

RULES – INFORMATION

APRIL 18, 2019

COMMERCIAL MULTIPLE LINE

LI-ML-2019-009

IDAHO COMMERCIAL PACKAGE POLICY PACKAGE MODIFICATION FACTOR ANALYSIS FURNISHED FOR INFORMATION; EXCEL WORKBOOK NEWLY INCLUDED

KEY MESSAGE

This analysis is provided for your information. We are NOT revising the current package modification factors based on this analysis.

BACKGROUND

In circular [LI-ML-2019-004](#), we provided you with information about the package modification factor review.

ISO ACTION

We are:

- NOT making a submission to the Insurance Department based on this analysis.
- NOT implementing any changes, at this time, to the current package modification factors for this jurisdiction.

COMPANY ACTION

You may wish to evaluate your package modification factor needs. The methods described in the attached analysis are based on the judgments of Insurance Services Office, Inc. You should evaluate and substitute your own judgments and procedures where appropriate, and consider your own loss experience when determining your package modification factor needs.

If you decide to independently file a package modification factor revision, you must comply with the applicable regulatory filing requirements.

REFERENCE(S)

[LI-ML-2019-004](#) (04/03/2019) Commercial Package Policy Experience Reviewed By Staff

ATTACHMENT(S)

- Informational Analysis
- Excel Workbook

FILES AVAILABLE FOR DOWNLOAD

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

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

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ACKNOWLEDGMENT OF ACTUARIAL QUALIFICATIONS

The American Academy of Actuaries' "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" requires that an actuary issuing a Statement of Actuarial Opinion should include an acknowledgment with the opinion that he/she has met the qualification standards of the AAA. ISO considers this rule document a Statement of Actuarial Opinion; therefore we are including the following acknowledgment:

I, Rimma Maasbach, am an Actuarial Consultant in Actuarial Operations for ISO, and I, Bei Zhou, am an Actuarial Product Director for Commercial Property for ISO. We are jointly responsible for the content of this Statement of Actuarial Opinion. We are both members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

CONTACT INFORMATION

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ADVISORY PACKAGE MODIFICATION FACTOR REVIEW

COMMERCIAL PACKAGE POLICY

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	+1.0%	-3.1%	-1.3%
Apartment	+1.2%	-1.2%	+0.7%
Office	-1.5%	-3.8%	-2.9%
Mercantile	-1.2%	-2.4%	-1.7%
Institutional	+1.4%	+1.2%	+1.3%
Services	0.0%	0.0%	0.0%
Indust./Proc.	+1.2%	-1.1%	0.0%
Contractors	<u>0.0%</u>	<u>+3.2%</u>	<u>+2.8%</u>
Statewide	+0.3%	-0.1%	+0.1%

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

EXECUTIVE SUMMARY

HISTORICAL SOURCE DATA

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

- Basic Group I: five fiscal accident years ending 03/31/18.
 - Basic Group II: ten fiscal accident years ending 03/31/18.
 - Special Causes of Loss: five fiscal accident years ending 03/31/18.
 - Crime: calendar year ending 06/30/16.
 - Inland Marine: five calendar accident years ending 12/31/16.
 - Fidelity: policy year ending 12/31/15.
 - Owners, Landlords, and Tenants: five fiscal accident years ending 03/31/18.
 - Manufacturers and Contractors: five fiscal accident years ending 03/31/18.
 - Products: three calendar accident years ending 12/31/17.
 - Local Products and Completed Operations: three calendar accident years ending 12/31/17.
-

PRIOR ISO REVISIONS

The latest revisions in this state are:

<u>Filing</u>	ML-17-RLA1	ML-09-RLA1	ML-07-RLA1
<u>Dates</u>			
Implemented	11/01/17	02/01/10	01/01/08
<u>Changes</u>			
Indicated	-0.1%	+1.0%	+3.0%
Filed	-0.1%	+1.0%	+3.0%
Implemented	-0.1%	+1.0%	+3.0%

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ADVISORY PACKAGE MODIFICATION FACTOR REVIEW

COMMERCIAL PACKAGE POLICY

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 12/31/17 for the Annual Statement Line of Business (ASLOB) indicated.

COMMERCIAL MULTI PERIL (ASLOB 51 & 52)

1. Liberty Mutual Insurance Company
 2. Cincinnati Insurance Company
 3. Travelers Indemnity Company
 4. Admiral Insurance Company
 5. Tokio Marine Companies
 6. American Hallmark Insurance Company of Texas
 7. AMCO
 8. Acuity, A Mutual Insurance Company
 9. Continental Casualty Company
 10. Hartford Accident and Indemnity 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 12/31/17 is:

Commercial Multi Peril (ASLOB 51 & 52). 43.4%.

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

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

TABLE OF CONTENTS

SECTION A - SCOPE OF PMF REVISION

Methodology Overview	A-2
Summary of Package Modification Factor (PMF) Review (Table 1)	A-3
Calculation of Revised Package Modification Factors (Table 2)	A-4-12

SECTION B - CALCULATION OF PROPOSED CHANGES

PROPERTY COVERAGES

Commercial Fire & Allied Lines

Distribution of Advisory Loss Cost Level Change (Tables 3-7)	B-2-20
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Crime and Fidelity	B-21
--------------------------	------

Commercial Inland Marine

Revision of Implicit Package Modification Factor (Tables 8-9)	B-22-26
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LIABILITY COVERAGES

Distribution of Advisory Loss Cost Level Change (Tables 10-18)	B-27-44
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COMMERCIAL PACKAGE POLICY

TABLE OF CONTENTS

SECTION A - SCOPE OF PMF REVISION

Methodology Overview	A-2
Summary of Package Modification Factor (PMF) Review (Table 1)	A-3
Calculation of Revised Package Modification Factors (Table 2)	A-4-12

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 annually. 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 POLICY	PROPERTY PMFS			LIABILITY PMFS			PROP. & LIAB. TOTAL
	CURRENT	CAPPED	% CHANGE	CURRENT	CAPPED	% CHANGE	% CHANGE
MOTEL/HOTEL (31)	0.98	0.99	1.0%	0.98	0.95	-3.1%	-1.3%
APARTMENT (32)	0.82	0.83	1.2%	0.86	0.85	-1.2%	0.7%
OFFICE (33)	0.65	0.64	-1.5%	0.80	0.77	-3.8%	-2.9%
MERCANTILE (34)	0.84	0.83	-1.2%	0.83	0.81	-2.4%	-1.7%
INSTITUTION (35)	0.74	0.75	1.4%	0.85	0.86	1.2%	1.3%
SERVICES (36)	0.99	0.99	0.0%	0.92	0.92	0.0%	0.0%
IND/PROC (37)	0.83	0.84	1.2%	0.94	0.93	-1.1%	0.0%
CONTRACTORS (38)	1.00	1.00	0.0%	0.95	0.98	3.2%	2.8%
STATEWIDE			0.3%			-0.1%	0.1%

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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
<u>COVERAGE</u>					
PROPERTY-					
BASIC GRP I	280,279	1.025	-0.9%	1.016	1.016
BASIC GRP II	36,197	0.860	2.2	0.879	0.879
SP CAUSE/LOSS	67,192	0.963	-0.8	0.955	0.955
*CRIME	645	0.864	0.0	0.864	0.864
*INL. MAR.	2,026	0.910	0.0	0.910	0.910
*FIDELITY	3,342	1.000	0.0	1.000	1.000
<u>TOTAL</u>	<u>389,681</u>	<u>0.98</u>	<u>0.9%</u>	<u>0.989</u>	<u>0.99</u>
LIABILITY-					
OL&T	489,316	0.983	-3.7%	0.947	0.947
<u>TOTAL</u>	<u>489,316</u>	<u>0.98</u>	<u>-3.4%</u>	<u>0.947</u>	<u>0.95</u>
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	878,997		-1.5%		

APARTMENT (32) *****	(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	770,557	0.792	1.7%	0.805	0.805
BASIC GRP II	157,744	0.516	1.7	0.525	0.525
SP CAUSE/LOSS	485,130	1.085	1.0	1.096	1.096
*CRIME	1,419	0.864	0.0	0.864	0.864
*INL. MAR.	249	0.910	0.0	0.910	0.910
*FIDELITY	3,410	1.000	0.0	1.000	1.000
<u>TOTAL</u>	<u>1,418,509</u>	<u>0.82</u>	<u>1.4%</u>	<u>0.831</u>	<u>0.83</u>
LIABILITY-					
OL&T	406,134	0.856	-0.4%	0.853	0.853
<u>TOTAL</u>	<u>406,134</u>	<u>0.86</u>	<u>-0.9%</u>	<u>0.853</u>	<u>0.85</u>
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PROP. & LIAB. TOTAL	1,824,643		0.9%		

* 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)	(2)	(3)	(4)	(5)
	AGGREGATE <u>LOSS COSTS</u>	CURRENT IMPLICIT <u>PMF</u>	NET <u>INDICATION</u>	INDIC. <u>PMF</u>	CAPPED <u>PMF</u>
COVERAGE					
PROPERTY-					
BASIC GRP I	150,411	0.572	0.0%	0.572	0.572
BASIC GRP II	83,837	0.517	0.4	0.519	0.519
SP CAUSE/LOSS	198,315	0.765	0.8	0.771	0.771
*CRIME	780	0.864	0.0	0.864	0.864
*INL. MAR.	10,279	0.910	0.0	0.910	0.910
*FIDELITY	3,413	1.000	0.0	1.000	1.000
TOTAL	447,035	0.65	-1.3%	0.641	0.64
LIABILITY-					
OL&T	710,496	0.796	-3.1%	0.771	0.771
M&C	59,160	0.818	-1.9	0.802	0.802
TOTAL	769,656	0.80	-3.3%	0.774	0.77
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	1,216,691		-2.6%		
MERCANTILE (34) *****	(1)	(2)	(3)	(4)	(5)
	AGGREGATE <u>LOSS COSTS</u>	CURRENT IMPLICIT <u>PMF</u>	NET <u>INDICATION</u>	INDIC. <u>PMF</u>	CAPPED <u>PMF</u>
COVERAGE					
PROPERTY-					
BASIC GRP I	1,498,339	0.797	-1.9%	0.782	0.782
BASIC GRP II	390,878	0.753	0.2	0.755	0.755
SP CAUSE/LOSS	899,617	0.964	-1.1	0.953	0.953
*CRIME	10,868	0.864	0.0	0.864	0.864
*INL. MAR.	195,897	0.910	0.0	0.910	0.910
*FIDELITY	77,620	1.000	0.0	1.000	1.000
TOTAL	3,073,219	0.84	-0.7%	0.834	0.83
LIABILITY-					
OL&T	1,394,940	0.717	-3.6%	0.691	0.691
M&C	608,515	1.320	-7.1	1.226	1.226
LOCAL PRODUCT	125,007	0.863	0.1	0.864	0.864
*MULTI PRODUCT	418,610	0.832	2.5	0.853	0.853
TOTAL	2,547,072	0.83	-2.8%	0.807	0.81
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PROP. & LIAB. TOTAL	5,620,291		-1.6%		

* 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)

INSTITUTION (35) *****	(1)	(2)	(3)	(4)	(5)
	AGGREGATE <u>LOSS COSTS</u>	CURRENT IMPLICIT <u>PMF</u>	NET <u>INDICATION</u>	INDIC. <u>PMF</u>	CAPPED <u>PMF</u>
COVERAGE					
PROPERTY-					
BASIC GRP I	368,329	0.780	-1.2%	0.771	0.771
BASIC GRP II	129,296	0.555	1.3	0.562	0.562
SP CAUSE/LOSS	280,877	0.809	0.4	0.812	0.812
*CRIME	3,443	0.864	0.0	0.864	0.864
*INL. MAR.	1,534	0.910	0.0	0.910	0.910
*FIDELITY	28,750	1.000	0.0	1.000	1.000
TOTAL	812,229	0.74	0.8%	0.746	0.75
LIABILITY-					
OL&T	387,253	0.872	1.9%	0.889	0.889
M&C	41,570	0.689	-0.3	0.687	0.687
TOTAL	428,823	0.85	1.7%	0.864	0.86
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	1,241,052		1.1%		
 SERVICES (36) *****	(1)	(2)	(3)	(4)	(5)
	AGGREGATE <u>LOSS COSTS</u>	CURRENT IMPLICIT <u>PMF</u>	NET <u>INDICATION</u>	INDIC. <u>PMF</u>	CAPPED <u>PMF</u>
COVERAGE					
PROPERTY-					
BASIC GRP I	912,648	0.975	-0.1%	0.974	0.974
BASIC GRP II	200,028	0.737	2.4	0.755	0.755
SP CAUSE/LOSS	516,960	1.159	-0.1	1.158	1.158
*CRIME	4,321	0.864	0.0	0.864	0.864
*INL. MAR.	19,240	0.910	0.0	0.910	0.910
*FIDELITY	42,666	1.000	0.0	1.000	1.000
TOTAL	1,695,863	0.99	-0.3%	0.987	0.99
LIABILITY-					
OL&T	450,056	0.824	-1.3%	0.813	0.816
M&C	530,161	0.885	0.3	0.888	0.891
LOCAL PRODUCT	205,905	1.500	1.6	1.524	1.500
*MULTI PRODUCT	34,367	0.899	1.8	0.915	0.915
TOTAL	1,220,489	0.92	0.4%	0.924	0.92
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	2,916,352		0.0%		

* 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)

IND/PROC (37) *****	(1)	(2)	(3)	(4)	(5)
	AGGREGATE <u>LOSS COSTS</u>	CURRENT IMPLICIT <u>PMF</u>	NET <u>INDICATION</u>	INDIC. <u>PMF</u>	CAPPED <u>PMF</u>
COVERAGE					
PROPERTY-					
BASIC GRP I	1,141,532	0.850	2.0%	0.867	0.867
BASIC GRP II	165,018	0.758	0.8	0.764	0.764
SP CAUSE/LOSS	363,113	0.810	0.1	0.811	0.811
*CRIME	990	0.864	0.0	0.864	0.864
*INL. MAR.	1,843	0.910	0.0	0.910	0.910
*FIDELITY	16,671	1.000	0.0	1.000	1.000
TOTAL	1,689,167	0.83	1.8%	0.845	0.84
LIABILITY-					
M&C	1,291,164	0.987	-2.0	0.967	0.967
LOCAL PRODUCT	75,995	0.929	2.1	0.949	0.949
*MULTI PRODUCT	572,161	0.884	-2.3	0.864	0.864
TOTAL	1,939,320	0.94	-0.7%	0.934	0.93
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	3,628,487		0.5%		
CONTRACTORS (38) *****	(1)	(2)	(3)	(4)	(5)
	AGGREGATE <u>LOSS COSTS</u>	CURRENT IMPLICIT <u>PMF</u>	NET <u>INDICATION</u>	INDIC. <u>PMF</u>	CAPPED <u>PMF</u>
COVERAGE					
PROPERTY-					
BASIC GRP I	266,616	0.871	0.2%	0.873	0.873
BASIC GRP II	96,468	1.043	0.4	1.047	1.047
SP CAUSE/LOSS	234,691	1.201	-3.1	1.164	1.164
*CRIME	351	0.864	0.0	0.864	0.864
*INL. MAR.	1,122	0.910	0.0	0.910	0.910
*FIDELITY	12,594	1.000	0.0	1.000	1.000
TOTAL	611,842	1.00	-0.5%	0.995	1.00
LIABILITY-					
M&C	2,715,406	0.921	1.0	0.930	0.930
LOCAL PRODUCT	2,221,393	0.995	4.8	1.043	1.043
TOTAL	4,936,799	0.95	3.0%	0.979	0.98
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	5,548,641		2.6%		

* 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)

STATEWIDE *****	(1)	(2)	(3)	(4)	(5)
	AGGREGATE	CURRENT	NET	INDIC.	CAPPED
COVERAGE	<u>LOSS COSTS</u>	<u>IMPLICIT</u>	<u>INDICATION</u>	<u>PMF</u>	<u>PMF</u>
PROPERTY-		PMF			
BASIC GRP I	5,388,711	0.836	0.0%	0.836	0.836
BASIC GRP II	1,259,466	0.683	1.0	0.690	0.690
SP CAUSE/LOSS	3,045,895	0.968	-0.3	0.965	0.965
*CRIME	22,817	0.864	0.0	0.864	0.864
*INL. MAR.	232,190	0.910	0.0	0.910	0.910
*FIDELITY	188,466	1.000	0.0	1.000	1.000
TOTAL	10,137,545	0.849	0.3%	0.852	0.852
LIABILITY-					
OL&T	3,838,195	0.800	-2.4%	0.781	0.781
M&C	5,245,976	0.963	-0.8	0.955	0.955
LOCAL PRODUCT	2,628,300	1.012	4.2	1.055	1.054
*MULTI PRODUCT	1,025,138	0.862	-0.2	0.861	0.861
TOTAL	12,737,609	0.907	-0.1%	0.906	0.906
-----	-----	-----	-----	-----	-----
PROP. & LIAB. TOTAL	22,875,154		0.1%		

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

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TABLE 2

COMMERCIAL PACKAGE POLICY

COMBINED PMFs

<u>TYPE OF POLICY</u>	<u>CURRENT COMBINED</u>	<u>INDICATED COMBINED</u>	<u>CAPPED COMBINED</u>
MOTEL/HOTEL (31)	0.98	0.965	0.97
APARTMENT (32)	0.83	0.836	0.84
OFFICE (33)	0.75	0.718	0.72
MERCANTILE (34)	0.83	0.822	0.82
INSTITUTION (35)	0.78	0.783	0.78
SERVICES (36)	0.95	0.959	0.96
IND/PROC (37)	0.91	0.889	0.89
CONTRACTORS (38)	0.96	0.980	0.98

NOTE: Combined PMFs are provided for informational purposes only.

EXPLANATORY NOTES TO TABLE 2

CALCULATION OF REVISED PACKAGE MODIFICATION FACTORS

OBJECTIVE	<p>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.</p> <p>The types of insured which can be written under a CPP are generally categorized into the following Types of Policy:</p> <ul style="list-style-type: none">. 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	<p>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 annually.</p>
CPP PMF REVIEW PROCEDURE	<p>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).</p> <p>A detailed explanation of the calculation of the revised PMFs follows.</p>

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

TABLE OF CONTENTS

SECTION B - CALCULATION OF PROPOSED CHANGES

PROPERTY COVERAGES

Commercial Fire & Allied Lines

Distribution of Advisory Loss Cost Level Change (Tables 3-7)	B-2-20
--	--------

Crime and Fidelity	B-21
--------------------------	------

Commercial Inland Marine

Revision of Implicit Package Modification Factor (Tables 8-9)	B-22-26
---	---------

LIABILITY COVERAGES

Distribution of Advisory Loss Cost Level Change (Tables 10-18).....	B-27-44
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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	0.953	0.042	0.998	1.000	
31	0.489	0.016	0.989	0.991	-0.9%
32	1.573	0.033	1.015	1.017	+1.7%
33	0.677	0.006	0.998	1.000	0.0%
34	0.711	0.063	0.979	0.981	-1.9%
35	0.508	0.021	0.986	0.988	-1.2%
36	0.937	0.045	0.997	0.999	-0.1%
37	1.418	0.050	1.018	1.020	+2.0%
38	0.967	0.013	1.000	1.002	+0.2%

RATING
GROUP

01	0.257	0.078	0.899	0.906
02	1.308	0.018	1.005	1.012
03	0.570	0.029	0.984	0.991
04	1.141	0.143	1.019	1.027
06	3.202	0.013	1.015	1.023
07	1.530	0.020	1.009	1.016
08	0.926	0.046	0.996	1.004
09	1.416	0.046	1.016	1.024
10	0.735	0.045	0.986	0.994
11	0.970	0.008	1.000	1.007
13	1.343	0.054	1.016	1.024
14	1.379	0.031	1.010	1.018
15	0.857	0.033	0.995	1.002
17	1.030	0.042	1.001	1.009
18	0.766	0.028	0.993	1.000
21	0.985	0.043	0.999	1.007
22	0.750	0.027	0.992	1.000

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

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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	1.018	0.051	1.001	1.003	
31	0.498	0.010	0.993	0.995	-0.8%
32	1.226	0.057	1.012	1.013	+1.0%
33	1.542	0.022	1.010	1.011	+0.8%
34	0.893	0.088	0.990	0.992	-1.1%
35	1.114	0.046	1.005	1.007	+0.4%
36	0.998	0.067	1.000	1.002	-0.1%
37	1.072	0.039	1.003	1.004	+0.1%
38	0.344	0.028	0.971	0.972	-3.1%
CATEGORY					
01	1.010	0.461	1.005	1.003	
02	0.140	0.029	0.945	0.943	
03	0.525	0.019	0.988	0.986	
04	1.346	0.031	1.009	1.008	
05	0.794	0.017	0.996	0.994	
06	0.165	0.013	0.977	0.975	
07	0.089	0.005	0.988	0.986	
08	1.874	0.022	1.014	1.012	
09	1.985	0.021	1.015	1.013	
10	0.694	0.017	0.994	0.992	
11	0.929	0.027	0.998	0.996	
12	0.503	0.038	0.974	0.973	
13	0.481	0.020	0.985	0.984	
14	2.043	0.032	1.023	1.021	

* 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 loss cost level needs for Basic Group I;
- (2) determine monoline category loss cost level needs for Special Causes of Loss;
- (3) determine indicated changes to the eight property CPP Package Modification Factors (PMFs) based on Basic Group I/Special Causes of Loss experience.

COLUMN (1)

LEAST SQUARES FORMULA RELATIVITIES

The Least Squares Formula Relativities are the marginal relativities which result from the application of the simultaneous review procedure to the raw experience (where marginal refers to the relativities for a given rating variable, e.g. type of policy, across all subsets of any other rating variables, i.e. rating group 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 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, or 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:

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

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

SPECIAL CAUSES OF LOSS:

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

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

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

COLUMN (1)
(Cont'd)

- . TOP_i is the relativity for the ith Type of Policy;
- . RG_j is the relativity for the jth Rating Group;
- . CAT_j is the relativity for the jth Category;
- . W_{ij} is the aggregate loss costs for the ith Type of Policy, jth Rating Group or Category;
- . R_{ij} is the experience ratio relativity for the ith Type of Policy, jth Rating Group or Category;
- . m is the number of Types of Policy in the analysis;
- . n is the number of Rating Groups or Categories 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 or Category 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 \$40,000,000 for rating group and \$100,000,000 for type of policy. For Special Causes of Loss, K equals an aggregate loss cost volume of \$15,000,000.

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

COLUMN (3)

CREDIBILITY-WEIGHTED RELATIVITIES

Credibility-weighted relativities are calculated based on the formula

$$W = R^Z$$

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

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

COLUMN (4)

BALANCED RELATIVITIES

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

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:

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

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

MULTILINE
CONSIDERATIONS
(Cont'd)

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.

Entire State (Idaho)

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
<hr/>						
10 MONOLINE	01 APARTMENTS	152,268	549,045	0.371	0.585	0.531
	02 OTHER HABITATIONAL	43,128	212,118	0.558	0.749	0.680
	03 RESTAURANTS & BARS	6,267	77,195	0.655	0.815	0.740
	04 OTHER MERCANTILE RS	203,645	857,179	2.019	1.637	1.485
	06 CHURCHES	3,193	14,626	0.000	0.703	0.638
	07 SCHOOLS	8,572	30,585	0.000	0.684	0.621
	08 OFFICES AND BANKS	75,323	320,547	0.789	0.834	0.757
	09 REC. FACILITIES	61,236	311,312	0.196	0.561	0.509
	10 HOTELS AND MOTELS	66,297	229,979	0.763	0.829	0.752
	11 HOSPITALS/NURS HOME	37,503	141,488	1.044	0.932	0.846
	13 MOTOR VEHICLE RISKS	39,931	216,089	1.087	0.959	0.870
	14 OTHER NON-MANUF.	60,242	283,065	0.038	0.502	0.456
	15 STORAGE	35,571	152,301	0.010	0.575	0.522
	17 FOOD MANUFACTURING	41,941	218,234	3.671	1.994	1.809
	18 WOOD MANUFACTURING	44,914	179,968	0.000	0.551	0.500
	21 METAL MANUFACTURING	71,591	330,483	0.025	0.472	0.428
	22 OTHER MANUFACTURING	40,399	217,958	0.000	0.525	0.476
	TOTAL*	992,021	4,342,172	0.866	0.915	0.830
31 MULTILINE	10 HOTELS AND MOTELS	280,279	1,640,931	0.205	0.425	0.386
MOTEL/HOTEL	TOTAL*	280,279	1,640,931	0.205	0.425	0.386
32 MULTILINE	01 APARTMENTS	646,410	2,858,253	0.349	0.468	0.425
APARTMENT	02 OTHER HABITATIONAL	124,147	519,366	4.487	2.489	2.259
	TOTAL*	770,557	3,377,619	1.016	0.794	0.720
33 MULTILINE	08 OFFICES AND BANKS	150,411	641,412	0.589	0.742	0.673
OFFICE	TOTAL*	150,411	641,412	0.589	0.742	0.673
34 MULTILINE	03 RESTAURANTS & BARS	203,880	996,992	0.166	0.472	0.428
MERCANTILE	04 OTHER MERCANTILE RS	883,953	4,001,971	0.950	0.939	0.852
	08 OFFICES AND BANKS	41,929	181,114	0.026	0.637	0.578
	13 MOTOR VEHICLE RISKS	190,886	692,173	2.361	1.625	1.475
	14 OTHER NON-MANUF.	29,402	140,708	1.491	1.048	0.951
	15 STORAGE	148,289	698,920	0.151	0.517	0.469
	TOTAL*	1,498,339	6,711,878	0.929	0.915	0.830

Entire State (Idaho)

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/18 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	1,448	7,540	0.000	0.734	0.666
	06 CHURCHES	89,949	505,322	3.268	1.934	1.755
	07 SCHOOLS	87,029	786,584	0.988	0.940	0.853
	08 OFFICES AND BANKS	24,364	90,981	1.550	1.042	0.946
	09 REC. FACILITIES	71,374	304,031	0.489	0.745	0.676
	11 HOSPITALS/NURS HOME	48,941	199,683	0.475	0.763	0.692
	13 MOTOR VEHICLE RISKS	153	586	0.000	0.739	0.671
	14 OTHER NON-MANUF.	45,071	243,207	0.374	0.720	0.653
	TOTAL*	368,329	2,137,934	1.338	1.101	0.999
36 MULTILINE SERVICES	03 RESTAURANTS & BARS	19,243	115,918	0.000	1.280	1.162
	04 OTHER MERCANTILE RS	65,495	350,028	0.586	1.362	1.236
	08 OFFICES AND BANKS	47,135	406,160	1.291	1.465	1.329
	09 REC. FACILITIES	257,275	1,327,071	2.396	1.635	1.484
	13 MOTOR VEHICLE RISKS	284,485	1,354,253	0.443	1.332	1.209
	14 OTHER NON-MANUF.	104,423	487,451	4.517	1.941	1.761
	15 STORAGE	107,593	464,894	0.100	1.290	1.171
	21 METAL MANUFACTURING	15,516	81,129	0.000	1.281	1.162
	22 OTHER MANUFACTURING	11,483	90,514	0.457	1.346	1.221
	TOTAL*	912,648	4,677,418	1.457	1.489	1.352
37 MULTILINE INDUST/PROCESS	04 OTHER MERCANTILE RS	95,399	371,601	3.535	1.794	1.628
	08 OFFICES AND BANKS	18,633	81,828	0.000	1.281	1.162
	13 MOTOR VEHICLE RISKS	198	427	0.000	1.282	1.163
	14 OTHER NON-MANUF.	16,705	82,075	1.210	1.454	1.319
	15 STORAGE	2,362	34,522	0.000	1.281	1.162
	17 FOOD MANUFACTURING	364,967	1,556,655	2.940	1.722	1.563
	18 WOOD MANUFACTURING	181,629	991,716	0.202	1.299	1.179
	21 METAL MANUFACTURING	315,546	1,381,067	2.652	1.675	1.520
	22 OTHER MANUFACTURING	146,093	817,439	0.019	1.273	1.155
	TOTAL*	1,141,532	5,317,330	2.021	1.578	1.432
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	215,954	1,086,149	0.217	1.300	1.180
	08 OFFICES AND BANKS	40,597	202,064	0.214	1.310	1.189
	14 OTHER NON-MANUF.	10,065	54,406	0.139	1.301	1.181
	TOTAL*	266,616	1,342,619	0.214	1.301	1.181

Entire State (Idaho)

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/18 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	798,678	3,407,298	0.353	0.490	0.445
	02 OTHER HABITATIONAL	168,723	739,024	3.444	2.029	1.841
	03 RESTAURANTS & BARS	229,390	1,190,105	0.165	0.549	0.498
	04 OTHER MERCANTILE RS	1,464,446	6,666,928	1.143	1.164	1.056
	06 CHURCHES	93,142	519,948	3.156	1.892	1.717
	07 SCHOOLS	95,601	817,169	0.899	0.917	0.832
	08 OFFICES AND BANKS	398,392	1,924,106	0.644	0.935	0.849
	09 REC. FACILITIES	389,885	1,942,414	1.701	1.303	1.183
	10 HOTELS AND MOTELS	346,576	1,870,910	0.312	0.502	0.456
	11 HOSPITALS/NURS HOME	86,444	341,171	0.722	0.836	0.759
	13 MOTOR VEHICLE RISKS	515,653	2,263,528	1.203	1.411	1.281
	14 OTHER NON-MANUF.	265,908	1,290,912	2.092	1.254	1.138
	15 STORAGE	293,815	1,350,637	0.114	0.813	0.738
	17 FOOD MANUFACTURING	406,908	1,774,889	3.015	1.750	1.588
	18 WOOD MANUFACTURING	226,543	1,171,684	0.162	1.150	1.044
	21 METAL MANUFACTURING	402,653	1,792,679	2.083	1.446	1.312
	22 OTHER MANUFACTURING	197,975	1,125,911	0.041	1.125	1.021
	TOTAL*	6,380,732	30,189,313	1.154	1.102	1.000

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

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) RELATIVITY
<hr/>					
10 MONOLINE	01 BUILDINGS	359,386	1,489,811	1.170	1.080
	02 RES. APTS. AND COND	16,166	56,470	0.991	0.915
	03 OFFICES	21,477	109,911	0.937	0.865
	04 MERCANTILE - HIGH	30,915	148,838	0.332	0.307
	05 MERCANTILE - MEDIUM	6,321	27,153	0.395	0.365
	06 MERCANTILE - LOW	3,177	16,132	0.384	0.355
	07 MOTELS AND HOTELS	3,485	19,373	0.180	0.166
	08 INSTITUTIONAL - HIG	5,469	30,243	0.353	0.326
	09 INSTITUTIONAL - LOW	7,988	39,747	2.294	2.118
	10 INDUST-PROC - HIGH	6,693	27,525	0.586	0.541
	11 INDUST-PROC - LOW	17,276	66,181	0.372	0.343
	12 SERVICE - HIGH	7,257	28,507	0.000	0.000
	13 SERVICE - LOW	13,738	58,521	0.230	0.212
	14 CONTRACTORS	8,015	24,001	1.518	1.402
	TOTAL*	507,363	2,142,413	1.019	0.941
31 MULTILINE	01 BUILDINGS	60,947	347,620	0.565	0.522
MOTEL/HOTEL	07 MOTELS AND HOTELS	6,245	54,891	0.000	0.000
	TOTAL*	67,192	402,511	0.512	0.473
32 MULTILINE	01 BUILDINGS	409,579	2,025,273	1.391	1.284
APARTMENT	02 RES. APTS. AND COND	75,551	383,764	0.161	0.149
	TOTAL*	485,130	2,409,037	1.199	1.107
33 MULTILINE	01 BUILDINGS	160,898	704,791	1.751	1.617
OFFICE	03 OFFICES	36,030	168,769	0.829	0.765
	04 MERCANTILE - HIGH	25	133	0.000	0.000
	08 INSTITUTIONAL - HIG	377	1,585	0.000	0.000
	11 INDUST-PROC - LOW	21	88	0.000	0.000
	12 SERVICE - HIGH	505	3,272	0.000	0.000
	14 CONTRACTORS	459	2,811	0.000	0.000
	TOTAL*	198,315	881,449	1.571	1.451

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) RELATIVITY
34 MULTILINE MERCANTILE	01 BUILDINGS	737,600	3,101,958	1.010	0.933
	03 OFFICES	930	1,036	0.000	0.000
	04 MERCANTILE - HIGH	63,971	319,683	1.672	1.544
	05 MERCANTILE - MEDIUM	47,088	225,893	0.807	0.745
	06 MERCANTILE - LOW	46,484	182,253	0.164	0.151
	08 INSTITUTIONAL - HIG	0	1	0.000	0.000
	11 INDUST-PROC - LOW	168	1,981	0.000	0.000
	12 SERVICE - HIGH	1,770	10,452	0.000	0.000
	13 SERVICE - LOW	742	2,229	0.000	0.000
	14 CONTRACTORS	864	3,970	0.000	0.000
	TOTAL*	899,617	3,849,456	0.998	0.922
35 MULTILINE INSTITUTIONAL	01 BUILDINGS	195,222	1,415,103	1.253	1.157
	08 INSTITUTIONAL - HIG	36,230	276,946	2.440	2.253
	09 INSTITUTIONAL - LOW	49,163	241,256	2.525	2.331
	12 SERVICE - HIGH	4	13	0.000	0.000
	13 SERVICE - LOW	258	623	0.000	0.000
	14 CONTRACTORS	0	189	0.000	0.000
	TOTAL*	280,877	1,934,130	1.628	1.503
36 MULTILINE SERVICES	01 BUILDINGS	375,064	2,002,655	1.135	1.048
	03 OFFICES	159	281	0.000	0.000
	04 MERCANTILE - HIGH	1,064	3,114	0.000	0.000
	05 MERCANTILE - MEDIUM	324	720	0.000	0.000
	06 MERCANTILE - LOW	140	3,443	0.000	0.000
	08 INSTITUTIONAL - HIG	6,339	36,181	0.000	0.000
	09 INSTITUTIONAL - LOW	7,209	38,427	0.100	0.092
	11 INDUST-PROC - LOW	147	660	0.000	0.000
	12 SERVICE - HIGH	83,728	550,820	0.569	0.525
	13 SERVICE - LOW	40,709	241,359	0.577	0.533
	14 CONTRACTORS	2,077	11,580	0.000	0.000
	TOTAL*	516,960	2,889,240	0.962	0.888

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 03/31/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) RELATIVITY
37 MULTILINE INDUST/PROC	01 BUILDINGS	240,653	1,046,754	1.213	1.120
	03 OFFICES	12	480	0.000	0.000
	04 MERCANTILE - HIGH	113	842	0.000	0.000
	08 INSTITUTIONAL - HIG	102	102	0.000	0.000
	10 INDUST-PROC - HIGH	50,176	238,186	0.839	0.775
	11 INDUST-PROC - LOW	71,815	343,805	1.157	1.068
	12 SERVICE - HIGH	236	579	0.000	0.000
	13 SERVICE - LOW	0	14	0.000	0.000
	14 CONTRACTORS	6	285	0.000	0.000
	TOTAL*	363,113	1,631,047	1.149	1.061
38 MULTILINE CONTRACTORS	01 BUILDINGS	146,901	712,866	0.372	0.343
	03 OFFICES	867	2,961	2.035	1.879
	04 MERCANTILE - HIGH	827	2,172	0.671	0.620
	06 MERCANTILE - LOW	86	295	0.000	0.000
	08 INSTITUTIONAL - HIG	91	188	48.753	45.017
	11 INDUST-PROC - LOW	49	333	0.000	0.000
	12 SERVICE - HIGH	256	2,323	7.270	6.713
	13 SERVICE - LOW	0	116	0.000	0.000
	14 CONTRACTORS	85,614	451,807	0.815	0.753
	TOTAL*	234,691	1,173,061	0.567	0.524
TOTAL ALL TOPS*	01 BUILDINGS	2,686,250	12,846,831	1.142	1.054
	02 RES. APTS. AND COND	91,717	440,234	0.307	0.283
	03 OFFICES	59,475	283,438	0.870	0.803
	04 MERCANTILE - HIGH	96,915	474,782	1.215	1.122
	05 MERCANTILE - MEDIUM	53,733	253,766	0.754	0.696
	06 MERCANTILE - LOW	49,887	202,123	0.177	0.163
	07 MOTELS AND HOTELS	9,730	74,264	0.064	0.059
	08 INSTITUTIONAL - HIG	48,608	345,246	1.949	1.800
	09 INSTITUTIONAL - LOW	64,360	319,430	2.225	2.054
	10 INDUST-PROC - HIGH	56,869	265,711	0.809	0.747
	11 INDUST-PROC - LOW	89,476	413,048	1.000	0.923
	12 SERVICE - HIGH	93,756	595,966	0.528	0.488
	13 SERVICE - LOW	55,447	302,862	0.481	0.444
	14 CONTRACTORS	97,035	494,643	0.844	0.779
	TOTAL*	3,553,258	17,312,344	1.083	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)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	ACCIDENT YEAR ENDING 03/31/18	ACCIDENT YEARS 2009-2018			Z	BALANCED	NORMALIZED	INDICATED
	AGGR. LOSS COSTS	EXPER. RATIO	FORMULA	CREDI-	WEIGHTED	FORMULA	FORMULA	CHANGE G
	AT CURRENT	AT CURRENT	RELATIVITY	BILITY Z	RELA-	RELA-	RELA-	
	IMPLICIT PMF	PMF	(2) / 1.034	C	TIVITY D	TIVITY E	TIVITY F	

MONOLINE	312,940	0.935	0.904	0.050	0.994	0.994	0.9920	
MULTILINE	1,259,466	1.058	1.023	0.211	1.004	1.004	1.0021	

COVERAGE	1,572,406	1.034	0.999			1.0020	B 1.0001	
MULTILINE TOP								
31 MOTEL/HOTEL	36,197	2.233	2.160	0.010	1.011	1.016	1.0140	+2.2%
32 APARTMENT	157,744	1.264	1.222	0.032	1.006	1.011	1.0090	+1.7%
33 OFFICE	83,837	0.644	0.623	0.015	0.993	0.998	0.9960	+0.4%
34 MERCANTILE	390,878	0.905	0.875	0.065	0.991	0.996	0.9940	+0.2%
35 INSTITUTIONAL	129,296	1.116	1.079	0.037	1.002	1.007	1.0050	+1.3%
36 SERVICES	200,028	1.372	1.327	0.044	1.013	1.018	1.0160	+2.4%
37 INDUST/PROCESS	165,018	0.960	0.928	0.035	0.997	1.002	1.0000	+0.8%
38 CONTRACTORS	96,468	0.705	0.682	0.020	0.993	0.998	0.9960	+0.4%

	1,259,466	1.058 B	1.023		0.999 B	1.004 B	1.0021	

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)) * 0.999

E - (6) = (5) * (1.004 / 0.999)

F - (7) = (6) / 1.0020

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

EXPLANATORY NOTES TO TABLE 7

BASIC GROUP II RELATIVITY ANALYSIS

OBJECTIVE

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

- (1) determine the monoline loss cost level need;
- (2) determine indicated changes to the eight 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

The reviews for Burglary and Theft and for Fidelity are 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 8COMMERCIAL 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>
10	1.000	0.910	0.910	0.910
3X & 7X	1.000			

CLASSIFICATION

150	0.923
191	1.100
192	0.785
220	0.789
221	0.755
234	1.202
235	1.088
240	0.789
241	0.715
327	0.757
328	0.932
340	0.646
341	0.757
342	0.751
343	0.767
403	0.640
451	0.946
452	0.778
453	0.811
454	0.713
460	0.479
482	0.889
510	0.662
514	0.631
530	0.628
534	0.757

*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

<u>TYPE OF POLICY</u>	<u>RATING</u>	(1)	(2)	(3)	(4)
	<u>GROUP</u>	<u>2016 AGGREGATE LOSS COSTS</u>	<u>2012 - 2016 AGGREGATE LOSS COSTS</u>	<u>FIVE-YEAR EXP RATIO</u>	<u>RELATIVITY</u>
MONOLINE 10	150	311,633	1,898,096	1.151	1.353
	191	5,446,492	15,816,054	1.032	1.213
	192	862,002	2,760,886	0.627	0.737
	220	5,112	87,903	5.716	6.717
	221	1,491	2,853	1.199	1.409
	234	5,224,155	20,144,072	0.600	0.705
	235	8,439,000	24,407,283	0.761	0.894
	240	928,183	3,685,254	0.656	0.771
	241	15,553	114,739	0.053	0.062
	327	18,917	91,546	0.000	0.000
	328	2,319,887	11,908,665	0.792	0.931
	340	40,688	87,993	0.000	0.000
	341	0	0	0.000	0.000
	342	19,188	65,375	0.555	0.652
	343	589	3,417	343.665	578.925
	403	1,600,852	5,771,545	0.345	0.405
	451	3,309,677	12,953,836	0.855	1.005
	452	34,702	137,467	1.628	1.913
	453	45,575	212,456	3.203	3.764
	454	164,836	745,300	0.734	0.863
	460	790,198	3,687,530	0.415	0.488
	482	839,364	2,841,134	0.986	1.159
	510	3,252	39,977	0.020	0.024
	514	446,469	1,612,361	0.339	0.398
	530	504,434	2,697,004	0.489	0.575
	534	0	0	0.000	0.000
	TOTAL#	31,372,249	111,772,746	0.785	0.922

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

TYPE OF POLICY	RATING GROUP	(1) 2016 AGGREGATE LOSS COSTS	(2) 2012 - 2016 AGGREGATE LOSS COSTS	(3) FIVE-YEAR EXP RATIO	(4) RELATIVITY
MULTILINE ##	150	720,095	3,333,227	0.795	0.934
3X & 7X	191	603,595	2,704,067	0.774	0.910
	192	202,803	783,492	0.826	0.971
	220	6,439	28,512	1.526	1.793
	221	5,606	27,010	0.258	0.303
	234	12,669,443	52,530,286	1.162	1.365
	235	478,171	2,380,353	2.879	3.383
	240	11,651	60,061	1.983	2.330
	241	5,028	15,371	0.019	0.022
	327	2,942	18,862	0.000	0.000
	328	396	2,751	168.726	198.268
	340	32,828	132,609	0.016	0.019
	341	0	0	0.000	0.000
	342	6,082	30,546	0.000	0.000
	343	2,369	7,996	0.000	0.000
	403	479,869	2,417,275	0.739	0.868
	451	95,342	438,635	0.360	0.423
	452	38,096	206,651	0.535	0.629
	453	34,375	104,958	0.147	0.173
	454	228,162	984,183	0.274	0.322
	460	3,613,811	15,118,089	0.318	0.374
	482	127,496	760,961	0.693	0.814
	510	23,290	121,842	0.000	0.000
	514	63,169	300,866	0.073	0.086
	530	1,129,574	4,779,992	0.414	0.486
	534	0	0	0.000	0.000
	TOTAL#	20,580,632	87,288,595	0.952	1.119

REFLECTS CURRENT IPMF OF 0.910.

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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> <u>GROUP</u>	(1)	(2)	(3)	(4)
		2016 AGGREGATE LOSS COSTS	2012 - 2016 AGGREGATE LOSS COSTS	FIVE-YEAR EXP RATIO	RELATIVITY
TOTAL ALL TOPS#	150	1,031,728	5,231,323	0.903	1.061
	191	6,050,087	18,520,121	1.006	1.182
	192	1,064,805	3,544,378	0.665	0.781
	220	11,551	116,415	3.380	3.972
	221	7,097	29,863	0.456	0.536
	234	17,893,598	72,674,358	0.998	1.173
	235	8,917,171	26,787,636	0.875	1.028
	240	939,834	3,745,315	0.672	0.790
	241	20,581	130,110	0.045	0.053
	327	21,859	110,408	0.000	0.000
	328	2,320,283	11,911,416	0.821	0.965
	340	73,516	220,602	0.007	0.008
	341	0	0	0.000	0.000
	342	25,270	95,921	0.421	0.495
	343	2,958	11,413	267.552	314.397
	403	2,080,721	8,188,820	0.436	0.512
	451	3,405,019	13,392,471	0.841	0.988
	452	72,798	344,118	1.056	1.241
	453	79,950	317,414	1.889	2.220
	454	392,998	1,729,483	0.467	0.549
	460	4,404,009	18,805,619	0.335	0.394
	482	966,860	3,602,095	0.947	1.113
	510	26,542	161,819	0.002	0.002
	514	509,638	1,913,227	0.306	0.360
	530	1,634,008	7,476,996	0.437	0.514
	534	0	0	0.000	0.000
	TOTAL#	51,952,881	199,061,341	0.851	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 2016 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 performed again to take this into account.

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

TOP	(1) BAILEY FORMULA RELATIV.	(2) CREDIBILITY Z	(3) Z-WTD RELATIV.	(4) BALANCED RELATIV.	(5) INDICATED CHANGE *
10	1.146	0.115	1.016	1.016	
31	0.725	0.069	0.978	0.978	-3.7%
32	1.180	0.073	1.012	1.012	-0.4%
33	0.814	0.079	0.984	0.984	-3.1%
34	0.830	0.114	0.979	0.979	-3.6%
35	1.636	0.070	1.035	1.035	+1.9%
36	1.041	0.067	1.003	1.003	-1.3%
CLASS GROUP					
01	1.334	0.068	1.020	1.025	
02	0.785	0.072	0.983	0.987	
03	0.688	0.073	0.973	0.978	
04	0.283	0.012	0.985	0.990	
05	2.383	0.021	1.018	1.023	
06	0.311	0.033	0.962	0.967	
07	1.038	0.064	1.002	1.007	
08	0.457	0.018	0.986	0.991	
09	0.831	0.087	0.984	0.989	
10	0.672	0.064	0.975	0.979	
11	1.524	0.077	1.033	1.038	
12	0.920	0.107	0.991	0.996	
13	1.156	0.028	1.004	1.009	
16	0.576	0.025	0.986	0.991	

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

TABLE 11
IDAHO
MANUFACTURERS AND CONTRACTORS
BASIC LIMIT RELATIVE CHANGE ANALYSIS

	(1) BAILEY FORMULA RELATIV.	(2) CREDIBILITY Z	(3) Z-WTD RELATIV.	(4) BALANCED RELATIV.	(5) INDICATED CHANGE *
TOP					
10	1.081	0.146	1.011	1.005	
33	0.707	0.021	0.993	0.986	-1.9%
34	0.285	0.049	0.940	0.934	-7.1%
35	1.485	0.022	1.009	1.002	-0.3%
36	1.213	0.076	1.015	1.008	+0.3%
37	0.863	0.055	0.992	0.985	-2.0%
38	1.140	0.168	1.022	1.015	+1.0%
CLASS GROUP					
30	0.587	0.056	0.971	0.968	
31	1.361	0.113	1.035	1.032	
32	1.059	0.165	1.010	1.006	
33	0.601	0.057	0.971	0.968	
34	1.156	0.079	1.011	1.008	
35	0.138	0.016	0.969	0.966	
36	0.570	0.040	0.978	0.975	
37	0.504	0.033	0.978	0.975	
38	1.657	0.077	1.040	1.036	

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

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

SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1) FISCAL A.Y.E. 03/31/2018 AGGREGATE LOSS COSTS AT CURRENT LEVEL	(2) FISCAL A.Y.E. 2014 - 2018 AGG LOSS COST CURRENT LEVEL	(3) FIVE YEAR EXPERIENCE RATIO	(4) RELATIV.	(5) NUMBER OF OCCURRENCES	(6) BAL CELL RELATIV.
10 MONOLINE	01 FOOD&BEV. (RETAIL)	\$392,007	\$1,172,357	1.388	1.579	43	1.041
	02 RESTAURANTS	63,305	350,168	0.353	0.402	11	1.003
	03 STORES	103,021	400,378	0.380	0.432	18	0.993
	04 VENDING & RENTAL	4,548	18,692	0.334	0.380	1	1.005
	05 FOOD & BEV. DIST.	7,691	36,589	3.981	4.529	2	1.039
	06 NON-FOOD&BEV.DIST	34,523	200,457	0.001	0.001	1	0.982
	07 CLUBS,AMSMT&SPRTS	124,447	386,055	0.656	0.746	17	1.023
	08 HEALTH CARE FACIL	4,779	17,799	0.000	0.000	0	1.006
	09 HOTELS AND MOTELS	209,486	731,425	1.038	1.181	48	1.004
	10 SCHLS & CHURCHES	40,532	221,194	1.444	1.642	13	0.995
	11 APARTMENTS	141,155	448,834	1.812	2.061	26	1.054
	12 BUILDINGS&OFFICES	205,442	931,528	0.753	0.857	54	1.011
	13 MISC. PREMISES	30,770	174,832	1.668	1.897	6	1.025
	16 GOVT SUBDIVISIONS	86	440	0.000	0.000	0	1.007
	TOTAL *	\$1,361,792	\$5,090,748	1.070		240	
31 MULT MOTEL/HOTEL	09 HOTELS AND MOTELS	\$332,190	\$1,677,488	0.530	0.603	88	0.967
	TOTAL *	\$332,190	\$1,677,488	0.530		88	
32 MULT APARTMENT	11 APARTMENTS	\$237,716	\$1,223,131	1.416	1.611	81	1.050
	12 BUILDINGS&OFFICES	38,003	209,595	1.983	2.255	17	1.008
	TOTAL *	\$275,719	\$1,432,726	1.494		98	
33 MULT OFFICE	12 BUILDINGS&OFFICES	\$480,311	\$2,365,650	0.662	0.753	113	0.980
	13 MISC. PREMISES	2,035	9,235	0.000	0.000	0	0.992
	TOTAL *	\$482,346	\$2,374,885	0.659		113	
34 MULT MERCANTILE	01 FOOD&BEV. (RETAIL)	\$201,111	\$810,888	0.889	1.011	41	1.003
	02 RESTAURANTS	393,475	1,576,695	0.643	0.732	84	0.967
	03 STORES	180,711	862,097	0.554	0.630	69	0.957
	04 VENDING & RENTAL	308	2,947	0.000	0.000	0	0.969
	05 FOOD & BEV. DIST.	11,864	122,484	0.715	0.813	6	1.002
	06 NON-FOOD&BEV.DIST	73,630	379,317	0.373	0.425	19	0.946
	12 BUILDINGS&OFFICES	85,907	472,032	0.456	0.519	17	0.975
	TOTAL *	\$947,006	\$4,226,460	0.641		236	

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

SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

		(1)	(2)	(3)	(4)	(5)	(6)
		FISCAL A.Y.E.	FISCAL A.Y.E.	FIVE YEAR			
		03/31/2018 AGGREGATE	2014 - 2018	EXPERIENCE			
TYPE OF POLICY	CLASS GROUP	LOSS COSTS AT	AGG LOSS COST	RATIO	RELATIV.	NUMBER OF	BAL CELL
		CURRENT LEVEL	CURRENT LEVEL			OCCURRENCES	RELATIV.
35 MULT INSTITUT.	07 CLUBS, AMSMT&SPRTS	\$26,966	\$155,425	2.673	3.040	8	1.042
	08 HEALTH CARE FACIL	17,109	86,590	0.676	0.769	5	1.025
	10 SCHLS & CHURCHES	160,621	1,049,322	0.774	0.881	63	1.014
	12 BUILDINGS&OFFICES	1,316	5,764	0.297	0.338	1	1.031
	16 GOVT SUBDIVISIONS	56,889	384,639	0.830	0.944	12	1.026
	TOTAL *	\$262,901	\$1,681,740	0.972		89	
36 MULT SERVICES	03 STORES	\$41,017	\$189,139	1.187	1.350	9	0.980
	04 VENDING & RENTAL	4,584	28,852	0.224	0.255	2	0.992
	07 CLUBS, AMSMT&SPRTS	145,343	654,144	1.064	1.211	51	1.010
	08 HEALTH CARE FACIL	248	1,137	8.008	9.109	1	0.993
	09 HOTELS AND MOTELS	62,147	243,867	0.085	0.097	3	0.991
	10 SCHLS & CHURCHES	402	5,614	0.000	0.000	0	0.982
	12 BUILDINGS&OFFICES	23,907	133,445	1.461	1.662	7	0.998
	13 MISC. PREMISES	27,889	133,396	0.562	0.640	9	1.011
	TOTAL *	\$305,537	\$1,389,594	0.859		82	
TOTAL ALL TOP	01 FOOD&BEV. (RETAIL)	\$593,118	\$1,983,245	1.218		84	
	02 RESTAURANTS	456,780	1,926,863	0.603		95	
	03 STORES	324,749	1,451,614	0.579		96	
	04 VENDING & RENTAL	9,440	50,491	0.270		3	
	05 FOOD & BEV. DIST.	19,555	159,073	1.999		8	
	06 NON-FOOD&BEV.DIST	108,153	579,774	0.255		20	
	07 CLUBS, AMSMT&SPRTS	296,756	1,195,624	1.039		76	
	08 HEALTH CARE FACIL	22,136	105,526	0.612		6	
	09 HOTELS AND MOTELS	603,823	2,652,780	0.660		139	
	10 SCHLS & CHURCHES	201,555	1,276,130	0.907		76	
	11 APARTMENTS	378,871	1,671,965	1.564		107	
	12 BUILDINGS&OFFICES	834,886	4,118,014	0.745		209	
	13 MISC. PREMISES	60,694	317,463	1.104		15	
	16 GOVT SUBDIVISIONS	56,975	385,079	0.828		12	
	TOTAL *	\$3,967,491	\$17,873,641	0.879		946	

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

TABLE 13
IDAHO
MANUFACTURERS AND CONTRACTORS
BASIC LIMIT RELATIVE CHANGE ANALYSIS

SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1) FISCAL A.Y.E. 03/31/2018 AGGREGATE LOSS COSTS AT CURRENT LEVEL	(2) FISCAL A.Y.E. 2014 - 2018 AGG LOSS COST CURRENT LEVEL	(3) FIVE YEAR EXPERIENCE RATIO	(4) RELATIV.	(5) NUMBER OF OCCURRENCES	(6) BAL CELL RELATIV.
10 MONOLINE	30 SERVICE	\$87,183	\$336,843	0.579	0.736	9	0.972
	31 LIGHT CONTRACTING	160,533	664,801	1.083	1.376	57	1.037
	32 MEDIUM CONTRCTING	984,043	3,927,507	0.897	1.139	190	1.011
	33 HEAVY CONTRACTING	190,286	689,173	0.577	0.733	15	0.973
	34 DEALER OR DISTRIB	274,232	1,082,972	0.689	0.876	34	1.013
	35 LGT. MANUFACTURER	46,988	117,373	0.009	0.012	1	0.970
	36 MED. MANUFACTURER	156,538	759,583	0.248	0.315	6	0.979
	37 HVY. MANUFACTURER	80,180	587,822	0.137	0.173	9	0.979
	38 MISC. OPERATION	166,705	687,923	2.267	2.880	64	1.041
	TOTAL *	\$2,146,688	\$8,853,997	0.854		385	
33 MULT OFFICE	31 LIGHT CONTRACTING	\$6,957	\$34,993	2.306	2.931	3	1.018
	32 MEDIUM CONTRCTING	265	876	0.000	0.000	0	0.992
	33 HEAVY CONTRACTING	16,198	75,582	0.027	0.034	1	0.955
	38 MISC. OPERATION	16,743	88,111	0.586	0.744	4	1.022
	TOTAL *	\$40,163	\$199,562	0.655		8	
34 MULT MERCANTILE	30 SERVICE	\$42,576	\$245,947	0.385	0.489	4	0.904
	32 MEDIUM CONTRCTING	11,363	38,979	0.171	0.217	3	0.940
	34 DEALER OR DISTRIB	339,816	1,509,552	0.207	0.264	28	0.942
	36 MED. MANUFACTURER	0	4	0.000	0.000	0	0.910
	38 MISC. OPERATION	19,358	89,727	0.759	0.965	9	0.968
	TOTAL *	\$413,113	\$1,884,209	0.251		44	
35 MULT INSTITUT.	31 LIGHT CONTRACTING	\$679	\$1,973	26.903	34.184	2	1.034
	32 MEDIUM CONTRCTING	27,542	138,280	0.614	0.780	7	1.008
	TOTAL *	\$28,221	\$140,253	1.246		9	
36 MULT SERVICES	30 SERVICE	\$16,711	\$115,314	2.120	2.694	12	0.975
	31 LIGHT CONTRACTING	38,386	174,115	0.235	0.299	8	1.040
	32 MEDIUM CONTRCTING	30,965	179,299	0.745	0.946	3	1.014
	33 HEAVY CONTRACTING	5,043	50,162	0.052	0.067	1	0.976
	34 DEALER OR DISTRIB	164,537	729,449	1.826	2.320	51	1.016
	36 MED. MANUFACTURER	6,155	39,449	0.000	0.000	0	0.982
	38 MISC. OPERATION	98,122	555,142	0.667	0.848	30	1.045
	TOTAL *	\$359,919	\$1,842,930	1.205		105	

TABLE 13
IDAHO
MANUFACTURERS AND CONTRACTORS
BASIC LIMIT RELATIVE CHANGE ANALYSIS

SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1) FISCAL A.Y.E. 03/31/2018 AGGREGATE LOSS COSTS AT CURRENT LEVEL	(2) FISCAL A.Y.E. 2014 - 2018 AGG LOSS COST CURRENT LEVEL	(3) FIVE YEAR EXPERIENCE RATIO	(4) RELATIV.	(5) NUMBER OF OCCURRENCES	(6) BAL CELL RELATIV.
37 MULT INDUST/PROC.	31 LIGHT CONTRACTING	\$383	\$829	0.000	0.000	0	1.017
	32 MEDIUM CONTRCTING	178,872	768,685	0.554	0.705	14	0.992
	33 HEAVY CONTRACTING	34,859	172,730	0.017	0.021	1	0.954
	34 DEALER OR DISTRIB	28,215	145,594	0.047	0.059	1	0.993
	35 LGT. MANUFACTURER	39,103	231,861	0.224	0.285	4	0.952
	36 MED. MANUFACTURER	329,652	1,518,293	0.510	0.648	24	0.960
	37 HVY. MANUFACTURER	261,391	1,131,873	0.433	0.550	11	0.960
	38 MISC. OPERATION	4,079	20,398	0.000	0.000	0	1.021
	TOTAL *	\$876,554	\$3,990,263	0.446		55	
38 MULT CONTRACTORS	30 SERVICE	\$208,418	\$1,034,686	0.316	0.401	33	0.982
	31 LIGHT CONTRACTING	363,847	1,579,928	1.291	1.640	160	1.048
	32 MEDIUM CONTRCTING	963,223	5,020,879	1.012	1.286	275	1.022
	33 HEAVY CONTRACTING	272,336	1,298,608	0.572	0.727	41	0.983
	38 MISC. OPERATION	35,629	121,566	0.074	0.094	1	1.052
	TOTAL *	\$1,843,453	\$9,055,667	0.905		510	
TOTAL ALL TOP	30 SERVICE	\$354,888	\$1,732,790	0.474		58	
	31 LIGHT CONTRACTING	570,785	2,456,639	1.203		230	
	32 MEDIUM CONTRCTING	2,196,273	10,074,505	0.910		492	
	33 HEAVY CONTRACTING	518,722	2,286,255	0.514		59	
	34 DEALER OR DISTRIB	806,800	3,467,567	0.696		114	
	35 LGT. MANUFACTURER	86,091	349,234	0.107		5	
	36 MED. MANUFACTURER	492,345	2,317,329	0.420		30	
	37 HVY. MANUFACTURER	341,571	1,719,695	0.363		20	
	38 MISC. OPERATION	340,636	1,562,867	1.381		108	
	TOTAL *	\$5,708,111	\$25,966,881	0.787		1,116	

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

TABLE 14
IDAHO
PRODUCTS
BASIC LIMIT RELATIVE CHANGE ANALYSIS

	(1) BAILEY FORMULA RELATIV.	(2) CREDIBILITY Z	(3) Z-WTD RELATIV.	(4) BALANCED RELATIV.	(5) INDICATED CHANGE *
TOP					
10	0.988	0.372	0.995	0.996	
34	1.036	0.371	1.013	1.014	+ 1.8%
36	1.005	0.187	1.001	1.002	+ 0.6%
37	0.988	0.507	0.994	0.994	- 0.2%
CLASS					
GROUP					
3	0.924	0.500	0.961	0.965	
4	1.048	0.406	1.019	1.024	
5	1.107	0.132	1.014	1.018	
6	1.007	0.320	1.002	1.006	
7	1.006	0.182	1.001	1.005	

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

NOTE: THE INDICATED CHANGES BY TOP WERE FURTHER ADJUSTED BY THE FOLLOWING
DIFFERENTIALS:

TOP 34: 1.007
TOP 36: 1.012
TOP 37: 0.979

TABLE 15
MULTISTATE
PRODUCTS
BASIC LIMIT RELATIVE CHANGE ANALYSIS

SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1) CALENDAR A.Y.E. 12/31/2017 AGGREGATE LOSS COSTS AT CURRENT LEVEL	(2) CALENDAR A.Y.E. 2013 - 2017 AGG LOSS COST CURRENT LEVEL	(3) FIVE YEAR EXPERIENCE RATIO	(4) RELATIV.	(5) NUMBER OF OCCURRENCES	(6) BAL CELL RELATIV.
10 MONOLINE	03 MAN,DLR,DSTFD/DRG	\$18,227,491	\$79,500,211	0.856	0.869	1,461	0.961
	04 DLR,DST-NOTFD/DRG	9,616,743	42,155,667	1.119	1.136	640	1.019
	05 MAN.NTFD/DRG (LOW)	1,605,615	6,748,634	1.039	1.055	84	1.014
	06 MAN.NTFD/DRG (MED)	9,640,686	42,498,903	0.958	0.972	466	1.002
	07 MAN.NTFD/DRG (HGH)	2,568,561	11,286,663	1.018	1.033	129	1.001
	TOTAL *	\$41,659,096	\$182,190,078	0.957		2,780	
34 MULT MERCANTILE	03 MAN,DLR,DSTFD/DRG	\$5,166,155	\$25,851,441	1.131	1.148	791	0.979
	04 DLR,DST-NOTFD/DRG	29,011,611	140,165,685	1.037	1.052	1,972	1.038
	06 MAN.NTFD/DRG (MED)	7,625	57,567	0.000	0.000	0	1.020
	TOTAL *	\$34,185,391	\$166,074,693	1.051		2,763	
36 MULT SERVICES	04 DLR,DST-NOTFD/DRG	\$3,197,904	\$14,609,890	1.041	1.057	699	1.025
	06 MAN.NTFD/DRG (MED)	54,898	258,512	0.781	0.793	1	1.008
	TOTAL *	\$3,252,802	\$14,868,402	1.037		700	
37 MULT INDUST/PROC.	03 MAN,DLR,DSTFD/DRG	\$16,474,514	\$81,117,947	0.888	0.901	2,761	0.960
	05 MAN.NTFD/DRG (LOW)	4,070,679	20,897,437	1.092	1.108	269	1.012
	06 MAN.NTFD/DRG (MED)	28,248,516	131,744,418	0.987	1.002	1,582	1.001
	07 MAN.NTFD/DRG (HGH)	7,346,721	36,933,393	0.965	0.980	537	1.000
	TOTAL *	\$56,140,430	\$270,693,195	0.963		5,149	
TOTAL ALL TOP	03 MAN,DLR,DSTFD/DRG	\$39,868,160	\$186,469,599	0.905		5,013	
	04 DLR,DST-NOTFD/DRG	41,826,258	196,931,242	1.056		3,311	
	05 MAN.NTFD/DRG (LOW)	5,676,294	27,646,071	1.077		353	
	06 MAN.NTFD/DRG (MED)	37,951,725	174,559,400	0.979		2,049	
	07 MAN.NTFD/DRG (HGH)	9,915,282	48,220,056	0.979		666	
	TOTAL *	\$135,237,719	\$633,826,368	0.985		11,392	

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

TABLE 16
IDAHO
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	0.969	0.752	0.977	0.973	
34	0.959	0.541	0.978	0.974	+ 0.1%
36	0.986	0.516	0.993	0.989	+ 1.6%
37	0.972	0.138	0.996	0.993	+ 2.1%
38	1.025	0.962	1.024	1.020	+ 4.8%
CLASS GROUP					
1	0.918	0.550	0.954	0.948	
2	1.037	0.495	1.018	1.012	
11	1.095	0.352	1.032	1.026	
12	1.016	1.000	1.016	1.010	
13	0.785	0.266	0.938	0.932	

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

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

STATE	(1) BAILEY FORMULA	(2) CREDIBILITY Z	(3) Z-WTD RELATIV	(4) BALANCED RELATIV.
	RELATIV			
Idaho	1.418	0.386	1.144	1.144
	1.202	0.623	1.122	1.121
	1.425	0.229	1.085	1.084
	1.144	0.427	1.059	1.059
	1.413	0.160	1.057	1.057
	1.437	0.153	1.057	1.057
	1.197	0.263	1.049	1.048
	1.096	0.505	1.048	1.047
	1.135	0.345	1.045	1.044
	1.122	0.368	1.043	1.043
	1.191	0.231	1.041	1.041
	1.128	0.326	1.040	1.040
	1.173	0.239	1.039	1.039
	1.148	0.224	1.031	1.031
	1.059	0.435	1.025	1.025
	1.052	0.453	1.023	1.023
	1.257	0.100	1.023	1.023
	1.083	0.227	1.018	1.018
	1.101	0.187	1.018	1.018
	1.090	0.192	1.017	1.016
	1.045	0.369	1.016	1.016
	1.037	0.307	1.011	1.011
	1.019	0.449	1.008	1.008
	1.027	0.143	1.004	1.003
	1.002	0.494	1.001	1.000
	1.002	0.131	1.000	1.000
	0.994	0.097	0.999	0.999
	0.992	0.402	0.997	0.997
	0.989	0.377	0.996	0.995
	0.975	0.190	0.995	0.995
	0.965	0.458	0.984	0.983
	0.924	0.241	0.981	0.981
	0.933	0.349	0.976	0.976
	0.895	0.260	0.972	0.971
	0.892	0.285	0.968	0.968
	0.788	0.160	0.963	0.962
	0.693	0.104	0.963	0.962
	0.889	0.364	0.958	0.958
	0.759	0.154	0.958	0.958
	0.843	0.288	0.952	0.952
	0.720	0.158	0.949	0.949
	0.765	0.195	0.949	0.949
	0.906	0.547	0.948	0.947
	0.793	0.238	0.946	0.946
	0.512	0.084	0.945	0.945
	0.639	0.136	0.941	0.941
	0.813	0.308	0.938	0.938
	0.889	0.581	0.934	0.933
	0.846	0.470	0.924	0.924
	0.756	0.321	0.914	0.914
	0.602	0.179	0.913	0.913
	0.804	0.575	0.882	0.882

* Sorted by balanced relative change.

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

SUMMARY OF EXPERIENCE USED IN RELATIVE CHANGE ANALYSIS

TYPE OF POLICY	CLASS GROUP	(1) CALENDAR A.Y.E. 12/31/2017 AGGREGATE LOSS COSTS AT CURRENT LEVEL	(2) CALENDAR A.Y.E. 2013 - 2017 AGG LOSS COST CURRENT LEVEL	(3) FIVE YEAR EXPERIENCE RATIO	(4) RELATIV.	(5) NUMBER OF OCCURRENCES	(6) BAL CELL RELATIV.
10 MONOLINE	01 RET. STRS-FOOD/DRG	\$10,940	\$64,834	0.299	0.276	3	0.952
	02 RET. STRS-NTFD/DRG	5,203	16,679	0.771	0.711	3	1.016
	11 COMP. OPS. (LOW)	14,697	55,248	0.176	0.163	2	1.030
	12 COMP. OPS. (MED)	532,730	1,921,307	2.029	1.872	57	1.014
	13 COMP. OPS. (HGH)	30,976	164,644	0.000	0.000	0	0.935
	TOTAL *	\$594,546	\$2,222,712	1.835		65	
34 MULT MERCANTILE	01 RET. STRS-FOOD/DRG	\$28,994	\$110,222	0.630	0.582	6	0.953
	02 RET. STRS-NTFD/DRG	23,235	101,943	2.437	2.248	6	1.017
	12 COMP. OPS. (MED)	20,071	107,829	3.630	3.349	4	1.015
	TOTAL *	\$72,300	\$319,994	2.044		16	
36 MULT SERVICES	01 RET. STRS-FOOD/DRG	\$961	\$5,644	0.000	0.000	0	0.967
	02 RET. STRS-NTFD/DRG	67,177	233,470	1.514	1.397	30	1.032
	11 COMP. OPS. (LOW)	9,708	74,644	1.087	1.003	4	1.047
	12 COMP. OPS. (MED)	27,908	143,844	0.523	0.482	4	1.030
	13 COMP. OPS. (HGH)	13,335	77,938	1.858	1.714	4	0.950
	TOTAL *	\$119,089	\$535,540	1.273		42	
37 MULT INDUST/PROC.	01 RET. STRS-FOOD/DRG	\$2	\$39	0.000	0.000	0	0.971
	11 COMP. OPS. (LOW)	684	2,626	0.000	0.000	0	1.050
	12 COMP. OPS. (MED)	43,267	212,258	2.056	1.897	5	1.034
	TOTAL *	\$43,953	\$214,923	2.024		5	
38 MULT CONTRACTORS	11 COMP. OPS. (LOW)	\$57,570	\$255,662	0.464	0.428	2	1.080
	12 COMP. OPS. (MED)	1,106,678	5,400,808	0.953	0.879	136	1.063
	13 COMP. OPS. (HGH)	120,537	534,983	0.678	0.625	10	0.981
	TOTAL *	\$1,284,785	\$6,191,453	0.905		148	
TOTAL ALL TOP	01 RET. STRS-FOOD/DRG	\$40,897	\$180,739	0.527		9	
	02 RET. STRS-NTFD/DRG	95,615	352,092	1.698		39	
	11 COMP. OPS. (LOW)	82,659	388,180	0.482		8	
	12 COMP. OPS. (MED)	1,730,654	7,786,046	1.336		206	
	13 COMP. OPS. (HGH)	164,848	777,565	0.646		14	
	TOTAL *	\$2,114,673	\$9,484,622	1.249		276	

* 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) CALENDAR A.Y.E. 12/31/2017 AGGREGATE LOSS COSTS AT CURRENT LEVEL	(2) CALENDAR A.Y.E. 2013 - 2017 AGG LOSS COST CURRENT LEVEL	(3) FIVE YEAR EXPERIENCE RATIO	(4) RELATIV.	(5) NUMBER OF OCCURRENCES	(6) BAL CELL RELATIV.
10 MONOLINE	01 RET. STRS-FOOD/DRG	\$2,570,942	\$11,000,189	0.978		762	
	02 RET. STRS-NTFD/DRG	2,629,603	11,663,817	1.219		494	
	11 COMP. OPS. (LOW)	4,024,036	18,069,271	1.329		705	
	12 COMP. OPS. (MED)	82,107,926	364,826,722	1.080		6,242	
	13 COMP. OPS. (HGH)	7,801,373	39,341,081	0.703		282	
	TOTAL *	\$99,133,880	\$444,901,080	1.062		8,485	
34 MULT MERCANTILE	01 RET. STRS-FOOD/DRG	\$8,002,266	\$37,342,335	0.940		3,591	
	02 RET. STRS-NTFD/DRG	5,186,195	23,434,483	1.012		665	
	12 COMP. OPS. (MED)	2,043,786	10,139,349	1.186		140	
	TOTAL *	\$15,232,247	\$70,916,167	0.997		4,396	
36 MULT SERVICES	01 RET. STRS-FOOD/DRG	\$729,961	\$3,439,653	1.065		197	
	02 RET. STRS-NTFD/DRG	12,256,900	48,452,562	1.088		2,518	
	11 COMP. OPS. (LOW)	3,094,937	14,012,389	1.111		510	
	12 COMP. OPS. (MED)	4,447,208	21,021,492	0.941		694	
	13 COMP. OPS. (HGH)	989,332	5,061,195	1.199		87	
	TOTAL *	\$21,518,338	\$91,987,291	1.065		4,006	
37 MULT INDUST/PROC.	01 RET. STRS-FOOD/DRG	\$26,867	\$90,627	2.388		1	
	11 COMP. OPS. (LOW)	114,535	530,208	1.229		19	
	12 COMP. OPS. (MED)	3,550,014	17,334,430	1.039		268	
	13 COMP. OPS. (HGH)	40,532	307,938	0.580		0	
	TOTAL *	\$3,731,948	\$18,263,203	1.050		288	
38 MULT CONTRACTORS	11 COMP. OPS. (LOW)	\$8,122,432	\$37,446,153	1.157		634	
	12 COMP. OPS. (MED)	143,209,202	677,397,379	1.125		12,565	
	13 COMP. OPS. (HGH)	14,631,915	67,788,410	0.919		693	
	TOTAL *	\$165,963,549	\$782,631,942	1.108		13,892	
TOTAL ALL TOP	01 RET. STRS-FOOD/DRG	\$11,330,036	\$51,872,804	0.960		4,551	
	02 RET. STRS-NTFD/DRG	20,072,698	83,550,862	1.086		3,677	
	11 COMP. OPS. (LOW)	15,355,940	70,058,021	1.193		1,868	
	12 COMP. OPS. (MED)	235,358,136	1,090,719,372	1.105		19,909	
	13 COMP. OPS. (HGH)	23,463,152	112,498,624	0.858		1,062	
	TOTAL *	\$305,579,962	\$1,408,699,683	1.084		31,067	

* 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 relativities will serve to derive the relationship of the various classifications 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:

Owners, Landlords and Tenants -	type of policy and class group
Manufacturers and Contractors -	type of policy 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:

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

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 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 into the second formula to get a class group relativity. The resultant class group relativities then produce a new set of type of policy relativities. 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

$$Z = \sqrt{P/18,000} \text{ for Owners, Landlords and Tenants, } Z = \sqrt{P/18,000} \text{ for}$$

$$\text{Manufacturers and Contractors and } Z = \sqrt{P/20,000} \text{ for Products, where P}$$

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

$$= \sqrt{P/15,000} \text{ for type of policy and class group, and } Z = \sqrt{P/5,500} \text{ for}$$

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, state or type of policy credibility;

R is the class group, 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, the class group and state relativities which result from the aforementioned procedures are then used to generate indicated monoline classification loss cost changes. The multiline relativities, the class group and state relativities which result from the aforementioned procedures are then 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.
