACKAGE POLICY
ML-2015-RLA1

EXECUTIVE SUMMARY

PURPOSE

This document:

- presents a review of advisory Package Modification Factors (PMFs). PMFs are relativity factors used to adjust monoline loss costs as appropriate for multiline risks.
 - provides the analyses used to derive these advisory PMFs.
-

PMF CHANGES

The proposed Commercial Package Policy (CPP) Package Modification Factor changes are:

<u>Type of Policy</u>	<u>Property</u>	<u>Liability</u>	<u>Prop. & Liab. Total</u>
Motel/Hotel	0.0%	0.0%	0.0%
Apartment	0.0	0.0	0.0
Office	+4.2	-4.5	-2.8
Mercantile	+6.4	-6.2	-0.9
Institutions	0.0	0.0	0.0
Services	+3.1	0.0	+2.0
Indust./Proc.	0.0	+9.1	+4.8
Contractors	<u>0.0</u>	<u>+4.7</u>	<u>+4.3</u>
Statewide	+1.8%	+1.2%	+1.5%

INDICATED
VS. CAPPED

Indicated PMF changes are based on standard ISO methodology. Differences between indicated and capped PMF changes are caused by rounding each indicated PMF to the nearest one percent and applying an upper cap of 1.00, where necessary.

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ADVISORY PACKAGE MODIFICATION FACTOR REVIEW

COMMERCIAL PACKAGE POLICY
ML-2015-RLA1

EXECUTIVE SUMMARY

HISTORICAL
SOURCE DATA

The data used in this review is from ISO reporting companies for:

- Basic Group I: five fiscal accident years ended 12/31/13.
 - Basic Group II: ten fiscal accident years ended 12/31/13.
 - Special Causes of Loss: five fiscal accident years ended 12/31/13.
 - Crime: five calendar accident years ended 06/30/12.
 - Inland Marine: five calendar accident years ended 12/31/12.
 - Fidelity: five policy years ended 12/31/11.
 - Owners, Landlords, and Tenants: three fiscal accident years ended 12/31/13.
 - Manufacturers and Contractors: three fiscal accident years ended 12/31/13.
 - Products: three calendar accident years ended 12/31/13.
 - Local Products and Completed Operations: three calendar accident years ended 12/31/13.
-

PRIOR ISO
REVISIONS

The latest revisions in this state are:

<u>Filing</u>	ML-09-RLA1	ML-07-RLA1	ML-05-RLA1
<u>Dates</u>			
Implemented	01/01/10	01/01/08	03/01/06
<u>Changes</u>			
Indicated	-0.9%	+0.8%	-1.4%
Filed	-0.9%	+0.5%	-1.5%
Implemented	-0.9%	+0.5%	-1.5%

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ADVISORY PACKAGE MODIFICATION FACTOR REVIEW

COMMERCIAL PACKAGE POLICY
ML-2015-RLA1

EXECUTIVE SUMMARY

ADJUSTMENTS
TO REPORTED
EXPERIENCE

Standard actuarial procedures have been used in the reviews underlying the calculation of the PMFs, including adjusting the fire and liability losses to ultimate settlement level and, for all coverages, reflecting all loss adjustment expenses and trend. Specific procedures vary by subline.

TEN LARGEST
GROUPS IN
ISO DATA BASE

Insurers are listed in descending order based on the percent of statewide written premium volume from Annual Statement Page 15 for the year ending 12/31/13 for the Annual Statement Line of Business (ASLOB) indicated.

COMMERCIAL MULTI PERIL (ASLOB 51 & 52)

1. Travelers Indemnity Company
 2. Liberty Mutual Insurance Company
 3. Hartford Accident & Indemnity Company
 4. Continental Casualty Company
 5. AMCO
 6. Admiral Insurance Company
 7. Allstate Insurance Company
 8. Cincinnati Insurance Company
 9. Fireman's Fund Insurance Company
 10. Zurich American Insurance Company
-

SIZE OF ISO
DATA BASE

The market share of ISO participating insurers as measured by Annual Statement Page 15 written premium for the year ending 12/31/13 is:

Commercial Multi Peril (ASLOB 51 & 52). 46.6%.

ADDITIONAL
SUPPORTING
MATERIAL

Additional supporting material underlying the calculation of the experience review indications used in this PMF analysis may be found in the respective monoline experience review documents for each line.

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ADVISORY PACKAGE MODIFICATION FACTOR REVIEW

COMMERCIAL PACKAGE POLICY
ML-2015-RLA1

EXECUTIVE SUMMARY

COMPANY DECISION

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the PMFs contained herein are appropriate for your 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 a 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 projection based on the aggregate data.

Some calculations included in this document involve areas of ISO staff judgment. Each company should carefully review and evaluate whether the ISO selected PMFs are appropriate for its use.

The material has been developed exclusively by the staff of Insurance Services Office, Inc.

COMMERCIAL PACKAGE POLICY

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COMMERCIAL PACKAGE POLICY
METHODOLOGY OVERVIEW

OBJECTIVE

A Commercial Package Policy (CPP) is essentially a combination of monoline coverages. CPP pricing employs monoline loss costs modified by Package Modification Factors (PMFs). These factors vary by the eight CPP types of policy and are reviewed biennially. Monoline and multiline experience are combined and reviewed via a monoline/multiline relativity analysis. The resulting indicated PMFs represent the loss cost for a CPP relative to that for monoline policies providing the same coverages.

STEP 1: THE
RELATIVITY
ANALYSES

Each line of insurance develops indicated changes to monoline and multiline aggregate loss costs based on an experience ratio relativity analysis for that coverage. The monoline indication represents the needed change to monoline loss costs. The multiline indication represents the needed change to multiline aggregate loss costs, which is implemented through changes to the PMFs. For this PMF analysis, multiline indications are developed for each line of insurance and Type of Policy. Relativity analyses are explained in Section B.

STEP 2:
CALCULATION
OF THE PMFs

The procedure described above generates indicated Implicit PMFs (IPMFs) which vary by the various lines of insurance and by type of policy. IPMFs represent what the PMF would be for the CPP risk if only a single coverage were written. For each Type of Policy, IPMFs are weighted by CPP aggregate loss costs to determine the indicated property and liability PMFs. These PMFs may be capped, or rounded to the nearest one percent, and certain component IPMFs appropriately adjusted for this change. These calculations are explained in the remainder of Section A.

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TABLE 1
COMMERCIAL PACKAGE POLICY

SUMMARY OF THIS REVIEW

The display below summarizes the review and shows the capped Package Modification Factors for Property and Liability. For each type of risk, the PMFs are determined to be those factors which when applied to the monoline loss costs produce the appropriate CPP aggregate loss cost level as determined by an analysis of the CPP experience.

TYPE OF RISK	PROPERTY PMFS			LIABILITY PMFS			PROP. & LIAB. TOTAL
	CURRENT	CAPPED	% CHANGE	CURRENT	CAPPED	% CHANGE	% CHANGE
MOTEL/HOTEL (31)	1.00	1.00	0.0	1.00	1.00	0.0	0.0
APARTMENT (32)	1.00	1.00	0.0	1.00	1.00	0.0	0.0
OFFICE (33)	0.96	1.00	4.2	0.88	0.84	-4.5	-2.8
MERCANTILE (34)	0.94	1.00	6.4	0.97	0.91	-6.2	-0.9
INSTITUTION (35)	1.00	1.00	0.0	1.00	1.00	0.0	0.0
SERVICES (36)	0.96	0.99	3.1	1.00	1.00	0.0	2.0
IND/PROC (37)	1.00	1.00	0.0	0.77	0.84	9.1	4.8
CONTRACTORS (38)	1.00	1.00	0.0	0.85	0.89	4.7	4.3
STATEWIDE			1.8%			1.2%	1.5%

COLORADO
TABLE 2
COMMERCIAL PACKAGE POLICY
CALCULATION OF REVISED CPP PACKAGE MODIFICATION FACTORS (PMF)

MOTEL/HOTEL (31) *****	(1) AGGREG- ATE LOSS COSTS	(2) CURRENT IMPLICIT PMF	(3) NET INDICATION	(4) INDIC. PMF	(5) CAPPED PMF
COVERAGE					
PROPERTY-					
BASIC GRP I	575,171	0.928	-4.0%	0.891	0.849
BASIC GRP II	264,465	0.903	3.2	0.932	0.888
SP CAUSE/LOSS	479,843	1.453	0.3	1.457	1.388
*CRIME	10,250	0.910	0.0	0.910	0.910
*INL. MAR.	1,878	0.658	27.3	0.838	0.838
*FIDELITY	21,383	1.000	0.0	1.000	1.000
TOTAL	1,352,990	1.00	4.8%	1.048	1.00
LIABILITY-					
OL&T	831,970	1.000	0.9%	1.009	1.000
TOTAL	831,970	1.00	0.9%	1.009	1.00
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	2,184,960		3.3%		
APARTMENT (32) *****	(1) AGGREG- ATE LOSS COSTS	(2) CURRENT IMPLICIT PMF	(3) NET INDICATION	(4) INDIC. PMF	(5) CAPPED PMF
COVERAGE					
PROPERTY-					
BASIC GRP I	2,802,499	0.885	-4.8%	0.843	0.792
BASIC GRP II	1,811,392	1.055	9.2	1.152	1.083
SP CAUSE/LOSS	1,999,218	1.299	9.4	1.421	1.335
*CRIME	953	0.910	0.0	0.910	0.910
*INL. MAR.	1,046	0.658	27.3	0.838	0.838
*FIDELITY	27,656	1.000	0.0	1.000	1.000
TOTAL	6,642,764	1.00	6.4%	1.064	1.00
LIABILITY-					
OL&T	2,253,322	1.000	1.0%	1.010	1.000
TOTAL	2,253,322	1.00	1.0%	1.010	1.00
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	8,896,086		5.0%		

* indicates coverage for which reviews are on a MULTISTATE basis.

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TABLE 2
COMMERCIAL PACKAGE POLICY
CALCULATION OF REVISED CPP PACKAGE MODIFICATION FACTORS (PMF)

OFFICE (33) *****	(1) AGGREG- ATE LOSS COSTS	(2) CURRENT IMPLICIT PMF	(3) NET INDICATION	(4) INDIC. PMF	(5) CAPPED PMF
COVERAGE					
PROPERTY-					
BASIC GRP I	297,418	1.362	-3.6%	1.313	1.371
BASIC GRP II	350,969	0.730	2.9	0.751	0.784
SP CAUSE/LOSS	523,109	1.000	-0.7	0.993	1.037
*CRIME	5,775	0.910	0.0	0.910	0.910
*INL. MAR.	2,128	0.658	27.3	0.838	0.838
*FIDELITY	28,930	1.000	0.0	1.000	1.000
TOTAL	1,208,329	0.96	-0.4%	0.956	1.00
LIABILITY-					
OL&T	4,699,923	0.885	-5.8%	0.834	0.835
M&C	270,743	0.880	5.4	0.928	0.929
TOTAL	4,970,666	0.88	-4.7%	0.839	0.84
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	6,178,995		-3.8%		
MERCANTILE (34) *****	(1) AGGREG- ATE LOSS COSTS	(2) CURRENT IMPLICIT PMF	(3) NET INDICATION	(4) INDIC. PMF	(5) CAPPED PMF
COVERAGE					
PROPERTY-					
BASIC GRP I	2,222,295	0.958	-5.3%	0.907	0.949
BASIC GRP II	1,848,755	0.934	-0.7	0.927	0.970
SP CAUSE/LOSS	1,900,315	1.053	1.0	1.064	1.113
*CRIME	26,618	0.910	0.0	0.910	0.910
*INL. MAR.	145,705	0.658	27.3	0.838	0.838
*FIDELITY	259,362	1.000	0.0	1.000	1.000
TOTAL	6,403,050	0.94	1.8%	0.957	1.00
LIABILITY-					
OL&T	5,006,252	0.845	-6.6%	0.789	0.790
M&C	1,221,822	1.500	0.0	1.500	1.500
LOCAL PRODUCT	1,143,750	1.332	4.5	1.392	1.394
*MULTI PRODUCT	1,358,163	0.737	12.7	0.831	0.831
TOTAL	8,729,987	0.97	-5.9%	0.913	0.91
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	15,133,037		-2.6%		

* indicates coverage for which reviews are on a MULTISTATE basis.

COLORADO
TABLE 2
COMMERCIAL PACKAGE POLICY
CALCULATION OF REVISED CPP PACKAGE MODIFICATION FACTORS (PMF)

INSTITUTION (35) *****	(1) AGGREG- ATE LOSS COSTS	(2) CURRENT IMPLICIT PMF	(3) NET INDICATION	(4) INDIC. PMF	(5) CAPPED PMF
COVERAGE					
PROPERTY-					
BASIC GRP I	2,384,365	1.369	-0.3%	1.365	1.278
BASIC GRP II	2,501,707	0.910	18.0	1.074	1.006
SP CAUSE/LOSS	1,773,268	0.803	3.1	0.828	0.775
*CRIME	18,059	0.910	0.0	0.910	0.910
*INL. MAR.	7,147	0.658	27.3	0.838	0.838
*FIDELITY	119,249	1.000	0.0	1.000	1.000
TOTAL	6,803,795	1.00	6.6%	1.066	1.00
LIABILITY-					
OL&T	2,573,117	1.000	-12.9%	0.871	0.988
M&C	147,503	1.004	6.4	1.068	1.211
TOTAL	2,720,620	1.00	-11.8%	0.882	1.00
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	9,524,415		1.3%		
SERVICES (36) *****	(1) AGGREG- ATE LOSS COSTS	(2) CURRENT IMPLICIT PMF	(3) NET INDICATION	(4) INDIC. PMF	(5) CAPPED PMF
COVERAGE					
PROPERTY-					
BASIC GRP I	1,518,561	0.805	-3.1%	0.780	0.814
BASIC GRP II	1,685,371	1.045	-6.3	0.979	1.022
SP CAUSE/LOSS	1,987,682	1.229	-8.8	1.121	1.170
*CRIME	12,319	0.910	0.0	0.910	0.910
*INL. MAR.	9,501	0.658	27.3	0.838	0.838
*FIDELITY	122,262	1.000	0.0	1.000	1.000
TOTAL	5,335,696	0.96	-0.9%	0.951	0.99
LIABILITY-					
OL&T	1,312,905	0.914	-3.3%	0.884	0.885
M&C	1,210,617	1.112	3.1	1.146	1.147
LOCAL PRODUCT	614,558	0.966	5.2	1.016	1.017
*MULTI PRODUCT	72,240	0.803	17.1	0.940	0.940
TOTAL	3,210,320	1.00	-0.1%	0.999	1.00
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	8,546,016		-0.6%		

* indicates coverage for which reviews are on a MULTISTATE basis.

COLORADO
TABLE 2
COMMERCIAL PACKAGE POLICY
CALCULATION OF REVISED CPP PACKAGE MODIFICATION FACTORS (PMF)

IND/PROC (37) *****	(1) AGGREG- ATE LOSS COSTS	(2) CURRENT IMPLICIT PMF	(3) NET INDICATION	(4) INDIC. PMF	(5) CAPPED PMF
<u>COVERAGE</u>					
PROPERTY-					
BASIC GRP I	1,209,268	0.882	-3.2%	0.854	0.869
BASIC GRP II	789,811	0.924	-0.2	0.922	0.938
SP CAUSE/LOSS	1,494,881	1.498	-19.1	1.212	1.234
*CRIME	5,396	0.910	0.0	0.910	0.910
*INL. MAR.	3,362	0.658	27.3	0.838	0.838
*FIDELITY	107,117	1.000	0.0	1.000	1.000
TOTAL	3,609,835	1.00	-1.7%	0.983	1.00
LIABILITY-					
M&C	2,527,105	0.832	2.7	0.854	0.855
LOCAL PRODUCT	219,497	0.709	1.2	0.718	0.719
*MULTI PRODUCT	1,341,100	0.676	24.4	0.841	0.841
TOTAL	4,087,702	0.77	9.2%	0.841	0.84

PROP. & LIAB. TOTAL	7,697,537		4.1%		
CONTRACTORS (38) *****	(1) AGGREG- ATE LOSS COSTS	(2) CURRENT IMPLICIT PMF	(3) NET INDICATION	(4) INDIC. PMF	(5) CAPPED PMF
<u>COVERAGE</u>					
PROPERTY-					
BASIC GRP I	361,428	0.847	-3.0%	0.822	0.832
BASIC GRP II	375,307	0.900	1.7	0.915	0.926
SP CAUSE/LOSS	667,503	1.302	-8.8	1.187	1.202
*CRIME	1,330	0.910	0.0	0.910	0.910
*INL. MAR.	3,416	0.658	27.3	0.838	0.838
*FIDELITY	35,139	1.000	0.0	1.000	1.000
TOTAL	1,444,123	1.00	-1.2%	0.988	1.00
LIABILITY-					
M&C	5,973,321	0.850	13.2	0.962	0.963
LOCAL PRODUCT	11,517,051	0.854	-0.1	0.853	0.854
TOTAL	17,490,372	0.85	4.8%	0.891	0.89

PROP. & LIAB. TOTAL	18,934,495		4.4%		

* indicates coverage for which reviews are on a MULTISTATE basis.

COLORADO
TABLE 2
COMMERCIAL PACKAGE POLICY
CALCULATION OF REVISED CPP PACKAGE MODIFICATION FACTORS (PMF)

STATEWIDE *****	(1) AGGREG- ATE LOSS COSTS	(2) CURRENT IMPLICIT PMF	(3) NET INDICATION	(4) INDIC. PMF	(5) CAPPED PMF
COVERAGE					
PROPERTY-					
BASIC GRP I	11,371,005	0.968	-3.4%	0.935	0.923
BASIC GRP II	9,627,777	0.953	5.4	1.004	0.991
SP CAUSE/LOSS	10,825,819	1.136	-2.4	1.108	1.103
*CRIME	80,700	0.910	0.0	0.910	0.910
*INL. MAR.	174,183	0.658	27.3	0.838	0.838
*FIDELITY	721,098	1.000	0.0	1.000	1.000
TOTAL	32,800,582	0.980	2.9%	1.008	0.998
LIABILITY-					
OL&T	16,677,489	0.910	-5.7%	0.858	0.873
M&C	11,351,111	0.914	8.1	0.988	0.990
LOCAL PRODUCT	13,494,856	0.883	0.6	0.887	0.888
*MULTI PRODUCT	2,771,503	0.708	18.5	0.838	0.839
TOTAL	44,294,959	0.893	0.6%	0.898	0.904
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	77,095,541		1.5%		

* indicates coverage for which reviews are on a MULTISTATE basis.

COLORADO

TABLE 2

COMMERCIAL PACKAGE POLICY

COMBINED PMFs

<u>TYPE OF RISK</u>	<u>CURRENT COMBINED</u>	<u>INDICATED COMBINED</u>	<u>CAPPED COMBINED</u>
MOTEL/HOTEL (31)	1.00	1.033	1.00
APARTMENT (32)	1.00	1.050	1.00
OFFICE (33)	0.91	0.860	0.87
MERCANTILE (34)	0.95	0.931	0.95
INSTITUTION (35)	1.00	1.014	1.00
SERVICES (36)	0.98	0.970	0.99
IND/PROC (37)	0.88	0.896	0.90
CONTRACTORS (38)	0.86	0.897	0.90

NOTE: Combined PMFs are provided for informational purposes only.

EXPLANATORY NOTES TO TABLE 2

CALCULATION OF REVISED PACKAGE MODIFICATION FACTORS

OBJECTIVE Commercial package policies were introduced in the 1960's as a convenient tool for both insurer and insured to have the many types of insurance needed by commercial risks packaged under one cover. Thus fire, extended coverage, crime, liability insurance, etc. could be written using a single policy instead of several. Today, virtually any type of monoline coverage can also be purchased as part of a package policy such as the CPP.

The types of insured which can be written under a CPP are generally categorized into the following Types of Policy:

- . Motels and Hotels (TOP 31)
- . Apartments (TOP 32)
- . Offices (TOP 33)
- . Mercantile Operations (TOP 34)
- . Institutions (TOP 35)
- . Service Operations (TOP 36)
- . Industrial and Processing Operations (TOP 37)
- . Contractors (TOP 38)

PRICING OF POLICIES Since a CPP is essentially a combination of monoline coverages, CPP pricing employs monoline loss costs modified by PMFs (Package Modification Factors). These factors vary by the categories shown above and are reviewed biennially.

CPP PMF REVIEW PROCEDURE The CPP review of Package Modification Factors, which appears in Table 2 of this document, determines the appropriate PMF loss cost level for each of the eight CPP categories. This is done by combining the indications of the simultaneous reviews of monoline and multiline experience for the various lines (or coverages).

A detailed explanation of the calculation of the revised PMFs follows.

EXPLANATORY NOTES TO TABLE 2 (Cont'd)

LINES OF INSURANCE (COVERAGES) INCLUDED

The CPP review reflects the contribution from each significant coverage which can be written on a CPP. Included are:

Property Coverages

- . Basic Group I (BGI) - the predominant property coverage included.
- . Basic Group II (BGII) - both Basic Group I and Basic Group II must be purchased under a CPP contract.
- . Special Causes of Loss (SCL) - typically a type of insurance which is purchased in addition to Basic Group I and Basic Group II in order to provide "all risk" property coverage for the insured.
- . Crime (CRIME) - Crime insurance is a commonly purchased CPP coverage.
- . Inland Marine (INL. MAR.) - A highly specialized line of property insurance, Inland Marine coverages can be purchased as part of a package policy.
- . Fidelity (FIDELITY) - Certain forms of fidelity insurance can be part of the CPP package. Various forms of employee dishonesty coverage are available.

Liability Coverages

- . Owners, Landlords and Tenants (OL&T) Liability - this is the prevalent type of Premises/Operations liability for CPP insureds.
- . Manufacturers and Contractors Liability (M&C) - this is the type of Premises/Operations liability insurance for risks whose liability exposure is more heavily off-premises than on.
- . Products/Completed Operations Liability (PROD) - this type of insurance protects against claims for damages arising from products/completed operations in conjunction with an insured's business. For review purposes, this line of insurance is split into the following two categories:
 - Products: experience for this category is reviewed on a multistate basis.
 - Local Products/ Completed Operations: experience for this category reflects an exposure to loss which is local in nature; therefore, individual state experience is used.

EXPLANATORY NOTES TO TABLE 2 (Cont'd)

THE IMPLICIT
PACKAGE
MODIFICATION
FACTOR

For each applicable coverage listed under each of the eight (8) CPP categories, a "current implicit PMF" is shown in column (2). The definition of this factor follows:

For a given CPP category (e.g., apartments) the published Package Modification Factor (PMF) represents the loss cost for a CPP relative to that for monoline policies providing the same coverages. Thus a property (liability) PMF of .80 represents a 20% lower aggregate loss cost for a CPP than for the comparable monoline policies. This PMF, however, represents the CPP "loss cost" for all property (liability) coverages combined. Based on CPP experience, it has been determined that this CPP "loss cost" can differ significantly if it is determined for each property (liability) coverage individually. The IPMF represents what the PMF would be for that CPP risk if only a single coverage were written. The use of the IPMF in monoline/multiline ratemaking and in the determination of revised CPP Package Modification Factors is significant in that it appropriately identifies how different the component parts of the multiline "loss cost" are.

THE MULTILINE
INDICATION

Under the CPP ratemaking procedures, monoline and multiline experience are combined for each coverage. The results of these coverage analyses are indicated changes to monoline loss costs and also indicated CPP aggregate loss cost level changes. The CPP indications by coverage are then incorporated in the CPP PMF review. These indications (shown in column (3)) represent the needed adjustments to the IPMFs (shown in column (2)) described above.

The development of these indications is detailed in Section B.

THE INDICATED
PMF

For each CPP category (and for property vs. liability), the indicated PMF is calculated as follows:

Each of the current IPMFs in column (2) is multiplied by the indicated percent change shown in column (3). A weighted average of the indicated IPMFs, using weights based on latest year aggregate loss costs at current ISO loss cost level (column (1) divided by column (2)), yields the indicated PMF at the bottom of column (4).

THE CAPPED
PMF

The indicated PMF for each category (and for property vs. liability) shown at the bottom of column (4) is limited to a maximum of 1.00 in arriving at the proposed PMF (bottom of column (5)). All indicated PMFs which are below 1.00 are rounded to the nearest .01 in determining the proposed PMF. To the extent that any indicated PMFs are capped at 1.00, indicated PMFs below this value are adjusted in order to minimize any revenue changes which would result from capping.

In addition to the adjustments just described, the IPMFs (for property and liability) shown in column (4) are subject to minimum and maximum values and adjusted in column (5) so that they average to the proposed PMF shown at the bottom of column (5).

COMMERCIAL PACKAGE POLICY

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TABLE 3 - BASIC GROUP I RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)	(5)
TOP	\$ LST SQ FORMULA RELATIVITY	CREDIBILITY Z	Z-WTD. RELATIVITY	BALANCED RELATIVITY	INDICATED CHANGE *
10	1.515	0.070	1.030	1.031	
31	0.653	0.027	0.989	0.990	-4.0%
32	0.834	0.107	0.981	0.982	-4.8%
33	0.608	0.015	0.993	0.994	-3.6%
34	0.735	0.084	0.974	0.976	-5.3%
35	1.277	0.107	1.027	1.028	-0.3%
36	0.961	0.066	0.997	0.999	-3.1%
37	0.938	0.053	0.997	0.998	-3.2%
38	0.906	0.017	0.998	1.000	-3.0%

BALANCED RATING ID RELATIVITY: SPECIFIC 0.952 CLASS 1.029

RATING
GROUP

01	0.892	0.219	0.975	0.979
02	1.390	0.042	1.014	1.018
03	0.913	0.037	0.997	1.001
04	1.039	0.207	1.008	1.012
05	0.590	0.019	0.990	0.994
06	0.861	0.107	0.984	0.988
07	0.534	0.078	0.952	0.956
08	1.183	0.089	1.015	1.019
09	1.285	0.103	1.026	1.030
10	1.198	0.084	1.015	1.019
13	1.012	0.054	1.001	1.005
14	0.918	0.078	0.993	0.997
15	1.026	0.051	1.001	1.005
17	1.317	0.019	1.005	1.009
18	1.085	0.016	1.001	1.005
21	1.103	0.055	1.005	1.009
22	0.931	0.044	0.997	1.001

TERRITORY

City of Denver	1.191	0.150	1.027	1.038
Balance of State	0.961	0.475	0.981	0.993

* INDICATED CHANGE = (BALANCED RELATIVITY FOR TOP) / (MONOLINE RELATIVITY (TOP 10)) - 1

COLORADO

TABLE 4 - SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)	(5)
	\$ LST SQ FORMULA RELATIVITY	CREDIBILITY Z	Z-WTD. RELATIVITY	BALANCED RELATIVITY	INDICATED CHANGE *

TOP					
10	1.055	0.152	1.008	1.022	
31	1.219	0.057	1.011	1.025	+0.3%
32	1.676	0.189	1.103	1.118	+9.4%
33	1.017	0.062	1.001	1.015	-0.7%
34	1.108	0.177	1.018	1.032	+1.0%
35	1.214	0.203	1.040	1.054	+3.1%
36	0.653	0.196	0.920	0.932	-8.8%
37	0.311	0.174	0.816	0.827	-19.1%
38	0.387	0.088	0.920	0.932	-8.8%
CATEGORY					
01	0.977	0.710	0.984	0.995	
02	0.693	0.160	0.943	0.954	
03	1.074	0.119	1.009	1.020	
04	0.906	0.147	0.986	0.997	
05	1.371	0.068	1.022	1.033	
06	1.088	0.035	1.003	1.014	
07	1.006	0.063	1.000	1.012	
08	1.034	0.081	1.003	1.014	
09	0.868	0.153	0.979	0.990	
10	1.373	0.055	1.018	1.029	
11	1.382	0.205	1.069	1.081	
12	0.655	0.161	0.934	0.945	
13	1.152	0.097	1.014	1.025	
14	1.561	0.133	1.061	1.073	

* INDICATED CHANGE = (BALANCED RELATIVITY FOR TOP) / (MONOLINE RELATIVITY (TOP 10)) - 1

EXPLANATORY NOTES TO TABLES 3 AND 4

BASIC GROUP I AND SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

OBJECTIVE

The explanations which follow clarify Tables 3 and 4, 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 (if applicable) loss cost level needs for Basic Group I for class versus specifically rated risks;
- (2) determine monoline category loss cost level need for Special Causes of Loss;
- (3) determine indicated changes to the eight property CPP Package Modification Factors 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, territory and rating ID 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 PMF); 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 3 AND 4 (Cont'd)

COLUMN (1)
(Cont'd)

The procedure uses 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 5 for Basic Group I and Table 6 for Special Causes of Loss). Specifically, the iteration procedure uses the following formulas:

BASIC GROUP I:

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

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

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

EXPLANATORY NOTES TO TABLES 3 AND 4 (Cont'd)

COLUMN (1)
(Cont'd)

SPECIAL CAUSES OF LOSS:

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

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

- 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 or Category and k th Territory;
- R_{ijk} is the experience ratio relativity for the i th Type of Policy, j th Rating Group or Category and k th Territory;
- R_{ij} is the experience ratio relativity for the i th Type of Policy, j th Rating Group or Category;

EXPLANATORY NOTES TO TABLES 3 AND 4 (Cont'd)

COLUMN (1)
(Cont'd)

- 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 is the 5-year adjusted aggregate 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.

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.

EXPLANATORY NOTES TO TABLES 3 AND 4 (Cont'd)

COLUMN (4)

BALANCED RELATIVITIES

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

BALANCED RELATIVITIES - RATING ID (BASIC GROUP I ONLY)

For Basic Group I, balanced relativities are calculated for rating IDs (class versus specific). These relativities are calculated via a separate simultaneous procedure, which differs in a number of ways from the simultaneous review discussed above.

The BGI rating ID relativities resulting from this procedure are balanced and weighted together with the results of the simultaneous review procedure used to generate marginal relativities for the other BGI rating variables to produce the monoline loss cost changes.

MULTILINE
CONSIDERATIONS

The type of policy (TOP) relativities are used to generate multiline indications which apply to the current Implicit Package Modification Factors (IPMFs). The indicated IPMFs are calculated as follows:

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

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 re-performed to take this into account. If an IPMF has been capped it is so noted at the bottom of Table 3 and Table 4.

Loss cost changes for each TOP are calculated as described on Tables 3 and 4.

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COLORADO
 BASIC GROUP I RELATIVITY ANALYSIS
 TABLE 5 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 12/31/13 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	200,495	744,744	0.598	1.129	1.271
	02 OTHER HABITATIONAL	37,228	197,363	0.747	1.288	1.449
	03 RESTAURANTS & BARS	62,431	201,281	0.000	0.725	0.817
	04 OTHER MERCANTILE RS	434,984	1,775,167	1.469	1.319	1.485
	05 PUBLIC BUILDINGS	10,434	34,579	1.596	1.445	1.626
	06 CHURCHES	2,890	12,177	0.000	1.023	1.151
	07 SCHOOLS	29,509	220,232	0.077	1.134	1.276
	08 OFFICES AND BANKS	114,168	523,972	0.464	1.048	1.180
	09 REC. FACILITIES	147,871	637,206	1.943	1.509	1.699
	10 HOTELS AND MOTELS	171,191	860,315	1.940	1.603	1.805
	13 MOTOR VEHICLE RISKS	95,389	471,497	0.308	1.136	1.279
	14 OTHER NON-MANUF.	195,558	1,036,167	1.279	1.307	1.471
	15 STORAGE	73,413	315,658	0.032	0.988	1.113
	17 FOOD MANUFACTURING	14,750	45,840	0.000	1.130	1.273
	18 WOOD MANUFACTURING	13,710	62,706	33.097	7.277	8.195
	21 METAL MANUFACTURING	65,899	258,661	0.135	0.986	1.110
	22 OTHER MANUFACTURING	33,492	171,395	0.042	1.152	1.297
	TOTAL*	1,703,412	7,568,960	1.306	1.302	1.467
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	575,172	2,794,192	0.523	0.698	0.786
	TOTAL*	575,172	2,794,192	0.523	0.698	0.786
32 MULTILINE APARTMENT	01 APARTMENTS	2,505,867	10,464,736	0.617	0.703	0.792
	02 OTHER HABITATIONAL	296,633	1,470,129	1.432	1.040	1.171
	TOTAL*	2,802,500	11,934,865	0.703	0.739	0.832
33 MULTILINE OFFICE	08 OFFICES AND BANKS	297,419	1,521,756	0.220	0.661	0.744
	TOTAL*	297,419	1,521,756	0.220	0.661	0.744
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	302,337	1,124,669	0.174	0.669	0.753
	04 OTHER MERCANTILE RS	1,526,060	6,036,996	0.623	0.732	0.825
	08 OFFICES AND BANKS	43,692	166,027	4.908	1.608	1.810
	13 MOTOR VEHICLE RISKS	66,183	489,190	0.086	0.650	0.732
	14 OTHER NON-MANUF.	34,843	139,064	0.212	0.722	0.813
	15 STORAGE	249,181	1,227,535	1.459	0.966	1.088
	TOTAL*	2,222,296	9,183,481	0.718	0.765	0.861

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COLORADO
 BASIC GROUP I RELATIVITY ANALYSIS
 TABLE 5 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 12/31/13 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	21,359	93,485	0.000	0.718	0.808
	05 PUBLIC BUILDINGS	175,733	732,439	0.223	0.669	0.753
	06 CHURCHES	881,027	4,800,043	1.037	0.960	1.081
	07 SCHOOLS	705,218	3,157,631	0.676	0.722	0.812
	08 OFFICES AND BANKS	152,860	819,635	3.956	1.641	1.848
	09 REC. FACILITIES	261,537	1,515,379	2.660	1.446	1.629
	13 MOTOR VEHICLE RISKS	4,034	26,142	0.000	0.702	0.791
	14 OTHER NON-MANUF.	182,598	881,516	0.288	0.721	0.812
	TOTAL*	2,384,366	12,026,270	1.167	0.944	1.063
36 MULTILINE SERVICES	03 RESTAURANTS & BARS	47,307	222,891	0.058	0.749	0.844
	04 OTHER MERCANTILE RS	150,967	783,703	0.480	0.823	0.927
	08 OFFICES AND BANKS	172,708	569,651	1.462	0.976	1.100
	09 REC. FACILITIES	511,643	2,459,954	1.821	1.100	1.238
	13 MOTOR VEHICLE RISKS	248,036	1,279,785	0.874	0.884	0.996
	14 OTHER NON-MANUF.	219,651	1,082,727	0.285	0.786	0.885
	15 STORAGE	123,379	511,916	0.103	0.759	0.854
	21 METAL MANUFACTURING	12,633	56,838	0.000	0.740	0.833
	22 OTHER MANUFACTURING	32,238	150,877	0.916	0.879	0.990
TOTAL*	1,518,562	7,118,342	1.041	0.931	1.049	
37 MULTILINE INDUST/PROCESS	04 OTHER MERCANTILE RS	89,153	455,314	0.556	0.830	0.934
	08 OFFICES AND BANKS	21,161	93,806	0.693	0.853	0.960
	13 MOTOR VEHICLE RISKS	131	259	15.045	2.912	3.279
	14 OTHER NON-MANUF.	15,064	102,465	1.028	0.894	1.007
	15 STORAGE	16,476	81,964	0.268	0.815	0.918
	17 FOOD MANUFACTURING	184,790	748,059	2.302	1.096	1.235
	18 WOOD MANUFACTURING	129,144	574,906	0.038	0.744	0.838
	21 METAL MANUFACTURING	454,976	1,999,459	0.979	0.906	1.020
	22 OTHER MANUFACTURING	298,374	1,532,364	0.253	0.766	0.862
TOTAL*	1,209,269	5,588,596	0.858	0.875	0.986	
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	287,949	1,386,883	0.561	0.826	0.931
	08 OFFICES AND BANKS	49,295	216,022	0.409	0.821	0.924
	14 OTHER NON-MANUF.	24,185	141,641	0.094	0.785	0.883
	TOTAL*	361,429	1,744,546	0.509	0.823	0.927

ENTIRE STATE

COLORADO
 BASIC GROUP I RELATIVITY ANALYSIS
 TABLE 5 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 12/31/13 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	2,706,362	11,209,480	0.616	0.735	0.827
	02 OTHER HABITATIONAL	355,220	1,760,977	1.274	1.047	1.179
	03 RESTAURANTS & BARS	412,075	1,548,841	0.134	0.687	0.773
	04 OTHER MERCANTILE RS	2,489,113	10,438,063	0.753	0.855	0.963
	05 PUBLIC BUILDINGS	186,167	767,018	0.300	0.712	0.802
	06 CHURCHES	883,917	4,812,220	1.034	0.960	1.081
	07 SCHOOLS	734,727	3,377,863	0.652	0.738	0.831
	08 OFFICES AND BANKS	851,303	3,910,869	1.439	1.015	1.143
	09 REC. FACILITIES	921,051	4,612,539	2.078	1.264	1.423
	10 HOTELS AND MOTELS	746,363	3,654,507	0.848	0.906	1.020
	13 MOTOR VEHICLE RISKS	413,773	2,266,873	0.613	0.904	1.017
	14 OTHER NON-MANUF.	671,899	3,383,580	0.581	0.919	1.035
	15 STORAGE	462,449	2,137,073	0.828	0.909	1.023
	17 FOOD MANUFACTURING	199,540	793,899	2.132	1.099	1.238
	18 WOOD MANUFACTURING	142,854	637,612	3.211	1.371	1.544
	21 METAL MANUFACTURING	533,508	2,314,958	0.852	0.912	1.027
	22 OTHER MANUFACTURING	364,104	1,854,636	0.292	0.811	0.913
	TOTAL*	13,074,425	59,481,008	0.898	0.888	1.000

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

COLORADO

SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
 TABLE 6 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 12/31/13 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 BUILDINGS	788,015	3,933,319	0.931	0.883	1.082
	02 RES. APTS. AND COND	32,947	175,905	0.270	0.688	0.843
	03 OFFICES	152,701	817,294	1.567	1.064	1.304
	04 MERCANTILE - HIGH	163,605	924,708	0.281	0.639	0.783
	05 MERCANTILE - MEDIUM	36,012	159,218	0.379	0.715	0.876
	06 MERCANTILE - LOW	13,961	79,026	0.629	0.777	0.952
	07 MOTELS AND HOTELS	27,408	146,686	0.351	0.710	0.870
	08 INSTITUTIONAL - HIG	22,525	82,939	0.425	0.731	0.896
	09 INSTITUTIONAL - LOW	40,237	138,699	0.070	0.644	0.789
	10 INDUST-PROC - HIGH	8,441	38,632	0.424	0.733	0.898
	11 INDUST-PROC - LOW	38,722	183,573	0.147	0.658	0.806
	12 SERVICE - HIGH	35,781	133,692	0.239	0.684	0.838
	13 SERVICE - LOW	57,903	326,215	1.049	0.881	1.080
	14 CONTRACTORS	11,112	16,856	0.000	0.643	0.788
	TOTAL*	1,429,370	7,156,762	0.805	0.838	1.027
31 MULTILINE MOTEL/HOTEL	01 BUILDINGS	298,772	1,549,521	0.955	1.009	1.237
	07 MOTELS AND HOTELS	181,072	862,237	1.063	1.044	1.279
	TOTAL*	479,844	2,411,758	0.996	1.022	1.253
32 MULTILINE APARTMENT	01 BUILDINGS	1,510,693	6,613,935	1.591	1.390	1.703
	02 RES. APTS. AND COND	488,526	2,678,025	0.921	0.986	1.208
	TOTAL*	1,999,219	9,291,960	1.427	1.291	1.582
33 MULTILINE OFFICE	01 BUILDINGS	325,408	1,505,722	0.549	0.872	1.069
	03 OFFICES	192,659	1,118,018	0.414	0.854	1.047
	04 MERCANTILE - HIGH	549	549	0.000	0.907	1.112
	08 INSTITUTIONAL - HIG	4,493	10,697	0.000	0.905	1.109
	TOTAL*	523,109	2,634,986	0.494	0.866	1.061
34 MULTILINE MERCANTILE	01 BUILDINGS	1,380,097	5,615,396	0.836	0.916	1.123
	03 OFFICES	3,703	5,597	0.000	0.906	1.110
	04 MERCANTILE - HIGH	272,782	1,556,618	0.670	0.911	1.116
	05 MERCANTILE - MEDIUM	159,861	924,993	2.064	1.314	1.610
	06 MERCANTILE - LOW	66,560	441,505	1.007	1.031	1.263
	08 INSTITUTIONAL - HIG	1,401	1,853	0.000	0.907	1.112
	12 SERVICE - HIGH	4,112	12,859	0.000	0.905	1.109
	13 SERVICE - LOW	5,159	8,656	0.000	0.906	1.110
	14 CONTRACTORS	6,641	16,853	0.000	0.904	1.108
	TOTAL*	1,900,316	8,584,330	0.912	0.953	1.167

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SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
 TABLE 6 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1)	(2)	(3)	(4)	(5)	
		ACCIDENT YEAR ENDING 12/31/13 AGGREGATE LOSS COSTS	5 - YEAR AGGREGATE LOSS COSTS	5 - YEAR EXPERIENCE RATIO	Z-WEIGHTED EXPERIENCE RATIO	Z-WEIGHTED RELATIVITY	
35 MULTILINE INSTITUTIONAL	01 BUILDINGS	1,224,905	6,595,670	0.988	1.006	1.233	
	03 OFFICES	1,553	3,894	0.000	0.907	1.112	
	06 MERCANTILE - LOW	11	11	0.000	0.907	1.112	
	08 INSTITUTIONAL - HIG	201,643	1,167,253	1.148	1.070	1.311	
	09 INSTITUTIONAL - LOW	343,704	2,437,698	0.713	0.899	1.102	
	12 SERVICE - HIGH	315	1,163	0.000	0.907	1.112	
	14 CONTRACTORS	1,138	2,409	0.000	0.907	1.112	
	TOTAL*	1,773,269	10,208,098	0.951	0.992	1.216	
36 MULTILINE SERVICES	01 BUILDINGS	1,047,082	5,373,278	0.552	0.544	0.667	
	03 OFFICES	3,981	7,499	6.360	1.206	1.478	
	04 MERCANTILE - HIGH	10,968	24,008	0.000	0.353	0.433	
	05 MERCANTILE - MEDIUM	2,442	4,046	0.000	0.370	0.453	
	06 MERCANTILE - LOW	2	2	0.000	0.374	0.458	
	08 INSTITUTIONAL - HIG	26,355	64,205	0.000	0.322	0.395	
	09 INSTITUTIONAL - LOW	55,468	138,243	0.000	0.277	0.339	
	11 INDUST-PROC - LOW	1,433	2,797	0.000	0.371	0.455	
	12 SERVICE - HIGH	590,561	2,721,336	0.354	0.362	0.444	
	13 SERVICE - LOW	190,547	1,279,127	0.724	0.661	0.810	
	14 CONTRACTORS	58,844	131,188	0.000	0.280	0.343	
	TOTAL*	1,987,683	9,745,729	0.478	0.483	0.592	
	37 MULTILINE INDUST/PROC	01 BUILDINGS	745,178	3,893,253	0.235	0.250	0.306
		03 OFFICES	1,895	3,614	0.571	0.441	0.540
04 MERCANTILE - HIGH		3,549	7,083	0.123	0.384	0.471	
10 INDUST-PROC - HIGH		148,217	834,517	0.346	0.368	0.451	
11 INDUST-PROC - LOW		595,632	3,681,863	0.368	0.373	0.457	
13 SERVICE - LOW		411	996	0.000	0.373	0.457	
TOTAL*		1,494,882	8,421,326	0.299	0.311	0.381	

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SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
 TABLE 6 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1)	(2)	(3)	(4)	(5)	
		ACCIDENT YEAR ENDING 12/31/13 AGGREGATE LOSS COSTS	5 - YEAR AGGREGATE LOSS COSTS	5 - YEAR EXPERIENCE RATIO	Z-WEIGHTED EXPERIENCE RATIO	Z-WEIGHTED RELATIVITY	
38 MULTILINE CONTRACTORS	01 BUILDINGS	328,182	1,578,508	0.221	0.257	0.315	
	03 OFFICES	30,561	67,682	3.218	1.109	1.359	
	04 MERCANTILE - HIGH	25,695	68,770	0.404	0.418	0.512	
	05 MERCANTILE - MEDIUM	612	1,112	0.000	0.373	0.457	
	06 MERCANTILE - LOW	7,897	25,654	0.715	0.472	0.578	
	08 INSTITUTIONAL - HIG	0	62	0.000	1.000	1.000	
	12 SERVICE - HIGH	10	10	0.000	0.374	0.458	
	13 SERVICE - LOW	770	2,457	0.000	0.372	0.456	
	14 CONTRACTORS	273,777	2,137,760	0.584	0.562	0.689	
	TOTAL*	667,504	3,882,015	0.520	0.430	0.527	
	TOTAL ALL TOPS*	01 BUILDINGS	7,648,332	36,658,602	0.888	0.878	1.076
		02 RES. APTS. AND COND	521,473	2,853,930	0.880	0.967	1.185
		03 OFFICES	387,053	2,023,598	1.147	0.959	1.176
		04 MERCANTILE - HIGH	477,148	2,581,736	0.502	0.774	0.949
05 MERCANTILE - MEDIUM		198,927	1,089,369	1.727	1.191	1.460	
06 MERCANTILE - LOW		88,431	546,198	0.921	0.941	1.153	
07 MOTELS AND HOTELS		208,480	1,008,923	0.969	1.000	1.226	
08 INSTITUTIONAL - HIG		256,417	1,327,009	0.940	0.960	1.176	
09 INSTITUTIONAL - LOW		439,409	2,714,640	0.564	0.797	0.977	
10 INDUST-PROC - HIGH		156,658	873,149	0.350	0.387	0.475	
11 INDUST-PROC - LOW		635,787	3,868,233	0.354	0.390	0.478	
12 SERVICE - HIGH		630,779	2,869,060	0.345	0.384	0.471	
13 SERVICE - LOW		254,790	1,617,451	0.780	0.715	0.876	
14 CONTRACTORS		351,512	2,305,066	0.455	0.525	0.643	
TOTAL*	12,255,196	62,336,964	0.808	0.816	1.000		

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

EXPLANATORY NOTES TO TABLES 5 AND 6

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

INTRODUCTION The experience used in the relativity analysis and displayed in Tables 5 and 6 is the latest five years of accident year data as 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.

COLUMN (1) AGGREGATE LOSS COSTS

The latest year adjusted 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 formulae used in the simultaneous review procedure.

COLUMN (2) 5 - YEAR AGGREGATE LOSS COSTS

The combined five-year adjusted aggregate loss costs (adjusted as described above) are used to calculate the experience ratios in column (3).

COLUMN (3) FIVE-YEAR EXPERIENCE RATIOS

These are the ratio 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).

COLUMN (4) CREDIBILITY (Z) WEIGHTED EXPERIENCE RATIO

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).

EXPLANATORY NOTES TO TABLES 5 AND 6 (Cont'd)

COLUMN (4)
(Cont'd)

The important concept underlying empirical Bayesian credibility is that the credibility should depend both on the overall variation of the group of which the cell is a member, in addition to the variation of the yearly experience ratios for each cell. Therefore, if a cell's data is itself very stable then we would assign a relatively high credibility value, 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.

The calculated credibility (Z) is then applied to the five-year experience ratio with the complement of credibility applied to the credibility-weighted average of the individual experience ratios of the group, where group refers to the specified TOP/territory group. In a non-territory state, K values would be determined for the three TOP groups on an entire state basis.

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 7 - BASIC GROUP II RELATIVITY ANALYSIS

	(1) ACCIDENT YEAR ENDING 12/31/13 AGGR. LOSS COSTS AT CURRENT IMPLICIT PMF	(2) ACCIDENT YEARS 2004-2013 EXPER. RATIO AT CURRENT PMF	(3) FORMULA RELATIVITY (2)/ 1.466	(4) CREDI- BILITY Z C	(5) Z WEIGHTED RELA- TIVITY D	(6) BALANCED FORMULA RELA- TIVITY E	(7) NORMALIZED FORMULA RELA- TIVITY F	(8) INDICATED CHANGE G
MONOLINE	1,481,786	1.222	0.834	0.210	0.965	0.965	0.9554	
MULTILINE	9,627,785	1.504	1.026	0.658	1.017	1.017	1.0071	
COVERAGE	11,109,571	1.466	1.000			1.0101 B	1.0002	
MULTILINE TOP								
31 MOTEL/HOTEL	264,466	1.456	0.993	0.051	1.000	0.996	0.9860	+3.2%
32 APARTMENT	1,811,393	1.825	1.245	0.235	1.058	1.054	1.0435	+9.2%
33 OFFICE	350,970	1.406	0.959	0.071	0.997	0.993	0.9831	+2.9%
34 MERCANTILE	1,848,756	1.247	0.851	0.255	0.962	0.958	0.9484	-0.7%
35 INSTITUTIONAL	2,501,708	2.044	1.394	0.362	1.143	1.139	1.1276	+18.0%
36 SERVICES	1,685,372	0.914	0.623	0.243	0.908	0.904	0.8950	-6.3%
37 INDUST/PROCESS	789,812	1.137	0.776	0.149	0.967	0.963	0.9534	-0.2%
38 CONTRACTORS	375,308	1.157	0.789	0.073	0.985	0.981	0.9712	+1.7%
	9,627,785	1.504 B	1.026		1.021 B	1.017 B	1.0071 B	

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 - (6) = (5) * (1.017/1.021)

F - (7) = (6) / 1.0101

G - (8) = (NORMALIZED RELATIVITY FOR TOP) / (NORMALIZED MONOLINE RELATIVITY (TOP 10)) - 1

EXPLANATORY NOTES TO TABLE 7

BASIC GROUP II RELATIVITY ANALYSIS

OBJECTIVE

The explanations which follow clarify Table 7, the Basic Group II (BGII) relativity analysis. The purpose of this analysis is to:

- (1) determine the monoline loss cost level need;
- (2) determine indicated changes to the eight property Commercial Package Policy (CPP) Package Modification Factors (PMFs) based on Basic Group II experience.

COLUMN (1)

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)

10 - YEAR EXPERIENCE RATIO

These experience ratios are the ratio of the combined ten year CSP adjusted incurred losses (adjusted to current deductible and prospective cost levels including loss development, and also adjusted to reflect the BGII 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.

EXPLANATORY NOTES TO TABLE 7 (Cont'd)

COLUMN (3)
(Cont'd)

Unlike the BGI and SCL relativity analyses, the BGII 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.

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 adjusted aggregate 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 and the monoline balanced formula relativity, divided by the current IPMF.

EXPLANATORY NOTES TO TABLE 7 (Cont'd)

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)

INDICATED LOSS COST CHANGES

The indicated multiline (by TOP) changes are calculated by taking the ratio of the TOP relativity (Column 7) to the monoline relativity.

For each 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.

CRIME AND FIDELITY

Crime and Fidelity filing CR-2013-RLA1 revised advisory prospective loss costs for both the Burglary and Theft and the Fidelity coverages. The reviews for Burglary and Theft and for Fidelity were done on a multistate basis, combining both multiline and monoline experience. However, unlike other coverages included in a Commercial Package Policy, there is no simultaneous review procedure for either Burglary and Theft or for Fidelity in which separate loss cost level changes can be determined for multiline and monoline experience. In the absence of a simultaneous review procedure we are unable to determine Type of Policy relativities with which to price CPP policies relative to monoline policies and therefore have assumed a multiline change of 0.0% and thus no change to the historic Crime or Fidelity IPMFs.

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TABLE 8

COMMERCIAL I.M. RELATIVITY ANALYSIS

(1)	(2)	(3)	(4)	(5)
<u>TOP</u>	<u>BALANCED</u>	<u>CURRENT</u>	<u>INDICATED</u>	<u>SELECTED</u>
<u>10</u>	<u>RELATIVITY</u>	<u>IPMF</u>	<u>IPMF*</u>	<u>IPMF</u>
3X & 7X	0.904	0.658	0.838	0.838
	1.151			

CLASSIFICATION

150	0.601
191	1.351
192	0.900
220	0.933
221	0.944
234	1.056
235	0.809
240	0.982
241	0.826
327	0.944
328	1.663
340	0.944
341	0.944
342	0.947
343	0.944
403	0.873
451	0.823
452	0.802
453	1.140
454	0.857
460	0.746
482	0.906
510	0.712
514	0.992
530	0.593
534	0.944

*COLUMN(4) = COLUMN(3) * (TOP 3X & 7X COLUMN(2) / TOP 10 COLUMN(2))

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COMMERCIAL INLAND MARINE RELATIVITY ANALYSIS
 TABLE 9 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	RATING GROUP	(1)	(2)	(3)	(4)
		2012 AGGREGATE LOSS COSTS	2008 - 2012 AGGREGATE LOSS COSTS	FIVE-YEAR EXP RATIO	RELATIVITY
MONOLINE 10	150	314,481	1,654,242	1.821	1.726
	191	2,616,974	9,783,792	1.589	1.506
	192	451,946	1,333,293	0.827	0.784
	220	16,517	76,263	0.123	0.117
	221	420	3,767	0.000	0.000
	234	2,886,563	13,221,606	0.895	0.848
	235	4,322,297	12,302,495	0.726	0.688
	240	1,025,405	4,604,627	0.982	0.931
	241	101,927	136,118	0.006	0.006
	327	30,551	146,499	0.000	0.000
	328	2,992,830	13,607,177	1.940	1.839
	340	6,165	36,694	0.000	0.000
	341	0	0	0.000	0.000
	342	312	2,495	0.000	0.000
	343	189	1,238	0.000	0.000
	403	1,592,716	6,914,972	0.840	0.796
	451	3,490,297	14,442,401	0.747	0.708
	452	30,138	258,095	0.407	0.386
	453	69,657	654,373	2.681	2.541
	454	130,725	640,114	1.070	1.014
	460	696,560	2,902,338	0.610	0.578
	482	374,148	1,581,934	0.904	0.857
	510	6,360	615,925	0.010	0.009
	514	274,664	837,150	1.304	1.236
	530	611,790	2,859,730	0.609	0.577
	534	0	0	0.000	0.000
	TOTAL#	22,043,632	88,617,338	1.062	1.007

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COMMERCIAL INLAND MARINE RELATIVITY ANALYSIS
TABLE 9 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

<u>TYPE OF POLICY</u>	<u>RATING</u>	(1) <u>2012 AGGREGATE</u>	(2) <u>2008 - 2012</u>	(3) <u>FIVE-YEAR</u>	(4) <u>RELATIVITY</u>
	<u>GROUP</u>	<u>LOSS COSTS</u>	<u>AGGREGATE LOSS COSTS</u>	<u>EXP RATIO</u>	
MULTILINE ##	150	686,436	3,559,065	0.218	0.207
3X & 7X	191	520,076	3,323,494	0.294	0.279
	192	125,035	541,798	0.123	0.117
	220	7,259	40,958	2.123	2.012
	221	1,973	1,976	0.000	0.000
	234	8,851,774	34,698,590	1.332	1.263
	235	453,584	2,061,616	0.980	0.929
	240	19,212	79,884	0.686	0.650
	241	1,285	19,439	0.154	0.146
	327	3,737	33,807	0.000	0.000
	328	1,243	2,300,771	0.090	0.085
	340	14,287	44,435	0.000	0.000
	341	0	0	0.000	0.000
	342	6,087	13,229	2.856	2.707
	343	1,177	18,232	0.000	0.000
	403	627,883	2,958,349	0.816	0.773
	451	60,904	767,202	0.257	0.244
	452	53,970	167,315	0.037	0.035
	453	14,504	619,945	0.009	0.009
	454	176,845	865,789	0.523	0.496
	460	1,909,565	7,703,894	0.816	0.773
	482	167,518	1,082,690	0.594	0.563
	510	19,126	77,189	0.094	0.089
	514	59,794	270,168	0.224	0.212
	530	768,596	3,566,453	0.373	0.354
	534	0	0	0.000	0.000
	TOTAL#	14,551,870	64,816,288	1.043	0.989

REFLECTS CURRENT IPMF OF 0.658.

COLORADO

COMMERCIAL INLAND MARINE RELATIVITY ANALYSIS
TABLE 9 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

<u>TYPE OF POLICY</u>	<u>RATING</u>	(1) <u>2012 AGGREGATE</u>	(2) <u>2008 - 2012</u>	(3) <u>FIVE-YEAR</u>	(4) <u>RELATIVITY</u>
	<u>GROUP</u>	<u>LOSS COSTS</u>	<u>AGGREGATE LOSS COSTS</u>	<u>EXP RATIO</u>	
TOTAL ALL TOPS#	150	1,000,917	5,213,307	0.722	0.684
	191	3,137,050	13,107,286	1.374	1.302
	192	576,981	1,875,091	0.674	0.639
	220	23,776	117,221	0.734	0.696
	221	2,393	5,743	0.000	0.000
	234	11,738,337	47,920,196	1.225	1.161
	235	4,775,881	14,364,111	0.750	0.711
	240	1,044,617	4,684,511	0.977	0.926
	241	103,212	155,557	0.008	0.008
	327	34,288	180,306	0.000	0.000
	328	2,994,073	15,907,948	1.939	1.838
	340	20,452	81,129	0.000	0.000
	341	0	0	0.000	0.000
	342	6,399	15,724	2.717	2.575
	343	1,366	19,470	0.000	0.000
	403	2,220,599	9,873,321	0.833	0.790
	451	3,551,201	15,209,603	0.739	0.700
	452	84,108	425,410	0.170	0.161
	453	84,161	1,274,318	2.221	2.105
	454	307,570	1,505,903	0.755	0.716
	460	2,606,125	10,606,232	0.761	0.721
	482	541,666	2,664,624	0.808	0.766
	510	25,486	693,114	0.073	0.069
	514	334,458	1,107,318	1.111	1.053
	530	1,380,386	6,426,183	0.478	0.453
	534	0	0	0.000	0.000
	TOTAL#	36,595,502	153,433,626	1.055	1.000

TOTAL IN COLUMN (3) IS AN AVERAGE USING COLUMN (1) AS WEIGHTS.

EXPLANATORY NOTES TO TABLES 8 AND 9

COMMERCIAL INLAND MARINE RELATIVITY ANALYSIS

EXPERIENCE
BASE

The Commercial Inland Marine IPMF review presented in the attached exhibits is based on a review of the latest available five years of monoline and multiline experience through accident year 2012 for all companies reporting data to Insurance Services Office under the Inland Marine Module of the Commercial Statistical Plan (CSP) and the Intermediate Level of the Commercial Minimum Statistical Plan (CMSP).

ADJUSTMENT
OF DATA

Aggregate loss costs for each year in the review period have been adjusted to the levels which would have been earned had the current loss costs applied throughout the experience period. Reported premiums are adjusted to current level on an individual policy basis by applying a factor equal to all loss cost level changes that have been implemented subsequent to the policy being written. These adjusted premiums are then converted to a loss cost at current level. In order to eliminate the impact of company deviations from the manual level and individual risk modifications which were in effect at the time the policy was written, aggregate loss costs are further adjusted based on reported Rate Modification and Rate Departure Factors/Loss Cost Multipliers. Multiline aggregate loss costs are further adjusted to the level of the current Implicit Package Modification Factor (IPMF). Incurred losses are loaded for all loss adjustment expenses by applying a factor of 1.105.

RELATIVITY
ANALYSIS

For Inland Marine coverage, a multistate IPMF level is determined via a two-way relativity analysis similar to the analysis used in Basic Group I. The experience for all reviewed classes is used to form class group relativities. These relativities for monoline and multiline (all programs combined) are determined through an iterative procedure. The ratio of the multiline relativity to the monoline relativity is multiplied by the current IPMF to yield the indicated IPMF. The indicated IPMF is subject to a minimum value of 0.500 and a maximum value of 1.500. If an indicated IPMF falls outside one of those limits, it is capped at that amount, the premiums for that Type of Policy (i.e., TOP 10 versus TOP 3X) are adjusted to the capped IPMF level, and the entire relativity review is reperformed to take this into account.

TABLE 10
 COLORADO
 OWNERS, LANDLORDS AND TENANTS
 BASIC LIMIT RELATIVE CHANGE ANALYSIS

	(1) BAILEY FORMULA RELATIV.	(2) CREDIBILITY Z	(3) Z-WTD RELATIV.	(4) BALANCED RELATIV.	(5) INDICATED CHANGE *
TOP					
10	1.211	0.217	1.042	1.045	
31	1.619	0.103	1.051	1.054	+0.9%
32	1.418	0.146	1.052	1.055	+1.0%
33	0.886	0.153	0.982	0.984	-5.8%
34	0.879	0.206	0.974	0.976	-6.6%
35	0.584	0.181	0.907	0.910	-12.9%
36	1.075	0.109	1.008	1.010	-3.3%
CLASS GROUP					
01	0.763	0.045	0.988	0.993	
02	0.492	0.145	0.902	0.907	
03	1.110	0.122	1.013	1.019	
04	2.203	0.028	1.022	1.028	
05	1.218	0.034	1.007	1.012	
06	0.443	0.042	0.966	0.972	
07	1.197	0.115	1.021	1.027	
08	2.352	0.033	1.029	1.034	
09	0.537	0.122	0.927	0.932	
10	1.334	0.184	1.054	1.060	
11	1.328	0.124	1.036	1.042	
12	0.981	0.259	0.995	1.001	
13	0.935	0.046	0.997	1.003	
16	0.097	0.000	1.000	1.006	
TERRITORY					
1	0.960	0.289	0.988	0.989	
2	1.044	0.327	1.014	1.015	

* INDICATED CHANGE = (BALANCED RELATIVITY FOR TOP) / (MONOLINE RELATIVITY (TOP 10)) - 1

TABLE 11
 COLORADO
 MANUFACTURERS AND CONTRACTORS
 BASIC LIMIT RELATIVE CHANGE ANALYSIS

TOP	(1) BAILEY FORMULA RELATIV.	(2) CREDIBILITY Z	(3) Z-WTD RELATIV.	(4) BALANCED RELATIV.	(5) INDICATED CHANGE *
10	0.818	0.224	0.956	0.957	
33	1.236	0.034	1.007	1.009	+5.4%
34 *	-	-	0.956	0.957	0.0%
35	1.508	0.041	1.017	1.018	+6.4%
36	0.889	0.123	0.986	0.987	+3.1%
37	0.796	0.081	0.982	0.983	+2.7%
38	1.429	0.220	1.082	1.083	+13.2%
*TOP 34	IMPLICIT PMF CAPPED AT 1.500				

CLASS
GROUP

30	0.731	0.096	0.970	0.965
31	0.874	0.142	0.981	0.975
32	1.169	0.233	1.037	1.031
33	0.979	0.114	0.998	0.992
34	0.950	0.099	0.995	0.989
35	0.629	0.027	0.988	0.982
36	0.340	0.055	0.942	0.937
37	1.132	0.042	1.005	0.999
38	1.303	0.104	1.028	1.022

* INDICATED CHANGE = (BALANCED RELATIVITY FOR TOP) / (MONOLINE RELATIVITY (TOP 10)) - 1

TABLE 12
 COLORADO
 OWNERS, LANDLORDS AND TENANTS
 BASIC LIMIT RELATIVE CHANGE ANALYSIS

 SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TERRITORY	ALL	(1)	(2)	(3)	(4)	(5)	(6)	
		CALENDAR A.Y.E. 12/31/2013 AGGREGATE LOSS COSTS AT CURRENT LEVEL	CALENDAR A.Y.E. 2009 - 2013 AGG LOSS COST CURRENT LEVEL	FIVE YEAR EXPERIENCE RATIO	RELATIV.	NUMBER OF OCCURRENCES	BAL CELL RELATIV.	
TYPE OF POLICY	CLASS GROUP							
10 MONOLINE	01 FOOD&BEV. (RETAIL)	\$32,386	\$119,877	0.944		5		
	02 RESTAURANTS	289,400	1,295,826	0.312		45		
	03 STORES	159,044	665,931	1.813		110		
	04 VENDING & RENTAL	9,467	35,350	0.403		5		
	05 FOOD & BEV. DIST.	18,549	41,833	4.493		4		
	06 NON-FOOD&BEV.DIST	28,576	133,235	0.375		4		
	07 CLUBS,AMSMT&SPRTS	320,755	1,663,888	2.359		135		
	08 HEALTH CARE FACIL	16,128	42,774	0.010		1		
	09 HOTELS AND MOTELS	249,227	1,008,722	0.755		72		
	10 SCHLS & CHURCHES	279,773	1,270,648	0.958		70		
	11 APARTMENTS	368,901	1,195,956	1.856		75		
	12 BUILDINGS&OFFICES	1,720,309	7,152,873	0.941		321		
	13 MISC. PREMISES	46,850	174,096	1.346		6		
	16 GOVT SUBDIVISIONS	142	4,405	0.000		0		
		TOTAL *	\$3,539,507	\$14,805,414	1.155		853	
	31 MULT MOTEL/HOTEL	09 HOTELS AND MOTELS	\$512,929	\$3,007,672	0.851		193	
TOTAL *		\$512,929	\$3,007,672	0.851		193		
32 MULT APARTMENT	11 APARTMENTS	\$879,824	\$4,055,327	1.633		205		
	12 BUILDINGS&OFFICES	509,401	2,652,954	1.583		182		
	TOTAL *	\$1,389,225	\$6,708,281	1.615		387		
33 MULT OFFICE	12 BUILDINGS&OFFICES	\$2,886,453	\$13,802,029	0.825		422		
	13 MISC. PREMISES	11,158	73,981	0.750		3		
	TOTAL *	\$2,897,611	\$13,876,010	0.825		425		
34 MULT MERCANTILE	01 FOOD&BEV. (RETAIL)	\$162,178	\$722,501	0.650		33		
	02 RESTAURANTS	1,374,698	7,576,627	0.472		338		
	03 STORES	574,890	2,517,396	0.841		146		
	04 VENDING & RENTAL	5,345	108,836	1.558		4		
	05 FOOD & BEV. DIST.	102,322	471,043	0.467		18		
	06 NON-FOOD&BEV.DIST	148,171	663,073	0.401		29		
	12 BUILDINGS&OFFICES	718,866	3,311,385	0.873		203		
	TOTAL *	\$3,086,470	\$15,370,861	0.641		771		

TABLE 12
 COLORADO
 OWNERS, LANDLORDS AND TENANTS
 BASIC LIMIT RELATIVE CHANGE ANALYSIS

 SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TERRITORY	ALL	(1)	(2)	(3)	(4)	(5)	(6)
		CALENDAR A.Y.E. 12/31/2013 AGGREGATE LOSS COSTS AT CURRENT LEVEL	CALENDAR A.Y.E. 2009 - 2013 AGG LOSS COST CURRENT LEVEL	FIVE YEAR EXPERIENCE RATIO	RELATIV.	NUMBER OF OCCURRENCES	BAL CELL RELATIV.
TYPE OF POLICY	CLASS GROUP						
35 MULT INSTITUT.	07 CLUBS, AMSMT&SPRTS	\$388,502	\$636,327	0.091		18	
	08 HEALTH CARE FACIL	64,491	369,753	2.081		19	
	10 SCHLS & CHURCHES	1,032,353	5,742,156	0.926		544	
	12 BUILDINGS&OFFICES	13,299	246,410	0.106		10	
	13 MISC. PREMISES	74,457	349,449	0.772		5	
	16 GOVT SUBDIVISIONS	13,284	266,790	0.058		0	
	TOTAL *	\$1,586,386	\$7,610,885	0.747		596	
36 MULT SERVICES	03 STORES	\$78,339	\$425,196	0.816		14	
	04 VENDING & RENTAL	16,579	86,260	3.663		6	
	07 CLUBS, AMSMT&SPRTS	311,719	1,665,390	1.024		87	
	08 HEALTH CARE FACIL	2,360	3,662	0.000		0	
	09 HOTELS AND MOTELS	82,251	217,950	0.150		7	
	10 SCHLS & CHURCHES	6,204	36,345	0.022		1	
	12 BUILDINGS&OFFICES	236,917	1,063,934	1.638		74	
	13 MISC. PREMISES	75,068	528,333	0.564		25	
TOTAL *	\$809,437	\$4,027,070	1.095		214		
TOTAL ALL	TOP						
	01 FOOD&BEV. (RETAIL)	\$194,564	\$842,378	0.699		38	
	02 RESTAURANTS	1,664,098	8,872,453	0.444		383	
	03 STORES	812,273	3,608,523	1.029		270	
	04 VENDING & RENTAL	31,391	230,446	2.321		15	
	05 FOOD & BEV. DIST.	120,871	512,876	1.085		22	
	06 NON-FOOD&BEV.DIST	176,747	796,308	0.397		33	
	07 CLUBS, AMSMT&SPRTS	1,020,976	3,965,605	1.088		240	
	08 HEALTH CARE FACIL	82,979	416,189	1.619		20	
	09 HOTELS AND MOTELS	844,407	4,234,344	0.754		272	
	10 SCHLS & CHURCHES	1,318,330	7,049,149	0.929		615	
	11 APARTMENTS	1,248,725	5,251,283	1.699		280	
	12 BUILDINGS&OFFICES	6,085,245	28,229,585	0.957		1,212	
	13 MISC. PREMISES	207,533	1,125,859	0.825		39	
	16 GOVT SUBDIVISIONS	13,426	271,195	0.057		0	
	TOTAL *	\$13,821,565	\$65,406,193	0.956		3,439	

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

TABLE 13
 COLORADO
 MANUFACTURERS AND CONTRACTORS
 BASIC LIMIT RELATIVE CHANGE ANALYSIS

 SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1)	(2)	(3)	(4)	(5)	(6)	
		CALENDAR A.Y.E. 12/31/2013 AGGREGATE LOSS COSTS AT CURRENT LEVEL	CALENDAR A.Y.E. 2009 - 2013 AGG LOSS COST CURRENT LEVEL	FIVE YEAR EXPERIENCE RATIO	RELATIV.	NUMBER OF OCCURRENCES	BAL CELL RELATIV.	
10 MONOLINE	30 SERVICE	\$254,875	\$1,225,302	0.516	0.583	31	0.924	
	31 LIGHT CONTRACTING	613,234	3,089,997	0.575	0.650	98	0.934	
	32 MEDIUM CONTRCTING	2,876,666	13,672,988	0.751	0.849	448	0.987	
	33 HEAVY CONTRACTING	1,140,758	5,770,737	0.917	1.037	134	0.949	
	34 DEALER OR DISTRIB	207,092	763,517	1.084	1.225	31	0.947	
	35 LGT. MANUFACTURER	10,761	57,282	0.000	0.000	0	0.940	
	36 MED. MANUFACTURER	378,410	1,119,671	0.344	0.389	14	0.897	
	37 HVY. MANUFACTURER	58,657	268,486	1.825	2.063	5	0.957	
	38 MISC. OPERATION	136,069	812,307	0.666	0.753	47	0.978	
	TOTAL *	\$5,676,522	\$26,780,287	0.748		808		
33 MULT OFFICE	31 LIGHT CONTRACTING	\$31,665	\$128,812	0.000	0.000	0	0.984	
	32 MEDIUM CONTRCTING	8,742	41,216	1.039	1.175	2	1.040	
	33 HEAVY CONTRACTING	70,755	303,377	0.374	0.422	5	1.000	
	38 MISC. OPERATION	55,758	289,046	2.875	3.250	14	1.031	
		TOTAL *	\$166,920	\$762,451	1.173		21	
34 MULT MERCANTILE	30 SERVICE	\$44,213	\$257,231	1.001	1.131	6	0.924	
	32 MEDIUM CONTRCTING	82,450	336,110	2.193	2.480	11	0.987	
	34 DEALER OR DISTRIB	527,446	2,521,252	0.342	0.387	59	0.947	
	38 MISC. OPERATION	99,173	418,159	1.126	1.273	22	0.978	
		TOTAL *	\$753,282	\$3,532,752	0.687		98	
35 MULT INSTITUT.	31 LIGHT CONTRACTING	\$7,690	\$49,093	4.030	4.556	7	0.993	
	32 MEDIUM CONTRCTING	83,250	387,678	1.288	1.457	24	1.050	
		TOTAL *	\$90,940	\$436,771	1.520		31	
36 MULT SERVICES	30 SERVICE	\$26,419	\$173,808	2.222	2.512	25	0.952	
	31 LIGHT CONTRACTING	165,102	1,085,723	0.490	0.554	45	0.963	
	32 MEDIUM CONTRCTING	69,563	333,611	0.264	0.298	5	1.018	
	33 HEAVY CONTRACTING	38,623	201,087	0.152	0.172	4	0.979	
	34 DEALER OR DISTRIB	197,149	1,117,407	1.241	1.403	82	0.976	
	36 MED. MANUFACTURER	16,294	52,867	0.033	0.037	1	0.925	
	38 MISC. OPERATION	233,224	1,629,405	0.863	0.975	111	1.009	
		TOTAL *	\$746,374	\$4,593,908	0.818		273	

TABLE 13
 COLORADO
 MANUFACTURERS AND CONTRACTORS
 BASIC LIMIT RELATIVE CHANGE ANALYSIS

 SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1)	(2)	(3)	(4)	(5)	(6)
		CALENDAR A.Y.E. 12/31/2013 AGGREGATE LOSS COSTS AT CURRENT LEVEL	CALENDAR A.Y.E. 2009 - 2013 AGG LOSS COST CURRENT LEVEL	FIVE YEAR EXPERIENCE RATIO	RELATIV.	NUMBER OF OCCURRENCES	BAL CELL RELATIV.
37 MULT INDUST/PROC.	31 LIGHT CONTRACTING	\$358	\$2,012	0.000	0.000	0	0.959
	32 MEDIUM CONTRCTING	79,831	454,698	1.448	1.637	18	1.014
	33 HEAVY CONTRACTING	222,849	1,299,846	0.759	0.858	11	0.975
	34 DEALER OR DISTRIB	12,968	61,309	2.757	3.117	7	0.972
	35 LGT. MANUFACTURER	83,116	405,520	0.500	0.565	14	0.965
	36 MED. MANUFACTURER	784,839	3,559,940	0.196	0.221	41	0.921
	37 HVY. MANUFACTURER	365,959	1,653,332	0.632	0.714	27	0.982
	38 MISC. OPERATION	8,099	46,082	0.269	0.305	3	1.005
	TOTAL *	\$1,558,019	\$7,482,739	0.481		121	
38 MULT CONTRACTORS	30 SERVICE	\$442,533	\$2,186,200	0.772	0.873	106	1.045
	31 LIGHT CONTRACTING	651,676	4,023,010	1.214	1.373	214	1.056
	32 MEDIUM CONTRCTING	1,840,690	10,669,439	1.573	1.779	473	1.117
	33 HEAVY CONTRACTING	740,468	3,673,269	0.983	1.111	82	1.074
	38 MISC. OPERATION	7,323	52,084	0.039	0.044	1	1.107
		TOTAL *	\$3,682,690	\$20,604,002	1.292		876
TOTAL ALL TOP	30 SERVICE	\$768,040	\$3,842,541	0.750		168	
	31 LIGHT CONTRACTING	1,469,725	8,378,647	0.854		364	
	32 MEDIUM CONTRCTING	5,041,192	25,895,740	1.089		981	
	33 HEAVY CONTRACTING	2,213,453	11,248,316	0.892		236	
	34 DEALER OR DISTRIB	944,655	4,463,485	0.725		179	
	35 LGT. MANUFACTURER	93,877	462,802	0.442		14	
	36 MED. MANUFACTURER	1,179,543	4,732,478	0.241		56	
	37 HVY. MANUFACTURER	424,616	1,921,818	0.797		32	
	38 MISC. OPERATION	539,646	3,247,083	1.049		198	
	TOTAL *	\$12,674,747	\$64,192,910	0.884		2,228	

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

TABLE 14
 COLORADO
 PRODUCTS
 BASIC LIMIT RELATIVE CHANGE ANALYSIS

TOP	(1) BAILEY FORMULA RELATIV.	(2) CREDIBILITY Z	(3) Z-WTD RELATIV.	(4) BALANCED RELATIV.	(5) INDICATED CHANGE *
10	0.835	0.389	0.932	0.929	
34	1.025	0.444	1.011	1.008	+8.5%
36	1.278	0.231	1.058	1.055	+13.6%
37	1.073	0.578	1.041	1.038	+11.7%
CLASS GROUP					
3	1.127	0.580	1.072	1.058	
4	0.980	0.463	0.991	0.979	
5	0.773	0.122	0.969	0.957	
6	1.009	0.372	1.003	0.991	
7	0.774	0.176	0.956	0.944	

* INDICATED CHANGE = (BALANCED RELATIVITY FOR TOP) / (MONOLINE RELATIVITY (TOP 10)) - 1

NOTE: THE INDICATED CHANGES BY TOP WERE FURTHER ADJUSTED BY THE
 FOLLOWING DIFFERENTIALS: TOP 34: 1.039
 TOP 36: 1.031
 TOP 37: 1.114

TABLE 15
MULTISTATE
PRODUCTS
BASIC LIMIT RELATIVE CHANGE ANALYSIS

SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1)	(2)	(3)	(4)	(5)	(6)
		CALENDAR A.Y.E. 12/31/2013 AGGREGATE LOSS COSTS AT CURRENT LEVEL	CALENDAR A.Y.E. 2009 - 2013 AGG LOSS COST CURRENT LEVEL	FIVE YEAR EXPERIENCE RATIO	RELATIV.	NUMBER OF OCCURRENCES	BAL CELL RELATIV.
10 MONOLINE	03 MAN, DLR, DSTFD/DRG	\$16,536,214	\$67,523,384	1.071	0.989	1,658	0.983
	04 DLR, DST-NOTFD/DRG	11,186,953	41,139,189	0.891	0.823	565	0.909
	05 MAN.NTFD/DRG (LOW)	1,914,235	8,808,823	0.387	0.358	48	0.889
	06 MAN.NTFD/DRG (MED)	9,673,966	47,693,417	0.845	0.781	607	0.920
	07 MAN.NTFD/DRG (HGH)	3,149,312	11,922,955	0.795	0.735	152	0.877
	TOTAL *	\$42,460,680	\$177,087,768	0.921		3,030	
34 MULT MERCANTILE	03 MAN, DLR, DSTFD/DRG	\$5,919,769	\$29,644,057	1.262	1.166	1,271	1.066
	04 DLR, DST-NOTFD/DRG	34,403,785	173,361,305	1.086	1.003	2,674	0.986
	06 MAN.NTFD/DRG (MED)	18,531	61,062	0.000	0.000	0	0.998
	TOTAL *	\$40,342,085	\$203,066,424	1.111		3,945	
36 MULT SERVICES	04 DLR, DST-NOTFD/DRG	\$4,560,684	\$22,242,189	1.355	1.252	1,061	1.032
	06 MAN.NTFD/DRG (MED)	82,327	383,106	1.438	1.329	7	1.045
	TOTAL *	\$4,643,011	\$22,625,295	1.356		1,068	
37 MULT INDUST/PROC.	03 MAN, DLR, DSTFD/DRG	\$20,584,794	\$98,014,714	1.262	1.166	3,814	1.098
	05 MAN.NTFD/DRG (LOW)	4,969,801	27,926,556	1.018	0.940	250	0.993
	06 MAN.NTFD/DRG (MED)	29,239,676	141,165,738	1.193	1.103	2,165	1.028
	07 MAN.NTFD/DRG (HGH)	10,419,262	45,896,931	0.870	0.804	469	0.980
	TOTAL *	\$65,213,533	\$313,003,939	1.150		6,698	
TOTAL ALL TOP	03 MAN, DLR, DSTFD/DRG	\$43,040,777	\$195,182,155	1.188		6,743	
	04 DLR, DST-NOTFD/DRG	50,151,422	236,742,683	1.067		4,300	
	05 MAN.NTFD/DRG (LOW)	6,884,036	36,735,379	0.842		298	
	06 MAN.NTFD/DRG (MED)	39,014,500	189,303,323	1.107		2,779	
	07 MAN.NTFD/DRG (HGH)	13,568,574	57,819,886	0.853		621	
	TOTAL *	\$152,659,309	\$715,783,426	1.082		14,741	

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

TABLE 16
 COLORADO
 LOCAL PRODUCTS/COMPLETED OPERATIONS
 BASIC LIMIT RELATIVE CHANGE ANALYSIS

	(1) BAILEY FORMULA RELATIV.	(2) CREDIBILITY Z	(3) Z-WTD RELATIV.	(4) BALANCED RELATIV.	(5) INDICATED CHANGE *
TOP					
10	0.990	0.812	0.992	0.992	
34	1.061	0.612	1.037	1.037	+4.5%
36	1.080	0.553	1.044	1.044	+5.2%
37	1.028	0.168	1.005	1.004	+1.2%
38	0.991	1.000	0.991	0.991	-0.1%
CLASS GROUP					
1	0.908	0.607	0.943	0.938	
2	0.910	0.544	0.950	0.945	
11	1.111	0.347	1.037	1.031	
12	1.021	1.000	1.021	1.015	
13	0.858	0.309	0.954	0.948	

* INDICATED CHANGE = (BALANCED RELATIVITY FOR TOP) / (MONOLINE RELATIVITY (TOP 10)) - 1

TABLE 16
MULTISTATE
LOCAL PRODUCTS/COMPLETED OPERATIONS
BASIC LIMIT RELATIVE CHANGE ANALYSIS *

STATE	(1) BAILEY FORMULA RELATIV.	(2) CREDIBILITY Z	(3) Z-WTD RELATIV.	(4) BALANCED RELATIV.
	1.502	0.386	1.170	1.165
	1.153	0.651	1.097	1.093
	1.219	0.404	1.083	1.079
	1.235	0.357	1.078	1.074
	1.175	0.430	1.072	1.068
	1.272	0.287	1.072	1.067
	1.172	0.241	1.039	1.035
	1.222	0.193	1.039	1.035
COLORADO	1.089	0.413	1.036	1.032
	1.097	0.363	1.034	1.030
	1.194	0.183	1.033	1.029
	1.088	0.333	1.028	1.024
	1.039	0.615	1.024	1.020
	1.044	0.503	1.022	1.018
	1.043	0.395	1.017	1.013
	1.025	0.643	1.016	1.012
	1.024	0.556	1.013	1.009
	1.066	0.180	1.012	1.008
	1.012	0.583	1.007	1.003
	1.004	0.406	1.002	0.998
	0.999	0.457	1.000	0.996
	0.992	0.228	0.998	0.994
	0.989	0.313	0.996	0.992
	0.981	0.411	0.992	0.988
	0.980	0.516	0.990	0.986
	0.961	0.254	0.990	0.986
	0.946	0.247	0.986	0.982
	0.961	0.402	0.984	0.980
	0.963	0.462	0.983	0.979
	0.970	0.623	0.981	0.978
	0.902	0.240	0.975	0.972
	0.776	0.100	0.975	0.971
	0.938	0.449	0.972	0.968
	0.877	0.234	0.970	0.966
	0.916	0.347	0.970	0.966
	0.851	0.229	0.964	0.960
	0.792	0.160	0.963	0.960
	0.932	0.562	0.961	0.958
	0.757	0.140	0.962	0.958
	0.833	0.223	0.960	0.956
	0.881	0.330	0.959	0.955
	0.917	0.499	0.958	0.954
	0.781	0.209	0.950	0.946
	0.811	0.250	0.949	0.945
	0.787	0.257	0.940	0.937
	0.655	0.167	0.932	0.928
	0.774	0.323	0.921	0.917
	0.353	0.085	0.915	0.912
	0.545	0.154	0.911	0.907
	0.635	0.250	0.893	0.889
	0.514	0.176	0.890	0.886
	0.361	0.122	0.883	0.880

* Sorted by balanced relative change.

TABLE 17
 COLORADO
 LOCAL PRODUCTS/COMPLETED OPERATIONS
 BASIC LIMIT RELATIVE CHANGE ANALYSIS

 SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1)	(2)	(3)	(4)	(5)	(6)
		CALENDAR A.Y.E. 12/31/2013 AGGREGATE LOSS COSTS AT CURRENT LEVEL	CALENDAR A.Y.E. 2009 - 2013 AGG LOSS COST CURRENT LEVEL	FIVE YEAR EXPERIENCE RATIO	RELATIV.	NUMBER OF OCCURRENCES	BAL CELL RELATIV.
10 MONOLINE	01 RET.STRS-FOOD/DRG	\$35,253	\$160,868	0.711	0.753	5	0.959
	02 RET.STRS-NTFD/DRG	41,559	207,020	0.251	0.265	7	0.967
	11 COMP. OPS. (LOW)	145,844	864,641	0.645	0.683	12	1.055
	12 COMP. OPS. (MED)	3,610,878	19,018,110	0.623	0.659	174	1.039
	13 COMP. OPS. (HGH)	450,787	2,494,043	0.447	0.473	8	0.970
	TOTAL *	\$4,284,321	\$22,744,682	0.602		206	
34 MULT MERCANTILE	01 RET.STRS-FOOD/DRG	\$328,335	\$1,635,898	0.451	0.478	73	1.003
	02 RET.STRS-NTFD/DRG	258,976	1,051,634	0.551	0.583	10	1.010
	12 COMP. OPS. (MED)	81,941	421,291	0.117	0.124	2	1.086
	TOTAL *	\$669,252	\$3,108,823	0.449		85	
36 MULT SERVICES	01 RET.STRS-FOOD/DRG	\$7,682	\$42,091	0.046	0.048	1	1.009
	02 RET.STRS-NTFD/DRG	192,831	864,418	1.042	1.103	40	1.017
	11 COMP. OPS. (LOW)	77,520	185,583	0.442	0.468	6	1.110
	12 COMP. OPS. (MED)	52,936	326,979	1.370	1.450	12	1.093
	13 COMP. OPS. (HGH)	28,633	150,087	0.305	0.322	6	1.021
	TOTAL *	\$359,602	\$1,569,158	0.881		65	
37 MULT INDUST/PROC.	01 RET.STRS-FOOD/DRG	\$1,452	\$1,584	0.000	0.000	0	0.972
	11 COMP. OPS. (LOW)	3,632	15,641	0.000	0.000	0	1.068
	12 COMP. OPS. (MED)	112,782	640,874	0.295	0.312	8	1.052
	13 COMP. OPS. (HGH)	10,571	41,013	0.000	0.000	0	0.983
	TOTAL *	\$128,437	\$699,112	0.259		8	
38 MULT CONTRACTORS	11 COMP. OPS. (LOW)	\$327,746	\$2,008,217	2.325	2.461	45	1.054
	12 COMP. OPS. (MED)	5,981,995	30,564,602	1.384	1.465	502	1.038
	13 COMP. OPS. (HGH)	429,320	1,979,550	0.663	0.702	28	0.970
	TOTAL *	\$6,739,061	\$34,552,369	1.384		575	
TOTAL ALL TOP	01 RET.STRS-FOOD/DRG	\$372,722	\$1,840,441	0.466		79	
	02 RET.STRS-NTFD/DRG	493,366	2,123,072	0.718		57	
	11 COMP. OPS. (LOW)	554,742	3,074,082	1.605		63	
	12 COMP. OPS. (MED)	9,840,532	50,971,856	1.082		698	
	13 COMP. OPS. (HGH)	919,311	4,664,693	0.538		42	
	TOTAL *	\$12,180,673	\$62,674,144	1.031		939	

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

TABLE 18
MULTISTATE
LOCAL PRODUCTS/COMPLETED OPERATIONS
BASIC LIMIT RELATIVE CHANGE ANALYSIS

SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1)	(2)	(3)	(4)	(5)	(6)
		CALENDAR A.Y.E. 12/31/2013 AGGREGATE LOSS COSTS AT CURRENT LEVEL	CALENDAR A.Y.E. 2009 - 2013 AGG LOSS COST CURRENT LEVEL	FIVE YEAR EXPERIENCE RATIO	RELATIV.	NUMBER OF OCCURRENCES	BAL CELL RELATIV.
10 MONOLINE	01 RET.STRS-FOOD/DRG	\$3,804,932	\$14,529,929	0.631		739	
	02 RET.STRS-NTFD/DRG	3,497,865	18,088,088	0.888		560	
	11 COMP. OPS. (LOW)	3,897,760	20,827,151	1.001		410	
	12 COMP. OPS. (MED)	90,710,799	466,256,266	0.960		7,796	
	13 COMP. OPS. (HGH)	12,058,603	57,404,696	0.795		406	
	TOTAL *	\$113,969,959	\$577,106,130	0.931		9,911	
34 MULT MERCANTILE	01 RET.STRS-FOOD/DRG	\$11,940,248	\$58,340,065	0.946		4,526	
	02 RET.STRS-NTFD/DRG	7,876,553	36,951,036	0.843		957	
	12 COMP. OPS. (MED)	2,515,191	11,690,630	1.042		142	
	TOTAL *	\$22,331,992	\$106,981,731	0.920		5,625	
36 MULT SERVICES	01 RET.STRS-FOOD/DRG	\$986,259	\$4,910,241	1.215		264	
	02 RET.STRS-NTFD/DRG	11,411,740	51,425,867	0.962		2,928	
	11 COMP. OPS. (LOW)	3,536,713	15,019,960	1.240		544	
	12 COMP. OPS. (MED)	4,287,563	20,362,765	0.826		750	
	13 COMP. OPS. (HGH)	1,525,237	7,889,930	0.775		114	
	TOTAL *	\$21,747,512	\$99,608,763	0.979		4,600	
37 MULT INDUST/PROC.	01 RET.STRS-FOOD/DRG	\$22,403	\$127,585	0.093		1	
	11 COMP. OPS. (LOW)	201,804	1,028,555	0.499		23	
	12 COMP. OPS. (MED)	5,023,478	24,379,484	0.983		403	
	13 COMP. OPS. (HGH)	272,632	1,173,352	1.580		1	
	TOTAL *	\$5,520,317	\$26,708,976	0.991		428	
38 MULT CONTRACTORS	11 COMP. OPS. (LOW)	\$10,340,054	\$49,406,265	1.042		837	
	12 COMP. OPS. (MED)	199,324,480	951,879,368	0.959		16,883	
	13 COMP. OPS. (HGH)	19,712,420	91,154,990	0.802		920	
	TOTAL *	\$229,376,954	\$1,092,440,623	0.949		18,640	
TOTAL ALL TOP	01 RET.STRS-FOOD/DRG	\$16,753,842	\$77,907,820	0.889		5,530	
	02 RET.STRS-NTFD/DRG	22,786,158	106,464,991	0.910		4,445	
	11 COMP. OPS. (LOW)	17,976,331	86,281,931	1.066		1,814	
	12 COMP. OPS. (MED)	301,861,511	1,474,568,513	0.959		25,974	
	13 COMP. OPS. (HGH)	33,568,892	157,622,968	0.805		1,441	
	TOTAL *	\$392,946,734	\$1,902,846,223	0.945		39,204	

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

EXPLANATORY NOTES TO GENERAL LIABILITY
RELATIVITY ANALYSIS - TABLES 10 THROUGH 18.

OBJECTIVES

The objectives of this procedure are to:

- 1) determine monoline loss cost level needs for the appropriate rating variables;
- 2) determine indicated changes to the eight liability Commercial Package Policy (CPP) Package Modification Factors (PMFs) based on Premises/Operations and Products/Completed Operations data.

EXPERIENCE
BASE

The experience used in this relativity analysis is the latest five (5) years of accident year data, as reported under the Commercial Statistical Plan with aggregate loss costs adjusted to current loss cost level (multiline aggregate loss costs adjusted additionally by the current Implicit Package Modification Factors). Losses have been trended and developed in the Relativity Analysis. ALCCCL have been trended.

SIMULTANEOUS
DETERMINATION
OF RATING
VARIABLE
RELATIVITIES

Once the aggregate loss costs at current level and incurred losses used in the analysis have been appropriately adjusted, the 5-year experience ratios are calculated for each combination of the appropriate rating variables. From these ratios, relativities to the statewide 5-year experience ratio are calculated. These relativities are then used in a minimum bias iterative review procedure, which simultaneously determines the relativities for each rating variable.

The purpose of a simultaneous review procedure is to arrive at a set of relativities for each rating variable that best represent the experience. For example, the type of policy relativities will serve to derive the relationship of CPP policies relative to monoline policies, via the PMF, while the class group and territory (if applicable) relativities will serve to derive the relationship of the various classification and territories relative to one another. An iterative technique is used to derive relativities for each rating variable. This procedure is in contrast to a one-way type of review, wherein relativities for each rating variable would each be reviewed separately.

Such one-way types of review do not take into account differing percentages of experience of each rating variable within the other rating variables. The simultaneous review procedure accounts for these different distributions in generating relativities for each rating variable.

RATING
VARIABLES
USED

For Premises/Operations and Products/Completed Operations, the rating variables used in the relativity analysis are as follows:

Manufacturers and Contractors -	type of policy and class group
Owners, Landlords and Tenants -	type of policy, territory and class group
Products -	type of policy and class group
Local Products/Completed Operations-	type of policy, state and class group

EXPLANATORY NOTES TO GENERAL LIABILITY
RELATIVITY ANALYSIS - TABLES 10 THROUGH 18.

ITERATIVE
PROCEDURE

The iterative technique referred to in the previous paragraph solves for a set of relativities for each rating variable based on the experience for the cells; that is, based on the experience ratio and latest year adjusted aggregate loss cost volume for each combination of rating variables relative to the experience ratio and adjusted aggregate loss cost volume for all combinations of rating variables combined. Specifically, the iterative procedure uses the following formulas:

For Owners, Landlords and Tenants:

$$TOP_i = \frac{\sum_j \sum_k W_{ijk} r_{ijk}}{\sum_j \sum_k W_{ijk} CG_j TER_k} \quad \text{where } 1 \leq i \leq m$$

$$CG_j = \frac{\sum_i \sum_k W_{ijk} r_{ijk}}{\sum_i \sum_k W_{ijk} TOP_i TER_k} \quad \text{where } 1 \leq j \leq n$$

$$TER_k = \frac{\sum_i \sum_j W_{ijk} r_{ijk}}{\sum_i \sum_j W_{ijk} TOP_i CG_j} \quad \text{where } 1 \leq k \leq p$$

TOP_i is the relative change for the i^{th} type of policy;

CG_j is the relative change for the j^{th} class group;

TER_k is the relative change for the k^{th} territory;

W_{ijk} is the aggregate loss costs at current level for the i^{th}

type of policy, j^{th} class group and k^{th} territory;

r_{ijk} is the relative change for the i^{th} type of policy,

j^{th} class group and k^{th} territory;

m is the number of types of policy in the analysis;

n is the number of class groups in the analysis;

p is the number of territories in the analysis;

EXPLANATORY NOTES TO GENERAL LIABILITY
RELATIVITY ANALYSIS - TABLES 10 THROUGH 18.

For Manufacturers and Contractors, and Products:

$$TOP_i = \frac{\sum_j W_{ij} r_{ij}}{\sum_j W_{ij} CG_j} \quad \text{where } 1 \leq i \leq m$$

$$CG_j = \frac{\sum_i W_{ij} r_{ij}}{\sum_i W_{ij} TOP_i} \quad \text{where } 1 \leq j \leq n$$

TOP_i is the relative change for the i^{th} type of policy;

CG_j is the relative change for the j^{th} class group;

W_{ij} is the aggregate loss costs at current level for the i^{th}

type of policy and j^{th} class group;

r_{ij} is the relative change for the i^{th} type of policy

and j^{th} class group;

m is the number of types of policy in the analysis;

n is the number of class groups in the analysis;

EXPLANATORY NOTES TO GENERAL LIABILITY
RELATIVITY ANALYSIS - TABLES 10 THROUGH 18.

For Local Products/Completed Operations:

$$TOP_i = \frac{\sum_j \sum_k W_{ijk} r_{ijk}}{\sum_j \sum_k W_{ijk} CG_j ST_k} \quad \text{where } 1 \leq i \leq m$$

$$CG_j = \frac{\sum_i \sum_k W_{ijk} r_{ijk}}{\sum_i \sum_k W_{ijk} TOP_i ST_k} \quad \text{where } 1 \leq j \leq n$$

$$ST_k = \frac{\sum_i \sum_j W_{ijk} r_{ijk}}{\sum_i \sum_j W_{ijk} TOP_i CG_j} \quad \text{where } 1 \leq k \leq p$$

TOP_i is the relative change for the i^{th} type of policy;

CG_j is the relative change for the j^{th} class group;

ST_k is the relative change for the k^{th} state;

W_{ijk} is the aggregate loss costs at current level for the i^{th}

type of policy, j^{th} class group and k^{th} state;

r_{ijk} is the relative change for the i^{th} type of policy,

j^{th} class group and k^{th} state;

m is the number of types of policy in the analysis;

n is the number of class groups in the analysis;

p is the number of states in the analysis;

EXPLANATORY NOTES TO GENERAL LIABILITY
RELATIVITY ANALYSIS - TABLES 10 THROUGH 18.

ITERATIVE
PROCEDURE
(Cont'd)

For example, for Owners, Landlords and Tenants, the procedure starts by inserting the actual relativities for type of policy and class group into the third formula to get a territory relativity. This result is then used with the class group relativity in the first formula to get a new type of policy relativity, which in turn is substituted along with the territory relativity into the second formula to get a new class group relativity. The process continues on in that fashion until there is no appreciable difference from one iteration to the next.

APPLICATION OF
CREDIBILITY

Consideration is then given to the credibility of the experience for each rating variable. The credibility of each of these categories is based on the formula $Z = \sqrt{P/18,000}$ for Owners, Landlords and Tenants, $Z = \sqrt{P/18,000}$ for Manufacturers and Contractors and $Z = \sqrt{P/20,000}$ for Products, where P is the 5 year occurrence total for a given class group, territory or type of policy. For Local Products/Completed Operations, separate formulas are used to calculate the credibility of the experience for each type of policy and class group versus the credibility of the experience for each state, namely $Z = \sqrt{P/15,000}$ for type of policy and class group, and $Z = \sqrt{P/5,500}$ for state (in this case, P is the 5 year occurrence total for a given state). Credibility-weighted relativities are then calculated as follows:

$$W = R^Z \quad \text{where:}$$

Z is the class group, territory, state or type of policy credibility;

R is the class group, territory, state or type of policy relativity;

W is the credibility-weighted relativity.

The resulting credibility-weighted relativities are then balanced to assure that the average relativity remains at unity.

EXPLANATORY NOTES TO GENERAL LIABILITY
RELATIVITY ANALYSIS - TABLES 10 THROUGH 18.

MULTILINE
CONSIDERATIONS

The monoline relativities and the class group, territory (if applicable) and state relativities which result from the aforementioned procedures are then used to generate indicated monoline classification loss cost changes. The multiline relativities are used to generate multiline indications that apply to the current Implicit Package Modification Factors. The indicated IPMFs are calculated as follows:

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

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 re-performed to take this into account.

COMMERCIAL PACKAGE POLICY

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SECTION C - REVISED CLM DIVISION NINE

Commercial Package Policy Package Modification Factors (Revised MLCP-PMF-1) C-2

COMMERCIAL LINES MANUAL
 DIVISION NINE – MULTIPLE LINE
 COMMERCIAL PACKAGE POLICY
 PACKAGE MODIFICATION FACTORS

COLORADO (05)

PACKAGE MODIFICATION FACTORS

Package Modification Assignment (PMA)	Premium From CLM Division			
	Two	Three, Four, Five, Eight Property	Four, Six Liability	All Other Divisions
Apartment House	.90	1.00	1.00	1.00
Contractors	.90	1.00	.89	1.00
Industrial & Processing	.90	1.00	.84	1.00
Institutional	.90	1.00	1.00	1.00
Mercantile	.90	1.00	.91	1.00
Motel/Hotel	.90	1.00	1.00	1.00
Office	.90	1.00	.84	1.00
Service	.90	.99	1.00	1.00

Table 1. Package Modification Factors