

LOSS COSTS – IMPLEMENTATION

DECEMBER 16, 2019

COMMERCIAL PROPERTY

LI-CF-2019-109

## MINNESOTA COMMERCIAL FIRE AND ALLIED LINES ADVISORY PROSPECTIVE LOSS COST REVISION TO BE IMPLEMENTED

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### KEY MESSAGE

Revised advisory prospective loss costs reflecting a statewide loss cost level change of +2.8% to be implemented.

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### BACKGROUND

In circular [LI-CF-2019-086](#), we provided you with information about the Commercial Fire and Allied Lines loss cost level experience review.

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### ISO ACTION

We are implementing CF-2019-RLA1, which presents a review of Commercial Fire and Allied Lines loss cost experience. Refer to the attachment(s) for complete details.

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### SUPPLEMENTARY INFORMATION

We are including the following supplementary information:

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

NOTE: This supplementary information is **not** part of the experience review document and, in states where we are making a filing, is **not** part of the filing.

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### EFFECTIVE DATE

We do not establish an effective date for Commercial Fire and Allied Lines loss cost revisions in this state. Each insurer that elects to utilize this revision is responsible for determining its own effective date.

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### IMPACT ON THE STATISTICAL REPORTING OF LOSS COST MULTIPLIER

For the purpose of reporting your company Loss Cost Multiplier under the CSP, as of June 1, 2020, the multiplier must be based on the relationship between your gross rates and the ISO advisory prospective loss costs contained in this circular.

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## COMPANY ACTION

You must independently determine the final rates you will use and the effective date of any rate change. If you decide to use our prospective loss costs to revise your rates, you are NOT required to file anything with the Insurance Department.

You must document your files in case the Insurance Department wishes to review the information at a later date. In all internal correspondence on this revision, you should refer to ISO Revision Designation Number CF-2019-RLA1, NOT this circular number.

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## RATING SOFTWARE IMPACT

No new attributes are being introduced with this revision.

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## 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-2019-057](#) 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.

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## REVISION DISTRIBUTION INFORMATION

- **Manual And ISO Suite**

We will issue a Notice to Manualholders with an edition date of 6-20 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

- **ProMetrix**

Revised loss costs for specifically rated and class-rated properties contained in ProMetrix will be displayed as "Pending" beginning on January 21, 2020. On June 1, 2020, these loss costs will move to "Current" status. The previous "Current" becomes the most recent "Prior" and joins all previously displayed "Priors". With each subsequent loss cost revision, we will make an additional "Prior" available. Information in ProMetrix will distinguish between loss costs which reflect the effect of limit of insurance (LOI) relativities and pre-LOI loss costs.

- **Toll-free Telephone Service**

Revised loss costs for specifically rated and class-rated properties will be available by calling toll-free 1-800-444-4554 and requesting "Pending" from January 21, 2020 to June 1, 2020. On June 1, 2020, these loss costs will move to "Current" status. The previous "Current" becomes the most recent "Prior" and joins all previously displayed "Priors". With each subsequent loss cost revision, we will make an additional "Prior" available. Information available via toll-free telephone service will distinguish between loss costs which reflect the effect of limit of insurance (LOI) relativities and pre-LOI loss costs.

**NOTE:** Specific property information is provided for Basic Group I and Basic Group II in this state. However, the eligibility criteria for Basic Group I and Basic Group II are independent and therefore an individual property may be eligible for Basic Group I and/or Basic Group II specific rating.

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## REFERENCE(S)

- [LI-CL-2019-057](#) (12/10/2019) Revised Lead Time Requirements Listing
- [LI-CF-2019-086](#) (09/11/2019) Commercial Fire And Allied Lines Experience Level Indications Reviewed By ISO Staff

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## ATTACHMENT(S)

- CF-2019-RLA1
- Actuarial Analysis Supplement
- Excel Workbook

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## 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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## DATA QUALITY

Statistical plan data reported to ISO is first processed through a system of rigorous automated data verification procedures so that only valid data would be used for ratemaking. Subsequent to this initial data submission review, additional analyses on the statistical plan data involving an even more customized data review for this line were performed by staff. During these processes, various data records were excluded from the review. The ISO staff responsible for this circular also reviewed the data for reasonableness.

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## ACKNOWLEDGMENT OF ACTUARIAL QUALIFICATIONS

The American Academy of Actuaries' "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" requires that an actuary issuing a Statement of Actuarial Opinion should include an acknowledgment with the opinion that he/she has met the qualification standards of the AAA. ISO considers this loss cost review 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.

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## XACTWARE SOLUTIONS, INC.

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

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

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## CONTACT INFORMATION

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Callers outside the United States, Canada, and the Caribbean may contact us using our global toll-free number (International Access Code + 800 48977489). For information on all ISO products, visit us at [www.verisk.com/iso](http://www.verisk.com/iso). To keep abreast of the latest Insurance Lines Services updates, view [www.verisk.com/ils](http://www.verisk.com/ils).

## MINNESOTA

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

#### PURPOSE

This document:

- revises advisory prospective loss costs. These loss costs represent a +2.8% statewide change from the current ISO loss costs.
  - provides the analyses used to derive the prospective loss costs based on experience through calendar/accident year ending 09/30/2018, evaluated as of 12/31/2018.
- 

#### DEFINITION OF THE ISO PROSPECTIVE LOSS COST

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

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#### LOSS COST LEVEL CHANGES

The statewide monoline prospective loss cost level changes are:

<u>Coverage</u>	<u>Indicated</u>
Basic Group I	+5.7%
Basic Group II	+5.3%
Special Causes of Loss	-6.4%
Total	+2.8%

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

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#### PRIOR ISO

The latest revisions in this state are:

## REVISIONS

<u>Reference Document or Filing</u>	CF-2018-RLA1	CF-2016-RLA1
<u>Rates/ Loss Costs</u>	Loss Costs	Loss Costs
<u>Dates Implemented</u>	05/01/2019	04/01/2017
<u>Changes</u>		
Basic Group I	+4.4%	+10.0%
Basic Group II	+4.5%	+1.9%
Special Causes of Loss	-5.2%	-0.1%
Total	+2.2%	+4.6%

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## HISTORICAL SOURCE DATA

The data used in this revision is:

- Voluntary experience for ISO reporting companies.
  - Five calendar/accident years ending 09/30/2018 for Basic Group I and Special Causes of Loss.
  - Ten calendar/accident years ending 09/30/2018 for Basic Group II.
- 

## DISTRIBUTION OF STATEWIDE MONOLINE LOSS COST CHANGES

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

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

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

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TREND AND  
OTHER  
ADJUSTMENTS

Loss Trend

For trend purposes, the period of use for this revision is assumed to begin on 04/01/2020. To adjust the loss experience to the levels expected to prevail while the revised loss costs are in effect, trend factors have been applied to the historical incurred losses. These trend factors are based on:

- external cost indices published by the U.S. Government and information provided by Xactware Solutions, Inc.
- changes in multistate average claim costs through fourth quarter 2017.

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

<u>Coverage</u>	<u>Annual Rate of Change</u>
Buildings	+3.1%
Contents	+2.0%
Time Element	+0.9%

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

<u>Line of Business</u>	<u>Buildings</u>	<u>Contents</u>	<u>Time Element</u>
Basic Group I	-0.3%	0.7%	2.8%
Basic Group II	0.2%	0.6%	2.6%
Special Causes of Loss	0.2%	0.0%	2.8%

This produces a total annual loss trend of:

<u>Line of Business</u>	<u>Buildings</u>	<u>Contents</u>	<u>Time Element</u>
Basic Group I	2.8%	2.7%	3.7%
Basic Group II	3.3%	2.6%	3.5%
Special Causes of Loss	3.3%	2.0%	3.7%

Premium Trend

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



TREND AND  
OTHER  
ADJUSTMENTS

(cont'd)

In order to reflect this increase in revenue, ISO uses a premium trend procedure. The premium trend factors are based on observed changes in the annual amount of insurance written for BG I renewal policies for a group of selected companies. For property damage coverages, these amount of insurance, or exposure, trend factors are adjusted for the decrease in limit of insurance factors associated with the increase in amount of insurance to calculate premium trend factors. The selected annual trends in the amount of insurance are:

<u>Line of Business</u>	<u>Buildings</u>	<u>Contents</u>	<u>Time Element</u>
Basic Group I	+2.1%	+1.6%	+0.6%
Basic Group II	+1.9%	+1.4%	+0.6%
Special Causes of Loss	+2.0%	+1.2%	+0.6%

Other Adjustments

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

TEN LARGEST  
COMPANY  
GROUPS IN  
ISO DATA BASE

COMMERCIAL MULTIPERIL - NON-LIABILITY (ASLOB 51)

1. Travelers Indemnity Company
2. Cincinnati Insurance Company
3. Hartford Accident & Indemnity Company
4. Firemans Fund Insurance Company
5. Westfield Insurance Company
6. State Auto Mutual Insurance Company
7. Tokio Marine Companies
8. QBE Insurance Corporation
9. Nationwide Mutual Insurance Company
10. Zurich American Insurance Company

Insurers are listed in descending order based on the percent of statewide written premium volume from Annual Statement Page 15 for year ending 12/31/2018 for Annual Statement Line of Business (ASLOB) 51, Commercial Multiperil - Non-liability.

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

SIZE OF ISO  
DATA BASE

The market share of all insurers reporting to ISO in this state and included in the ratemaking experience underlying this review as measured by Annual Statement Page 15 written premium for year ending 12/31/2018 is:

Commercial Multi-peril - N25.1iability (ASLOB 51) - 25.1%

COMPANY  
DECISION

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We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the loss costs contained herein are appropriate for its use. We have included within this document the information upon which ISO relied in order to enable companies to make such independent judgments.

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

Some calculations included in this document involve areas of ISO staff judgment. Each company should carefully review and evaluate its own experience in order to determine whether the ISO selected loss costs are appropriate for its use.

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

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COMMERCIAL PROPERTY INSURANCE

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# MINNESOTA

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

COVERAGE	INDICATIONS	AGGREGATE LOSS COSTS AT CURRENT LEVEL
BASIC GROUP I	+5.7%	22,705,550
TERRITORY 01	+1.8%	
TERRITORY 02	+6.4%	
TERRITORY 08	+5.9%	
BASIC GROUP II	+5.3%	28,458,384
SPECIAL CAUSES OF LOSS	-6.4%	14,626,365
ALL COVERAGES COMBINED	+2.8%	65,790,299

## TERRITORY DEFINITIONS

01 Minneapolis  
02 Saint Paul  
08 Balance of State

(A) FOR TREND PURPOSES, THE PERIOD OF USE FOR THIS REVISION IS ASSUMED TO BEGIN ON 04/01/2020.

MINNESOTA

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

RATING GROUP DESCRIPTION	Minneapolis	Saint Paul
	INDICATED	INDICATED
01 APARTMENTS	-8.6%	-4.7%
02 OTHER HABITATIONAL	+7.8%	+12.4%
03 RESTAURANTS & BARS	+2.7%	+7.1%
04 OTHER MERCANTILE RISKS	+5.8%	+10.3%
05 PUBLIC BUILDINGS	+5.4%	+9.9%
06 CHURCHES	+6.0%	+10.5%
07 SCHOOLS	+7.0%	+11.6%
08 OFFICES AND BANKS	-0.8%	+3.4%
09 RECREATIONAL FACILITIES	+2.5%	+6.9%
10 HOTELS & MOTELS	+4.9%	+9.4%
11 HOSPITALS & NURSING HOMES	+6.9%	+11.5%
12 BLDGS UNDER CONSTRUCTION	+5.9%	+10.4%
13 MOTOR VEHICLE RISKS	+13.0%	+17.9%
14 OTHER NON-MANUFACTURING	+5.9%	+10.4%
15 STORAGE	+9.5%	+14.2%
17 FOOD MANUFACTURING	+6.2%	+10.7%
18 WOOD MANUFACTURING	+7.6%	+12.2%
19 WEARING APPAREL	+5.1%	+9.6%
20 CHEMICAL MANUFACTURING	+6.1%	+10.6%
21 METAL MANUFACTURING	-3.8%	+0.3%
22 OTHER MANUFACTURING	+10.9%	+15.6%
TOTAL	+1.8%	+6.4%

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

MINNESOTA

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

RATING GROUP DESCRIPTION	Balance of State (Minnesota)
-----	
	INDICATED
01 APARTMENTS	-7.2%
02 OTHER HABITATIONAL	+9.5%
03 RESTAURANTS & BARS	+4.3%
04 OTHER MERCANTILE RISKS	+7.4%
05 PUBLIC BUILDINGS	+7.0%
06 CHURCHES	+7.6%
07 SCHOOLS	+8.6%
08 OFFICES AND BANKS	+0.7%
09 RECREATIONAL FACILITIES	+4.1%
10 HOTELS & MOTELS	+6.5%
11 HOSPITALS & NURSING HOMES	+8.5%
12 BLDGS UNDER CONSTRUCTION	+7.5%
13 MOTOR VEHICLE RISKS	+14.8%
14 OTHER NON-MANUFACTURING	+7.5%
15 STORAGE	+11.2%
17 FOOD MANUFACTURING	+7.8%
18 WOOD MANUFACTURING	+9.3%
19 WEARING APPAREL	+6.7%
20 CHEMICAL MANUFACTURING	+7.7%
21 METAL MANUFACTURING	-2.4%
22 OTHER MANUFACTURING	+12.5%
TOTAL	+5.9%

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

MINNESOTA

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

CATEGORY DESCRIPTION	ENTIRE STATE
-----	-----
01 BUILDINGS	-5.3%
02 RES. APTS. AND CONDOS	-8.8%
03 OFFICES	-7.4%
04 MERCANTILE - HIGH	-8.3%
05 MERCANTILE - MEDIUM	-6.6%
06 MERCANTILE - LOW	-8.0%
07 MOTELS AND HOTELS	-8.0%
08 INSTITUTIONAL - HIGH	-8.3%
09 INSTITUTIONAL - LOW	-9.2%
10 INDUST-PROC - HIGH	-8.1%
11 INDUST-PROC - LOW	-9.6%
12 SERVICE - HIGH	-11.8%
13 SERVICE - LOW	-9.2%
14 CONTRACTORS	-5.8%
STATEWIDE TOTAL	-6.4%



MINNESOTA  
TABLE 4

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

(1)	(2)	(3)	(4)
TYPE OF POLICY	BASIC GROUP I	BASIC GROUP II	SPECIAL CAUSES OF LOSS
-----			
31      MOTEL/HOTEL	+6.6%	+5.3%	-6.0%
32      APARTMENT	-2.1%	+5.3%	-6.1%
33      OFFICE	+0.7%	+5.3%	-6.0%
34      MERCANTILE	+7.7%	+5.3%	-6.0%
35      INSTITUTIONAL	+7.6%	+5.3%	-6.1%
36      SERVICES	+9.0%	+5.3%	-7.7%
37      INDUST/PROCESSING	+3.9%	+5.3%	-7.0%
38      CONTRACTORS	+6.9%	+5.3%	-5.6%

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

MINNESOTA  
COMMERCIAL PROPERTY INSURANCE

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## OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

### INTRODUCTION

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

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### STEP 1: DETERMINATION OF INDICATED STATEWIDE LOSS COST LEVEL CHANGE

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

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### STEP 2: DISTRIBUTION OF CHANGES

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

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### STEP 3: CALCULATION OF REVISED LOSS COSTS

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

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

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

MINNESOTA  
TABLE 5

STATEWIDE BASIC GROUP I  
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)	(5)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3) / (2)	WEIGHTS
2014	27,286,196	31,076,216	1.139	0.10
2015	25,505,396	28,217,626	1.106	0.15
2016	23,433,293	25,704,635	1.097	0.20
2017	23,443,170	21,646,795	0.923	0.25
2018	22,705,550	27,817,136	1.225	0.30

(6) WEIGHTED EXPERIENCE RATIO	= 1.098
(7) CREDIBILITY	= 0.300
(8) EXPECTED EXPERIENCE RATIO	= 1.010
(9) CREDIBILITY WEIGHTED EXPERIENCE RATIO (0.300 X 1.098 ) + (0.700 X 1.010 )	= 1.036
(10) INDICATED COVERAGE LOSS COST CHANGE	= 1.036
	OR +3.6%

\* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL  
AND 10/01/2020 AMOUNT OF INSURANCE LEVELS.

\*\* INCURRED LOSSES ARE ADJUSTED TO 04/01/2021 COST LEVELS INCLUDING LOSS  
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

MINNESOTA  
TABLE 6

STATEWIDE BASIC GROUP II  
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3) / (2)
2009	32,814,197	20,976,914	0.639
2010	34,590,485	35,069,554	1.014
2011	31,453,980	43,265,765	1.376
2012	31,408,425	26,675,983	0.849
2013	28,715,130	24,903,241	0.867
2014	27,454,639	23,095,693	0.841
2015	27,172,528	30,554,335	1.124
2016	26,709,175	29,323,317	1.098
2017	27,927,472	33,889,112	1.213
2018	28,458,384	25,708,839	0.903

(5) WEIGHTED EXPERIENCE RATIO (EQUAL WEIGHTS) = 0.992

(6) CREDIBILITY = 0.444

(7) EXPECTED EXPERIENCE RATIO = 1.015

(8) CREDIBILITY WEIGHTED EXPERIENCE RATIO = 1.005  
(0.444 x 0.992 ) + (0.556 x 1.015 )

(9) INDICATED COVERAGE LOSS COST CHANGE = 1.005

OR +0.5%

\* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL  
AND 10/01/2020 AMOUNT OF INSURANCE LEVELS.

\*\* INCURRED LOSSES ARE ADJUSTED TO 04/01/2021 COST LEVELS INCLUDING LOSS  
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

MINNESOTA  
TABLE 7

STATEWIDE SPECIAL CAUSES OF LOSS  
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)	(5)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3) / (2)	WEIGHTS
2014	14,727,758	18,454,150	1.253	0.10
2015	14,204,765	13,454,672	0.947	0.15
2016	13,859,663	11,966,609	0.863	0.20
2017	14,353,650	7,768,162	0.541	0.25
2018	14,626,365	12,037,098	0.823	0.30

(6) WEIGHTED EXPERIENCE RATIO = 0.822

(7) CREDIBILITY = 0.305

(8) EXPECTED EXPERIENCE RATIO = 1.012

(9) CREDIBILITY WEIGHTED EXPERIENCE RATIO = 0.954  
(0.305 X 0.822 ) + (0.695 X 1.012 )

(10) INDICATED COVERAGE LOSS COST CHANGE = 0.954

OR -4.6%

\* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL  
AND 10/01/2020 AMOUNT OF INSURANCE LEVELS.

\*\* INCURRED LOSSES ARE ADJUSTED TO 04/01/2021 COST LEVELS INCLUDING LOSS  
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

EXPLANATORY NOTES TO TABLES 5, 6 AND 7

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

COLUMN (1)

EXPERIENCE PERIOD

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

COLUMN (2)

AGGREGATE LOSS COSTS

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

Extension of Exposures Approach

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

On-Level Approach

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

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

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



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

COLUMN (2)  
(cont'd)

Current IPMF and Prospective Amount of Insurance Levels

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

COLUMN (3)

ADJUSTED INCURRED LOSSES

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

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

COLUMN (4)

EXPERIENCE RATIO

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

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

COLUMN (5) - BG I, SCL    WEIGHTS

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

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

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

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

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

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

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

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

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

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

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

## COMPOSITION OF THE RATEMAKING DATA BASE

### DATA INCLUDED

#### BASIC GROUP I

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

#### BASIC GROUP II

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

#### SPECIAL CAUSES OF LOSS

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

### NOTES ON DATA INCLUDED

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

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

COMPOSITION OF THE RATEMAKING DATA BASE (cont'd)

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

X indicates that experience is excluded.

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

## OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

### STEP 2 - DISTRIBUTION OF LOSS COST LEVEL CHANGES

OBJECTIVE	<p>The objective of this procedure is to distribute the indicated statewide loss cost level change for Basic Group I, Basic Group II, and Special Causes of Loss among the various rating variables used in each subline. These procedures are used to answer the question: What percentage change for each rating variable must be made to the current ISO loss costs in order to achieve adequacy for the prospective conditions?</p> <hr/>
BASIC GROUP I	<p>For Basic Group I, a consolidated simultaneous iterative procedure is used to calculate the type of policy, territory and rating group relativities. More detail on this procedure is given in Table 8. The type of policy relativities serve to price Commercial Package policies relative to monoline policies, via the Package Modification Factors (PMF), while the rating group and territory relativities serve to price the various rating groups and territories relative to one another.</p> <p>The indicated monoline loss cost level changes shown on Table 2 are calculated for each rating group/territory combination by taking the product of the monoline type of policy relativity, the rating group relativity, the territory relativity and the statewide loss cost level change.</p> <p>The overall monoline loss cost level change is a weighted average of the rating group/territory combination changes. In calculating this weighted average, the latest year aggregate monoline and multiline combined loss costs at current level are used as weights.</p> <hr/>
BASIC GROUP II	<p>The purpose of the Basic Group II relativity analysis is to determine monoline loss cost level needs, to obtain marginal relativities displayed on Table 12 and to price CPP policies relative to monoline policies via the PMFs. Unlike the BG I and SCL relativity analyses, the BG II relativity analysis does not employ a simultaneous review procedure because the overall loss cost change is distributed across type of policy only. The indicated statewide monoline change is the product of the monoline type of policy relativity times the statewide loss cost level change.</p> <hr/>

## OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

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

#### SPECIAL CAUSES OF LOSS

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

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

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

## MINNESOTA

TABLE 8 - BASIC GROUP I RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)	STATEWIDE COVERAGE
	\$ LST SQ FORMULA	CREDIBILITY Z	Z-WTD. RELATIVITY	BALANCED RELATIVITY	LOSS COST CHANGE OF 1.036
TOP	RELATIVITY				OR +3.6%
10	1.104	0.120	1.012	1.020	
31	2.861	0.012	1.013	1.021	
32	1.148	0.125	1.017	1.026	
33	1.085	0.030	1.002	1.011	
34	0.941	0.186	0.989	0.997	
35	0.785	0.147	0.965	0.973	
36	1.101	0.151	1.015	1.023	
37	0.862	0.205	0.970	0.978	
38	1.098	0.061	1.006	1.014	

RATING GROUP	(5)				
	INDICATED				
	MONOLINE				
	LOSS	COST	LEVEL		
					CHANGE
01	0.523	0.221	0.867	0.878	-7.3
02	1.228	0.107	1.022	1.036	+9.5
03	0.755	0.092	0.974	0.987	+4.3
04	1.007	0.407	1.003	1.016	+7.4
05	0.959	0.009	1.000	1.013	+7.0
06	1.036	0.132	1.005	1.018	+7.5
07	1.125	0.121	1.014	1.028	+8.6
08	0.683	0.160	0.941	0.953	+0.7
09	0.783	0.117	0.972	0.985	+4.0
10	0.849	0.033	0.995	1.008	+6.5
11	1.202	0.072	1.013	1.027	+8.5
13	1.436	0.192	1.072	1.086	+14.8
14	1.030	0.128	1.004	1.017	+7.4
15	1.416	0.107	1.038	1.052	+11.1
17	1.120	0.063	1.007	1.020	+7.8
18	1.415	0.059	1.021	1.034	+9.3
19	0.841	0.017	0.997	1.010	+6.8
20	1.262	0.024	1.006	1.019	+7.5
21	0.688	0.246	0.912	0.924	-2.3
22	1.540	0.116	1.051	1.065	+12.5

STATEWIDE MONOLINE LOSS COST LEVEL CHANGE	+5.7%
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MINNESOTA

TABLE 8 - BASIC GROUP I RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)
TERRITORY	\$ LST SQ FORMULA RELATIVITY	CREDIBILITY Z	Z-WTD. RELATIVITY	BALANCED RELATIVITY
-----				
Minneapolis	0.851	0.115	0.982	0.985
Saint Paul	1.446	0.064	1.024	1.027
Balance of State (Minnesota)	0.995	0.670	0.997	1.000

	(5) INDICATED MONOLINE LOSS COST LEVEL CHANGE
-----	
Minneapolis	+1.8
Saint Paul	+6.4
Balance of State (Minnesota)	+5.9

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



MINNESOTA

TABLE 8 - BASIC GROUP I RELATIVITY ANALYSIS

EXAMPLE OF AN INDIVIDUAL LOSS COST CHANGE CALCULATION  
FOR Minneapolis

STATEWIDE COVERAGE LOSS COST LEVEL CHANGE	=	+3.6%
TERRITORIAL RELATIVITY	=	0.985
MONOLINE (TOP 10) RELATIVITY	=	1.020
RATING GROUP 01 RELATIVITY	=	0.878

INDICATED MONOLINE LOSS COST LEVEL CHANGE FOR RATING GROUP 01

$$= 1.036 \quad \times \quad 0.985 \quad \times \quad 1.020 \quad \times \quad 0.878 \quad = 0.914$$

OR      -8.6%

MINNESOTA

TABLE 8 - CALCULATION OF INDICATED TERRITORIAL MULTIPLIERS

(1)	(2)	(3)	(4)
TERRITORY	TERRITORY RELATIVITY	OFF- BALANCE FACTOR	CURRENT TERRITORIAL MULTIPLIER
Minneapolis	0.985	1.000	0.749
Saint Paul	1.027	1.000	0.718
Balance of State (Minnesota)	1.000	1.000	1.000

(5)
INDICATED TERRITORIAL MULTIPLIER ((2)X(3)X(4) / (1.000 X 1.000 ))
TERRITORY
Minneapolis
Saint Paul
Balance of State (Minnesota)

# MINNESOTA

TABLE 9 - SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)	STATEWIDE COVERAGE LOSS COST CHANGE OF 0.954 OR -4.6%
TOP	\$ LST SQ FORMULA RELATIVITY	CREDIBILITY Z	Z-WTD. RELATIVITY	BALANCED RELATIVITY	
10	0.904	0.274	0.973	0.981	
31	1.096	0.026	1.002	1.011	
32	0.945	0.156	0.991	0.999	
33	0.831	0.103	0.981	0.989	
34	0.836	0.290	0.949	0.957	
35	1.034	0.240	1.008	1.016	
36	1.481	0.202	1.083	1.092	
37 *	-----	-----	0.960	0.967	
38	1.020	0.099	1.002	1.010	
-----					
CATEGORY					(5) INDICATED MONOLINE LOSS COST LEVEL CHANGE
01	1.033	0.763	1.025	1.012	-5.3
02	0.875	0.101	0.987	0.974	-8.8
03	1.017	0.113	1.002	0.989	-7.4
04	0.956	0.157	0.993	0.980	-8.3
05	1.098	0.122	1.011	0.998	-6.6
06	0.945	0.075	0.996	0.983	-8.0
07	0.804	0.018	0.996	0.983	-8.0
08	0.932	0.102	0.993	0.980	-8.3
09	0.858	0.110	0.983	0.970	-9.2
10	0.869	0.033	0.995	0.982	-8.1
11	0.868	0.154	0.978	0.966	-9.6
12	0.793	0.202	0.954	0.942	-11.8
13	0.762	0.065	0.982	0.970	-9.2
14	1.217	0.101	1.020	1.007	-5.8
OVERALL MONOLINE LOSS COST LEVEL CHANGE					-6.4%

\* - TOP 37 IMPLICIT PMF CAPPED AT 0.500.

MINNESOTA

TABLE 9 - SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

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EXAMPLE OF A LOSS COST CHANGE CALCULATION

STATEWIDE COVERAGE LOSS COST LEVEL CHANGE	=	-4.6%
MONOLINE (TOP 10) RELATIVITY	=	0.981
CATEGORY 01 RELATIVITY	=	1.012

INDICATED MONOLINE LOSS COST LEVEL CHANGE FOR CATEGORY 01

= 0.954	X	0.981	X	1.012	=	0.947
					OR	-5.3%

## EXPLANATORY NOTES TO TABLES 8 AND 9

### BASIC GROUP I AND SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

#### INTRODUCTION

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

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

#### COLUMN (1)

##### LEAST SQUARES FORMULA RELATIVITIES

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

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

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

COLUMN (1)  
(Cont'd)

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

BASIC GROUP I:

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

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

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

SPECIAL CAUSES OF LOSS:

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

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

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

COLUMN (1)  
(cont'd)

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

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

COLUMN (2)

CREDIBILITY

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

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

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

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

COLUMN (3)

CREDIBILITY-WEIGHTED RELATIVITIES

Credibility-weighted relativities are calculated based on the formula

$$W = R^Z,$$

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

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

COLUMN (4)

BALANCED RELATIVITIES

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

COLUMN (5)

INDICATED MONOLINE LOSS COST LEVEL CHANGE

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

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



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

### COLUMN (5) (cont'd)

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

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

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

### MULTILINE CONSIDERATIONS

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

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

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

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

Minneapolis

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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10 MONOLINE	01 APARTMENTS	25,560	128,752	0.411	0.603	0.549
	02 OTHER HABITATIONAL	5,295	32,816	6.596	2.590	2.357
	03 RESTAURANTS & BARS	2,547	16,586	0.000	0.638	0.581
	04 OTHER MERCANTILE RS	38,513	205,476	0.316	0.500	0.455
	05 PUBLIC BUILDINGS	894	3,405	0.000	0.693	0.631
	06 CHURCHES	1,122	5,797	3.681	1.353	1.231
	07 SCHOOLS	3,786	19,233	0.000	0.628	0.571
	08 OFFICES AND BANKS	8,936	45,259	0.110	0.581	0.529
	09 REC. FACILITIES	4,475	27,548	0.000	0.598	0.544
	10 HOTELS AND MOTELS	1,359	6,752	0.000	0.678	0.617
	11 HOSPITALS/NURS HOME	4,755	27,410	0.000	0.598	0.544
	13 MOTOR VEHICLE RISKS	3,774	19,728	0.000	0.626	0.570
	14 OTHER NON-MANUF.	9,615	37,420	3.974	1.845	1.679
	15 STORAGE	777	13,171	0.000	0.651	0.592
	17 FOOD MANUFACTURING	324	2,657	0.000	0.697	0.634
	18 WOOD MANUFACTURING	29	6,805	0.000	0.678	0.617
	19 WEARING APPAREL	0	330	0.000	0.708	0.644
	20 CHEM. MANUFACTURING	179	389	0.000	0.707	0.643
	21 METAL MANUFACTURING	34	8,272	0.000	0.672	0.611
	22 OTHER MANUFACTURING	328	2,695	0.000	0.697	0.634
	TOTAL*	112,302	610,501	0.899	0.778	0.708
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	22,684	30,107	0.000	0.524	0.477
	TOTAL*	22,684	30,107	0.000	0.524	0.477
32 MULTILINE APARTMENT	01 APARTMENTS	295,640	1,557,923	0.438	0.562	0.511
	02 OTHER HABITATIONAL	58,802	392,079	0.911	0.686	0.624
	TOTAL*	354,442	1,950,002	0.516	0.582	0.530
33 MULTILINE OFFICE	08 OFFICES AND BANKS	49,048	237,695	0.090	0.523	0.476
	TOTAL*	49,048	237,695	0.090	0.523	0.476
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	135,653	472,576	0.038	0.494	0.450
	04 OTHER MERCANTILE RS	188,328	914,474	1.544	0.879	0.800
	08 OFFICES AND BANKS	18,186	64,978	0.249	0.562	0.511
	13 MOTOR VEHICLE RISKS	3,775	16,256	1.863	0.824	0.750
	14 OTHER NON-MANUF.	8,147	45,080	0.236	0.561	0.510
	15 STORAGE	16,137	54,466	0.000	0.522	0.475
	TOTAL*	370,226	1,567,830	0.836	0.699	0.636

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 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	1,023	0.000	0.527	0.480
	05 PUBLIC BUILDINGS	3,316	28,867	0.000	0.524	0.477
	06 CHURCHES	99,571	516,089	0.774	0.659	0.600
	07 SCHOOLS	20,062	120,488	0.445	0.594	0.540
	08 OFFICES AND BANKS	36,377	140,972	0.000	0.514	0.468
	09 REC. FACILITIES	5,682	19,440	0.000	0.525	0.478
	11 HOSPITALS/NURS HOME	32,344	142,380	0.000	0.514	0.468
	13 MOTOR VEHICLE RISKS	2,422	12,540	0.000	0.526	0.479
	14 OTHER NON-MANUF.	3,447	31,212	0.000	0.524	0.477
	TOTAL*	203,222	1,013,011	0.423	0.594	0.540
36 MULTILINE SERVICES	03 RESTAURANTS & BARS	3,295	22,333	0.000	1.989	1.810
	04 OTHER MERCANTILE RS	3,925	25,434	0.000	1.989	1.810
	08 OFFICES AND BANKS	9,919	65,200	0.334	2.034	1.851
	09 REC. FACILITIES	62,170	298,619	0.022	1.987	1.808
	13 MOTOR VEHICLE RISKS	28,547	106,844	0.030	1.992	1.813
	14 OTHER NON-MANUF.	23,231	155,768	9.359	3.275	2.980
	15 STORAGE	2,447	27,131	0.000	1.989	1.810
	21 METAL MANUFACTURING	67	1,368	0.000	1.990	1.811
	22 OTHER MANUFACTURING	3,641	12,338	0.000	1.990	1.811
	TOTAL*	137,242	715,035	1.625	2.210	2.011
37 MULTILINE INDUST/PROCESS	04 OTHER MERCANTILE RS	4,268	46,884	0.000	1.989	1.810
	08 OFFICES AND BANKS	1,062	4,318	0.000	1.990	1.811
	14 OTHER NON-MANUF.	4,360	24,161	0.000	1.989	1.810
	15 STORAGE	25,879	77,862	0.000	1.988	1.809
	17 FOOD MANUFACTURING	23,486	101,197	0.000	1.988	1.809
	18 WOOD MANUFACTURING	19,439	75,376	0.000	1.988	1.809
	19 WEARING APPAREL	1,567	25,474	0.178	2.014	1.833
	20 CHEM. MANUFACTURING	16,599	122,885	12.560	3.713	3.379
	21 METAL MANUFACTURING	47,625	242,881	0.397	2.040	1.856
	22 OTHER MANUFACTURING	24,666	97,707	0.274	2.026	1.843
	TOTAL*	168,951	818,745	1.388	2.178	1.982

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	18,509	114,182	6.935	2.940	2.675
	08 OFFICES AND BANKS	6,279	23,297	0.000	1.989	1.810
	14 OTHER NON-MANUF.	7,800	44,167	0.000	1.989	1.810
	TOTAL*	32,588	181,646	3.939	2.529	2.301
TOTAL ALL TOPS*	01 APARTMENTS	321,200	1,686,675	0.436	0.565	0.514
	02 OTHER HABITATIONAL	64,098	425,918	1.381	0.844	0.767
	03 RESTAURANTS & BARS	141,495	511,495	0.036	0.532	0.484
	04 OTHER MERCANTILE RS	253,543	1,306,450	1.701	1.008	0.917
	05 PUBLIC BUILDINGS	4,210	32,272	0.000	0.560	0.509
	06 CHURCHES	100,693	521,886	0.806	0.667	0.607
	07 SCHOOLS	23,848	139,721	0.374	0.599	0.545
	08 OFFICES AND BANKS	129,807	581,719	0.102	0.728	0.663
	09 REC. FACILITIES	72,327	345,607	0.019	1.787	1.625
	10 HOTELS AND MOTELS	24,043	36,859	0.000	0.533	0.485
	11 HOSPITALS/NURS HOME	37,099	169,790	0.000	0.525	0.477
	13 MOTOR VEHICLE RISKS	38,518	155,368	0.205	1.651	1.503
	14 OTHER NON-MANUF.	56,600	337,808	4.550	2.198	2.000
	15 STORAGE	45,240	172,630	0.000	1.442	1.312
	17 FOOD MANUFACTURING	23,810	103,854	0.000	1.970	1.793
	18 WOOD MANUFACTURING	19,468	82,181	0.000	1.987	1.807
	19 WEARING APPAREL	1,567	25,804	0.178	2.014	1.833
	20 CHEM. MANUFACTURING	16,778	123,274	12.427	3.680	3.349
	21 METAL MANUFACTURING	47,726	252,521	0.396	2.039	1.855
	22 OTHER MANUFACTURING	28,635	112,740	0.236	2.006	1.825
	TOTAL*	1,450,705	7,124,572	0.875	1.010	0.919

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

Saint Paul

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 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	1,153	17,561	0.000	0.911	0.829
	02 OTHER HABITATIONAL	2,618	27,717	0.000	0.811	0.738
	03 RESTAURANTS & BARS	669	8,414	0.809	1.239	1.127
	04 OTHER MERCANTILE RS	4,534	34,410	0.000	0.756	0.688
	05 PUBLIC BUILDINGS	177	1,096	0.000	1.141	1.038
	06 CHURCHES	505	1,331	10.937	3.145	2.862
	07 SCHOOLS	736	4,056	0.000	1.092	0.994
	08 OFFICES AND BANKS	6,392	49,808	0.000	0.654	0.595
	09 REC. FACILITIES	2,169	13,063	0.000	0.964	0.877
	10 HOTELS AND MOTELS	90	215	0.000	1.157	1.053
	11 HOSPITALS/NURS HOME	2,802	42,848	0.000	0.696	0.633
	13 MOTOR VEHICLE RISKS	992	5,731	0.000	1.065	0.969
	14 OTHER NON-MANUF.	3,370	11,866	0.000	0.980	0.892
	15 STORAGE	5,728	23,486	14.389	6.458	5.876
	17 FOOD MANUFACTURING	0	372	0.000	1.154	1.050
	18 WOOD MANUFACTURING	1,444	6,985	0.000	1.047	0.953
	21 METAL MANUFACTURING	407	8,358	0.000	1.027	0.934
	22 OTHER MANUFACTURING	60	692	0.000	1.148	1.045
	TOTAL*	33,846	258,009	2.614	1.823	1.659
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	17,174	63,944	0.869	1.359	1.237
	TOTAL*	17,174	63,944	0.869	1.359	1.237
32 MULTILINE APARTMENT	01 APARTMENTS	117,589	547,583	1.284	1.423	1.295
	02 OTHER HABITATIONAL	42,013	198,498	0.326	1.267	1.153
	TOTAL*	159,602	746,081	1.032	1.382	1.257
33 MULTILINE OFFICE	08 OFFICES AND BANKS	21,528	119,992	0.954	1.372	1.248
	TOTAL*	21,528	119,992	0.954	1.372	1.248
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	79,400	307,733	1.314	1.429	1.300
	04 OTHER MERCANTILE RS	97,380	642,820	2.847	1.705	1.551
	08 OFFICES AND BANKS	2,171	8,206	0.000	1.223	1.113
	13 MOTOR VEHICLE RISKS	5,039	20,296	0.348	1.278	1.163
	14 OTHER NON-MANUF.	3,126	9,580	0.000	1.223	1.113
	15 STORAGE	8,683	62,240	3.089	1.715	1.561
	TOTAL*	195,799	1,050,875	2.095	1.570	1.428

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 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	1,461	7,887	0.000	1.223	1.113
	05 PUBLIC BUILDINGS	1,160	5,482	0.000	1.223	1.113
	06 CHURCHES	24,062	190,737	0.456	1.289	1.173
	07 SCHOOLS	16,170	82,450	0.709	1.333	1.213
	08 OFFICES AND BANKS	12,047	65,021	0.082	1.233	1.122
	09 REC. FACILITIES	3,929	16,616	0.000	1.223	1.113
	11 HOSPITALS/NURS HOME	16,459	65,565	0.037	1.226	1.116
	13 MOTOR VEHICLE RISKS	56	226	0.000	1.224	1.114
	14 OTHER NON-MANUF.	2,716	11,583	0.047	1.230	1.119
	TOTAL*	78,060	445,567	0.310	1.268	1.154
36 MULTILINE SERVICES	03 RESTAURANTS & BARS	6,365	61,118	0.000	0.562	0.511
	04 OTHER MERCANTILE RS	4,827	36,965	0.000	0.587	0.534
	08 OFFICES AND BANKS	9,027	56,416	0.129	0.596	0.542
	09 REC. FACILITIES	21,172	69,393	0.000	0.554	0.504
	13 MOTOR VEHICLE RISKS	12,797	71,571	0.000	0.552	0.502
	14 OTHER NON-MANUF.	5,601	46,209	0.146	0.608	0.553
	15 STORAGE	4,704	27,833	0.000	0.596	0.542
	21 METAL MANUFACTURING	284	1,162	0.000	0.627	0.571
	22 OTHER MANUFACTURING	1,961	15,754	0.000	0.610	0.555
	TOTAL*	66,738	386,421	0.030	0.572	0.520
37 MULTILINE INDUST/PROCESS	04 OTHER MERCANTILE RS	2,745	10,612	0.000	0.616	0.561
	08 OFFICES AND BANKS	536	7,172	0.000	0.620	0.564
	14 OTHER NON-MANUF.	2,663	15,417	0.000	0.610	0.555
	17 FOOD MANUFACTURING	9,837	49,219	0.000	0.574	0.522
	18 WOOD MANUFACTURING	15,788	46,756	0.018	0.580	0.528
	19 WEARING APPAREL	3,452	5,400	0.000	0.622	0.566
	20 CHEM. MANUFACTURING	0	4,425	0.000	0.623	0.567
	21 METAL MANUFACTURING	63,782	286,407	0.442	0.603	0.549
	22 OTHER MANUFACTURING	4,859	145,620	0.000	0.491	0.447
	TOTAL*	103,662	571,028	0.275	0.593	0.539
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	22,522	109,215	5.899	2.238	2.036
	08 OFFICES AND BANKS	1,077	4,240	0.000	0.623	0.567
	14 OTHER NON-MANUF.	41	1,155	0.000	0.627	0.571
	TOTAL*	23,640	114,610	5.620	2.161	1.967

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 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	118,742	565,144	1.272	1.418	1.290
	02 OTHER HABITATIONAL	46,092	234,102	0.297	1.239	1.128
	03 RESTAURANTS & BARS	86,434	377,265	1.213	1.364	1.241
	04 OTHER MERCANTILE RS	132,008	834,022	3.107	1.700	1.547
	05 PUBLIC BUILDINGS	1,337	6,578	0.000	1.212	1.103
	06 CHURCHES	24,567	192,068	0.671	1.327	1.208
	07 SCHOOLS	16,906	86,506	0.678	1.323	1.203
	08 OFFICES AND BANKS	52,778	310,855	0.430	1.092	0.993
	09 REC. FACILITIES	27,270	99,072	0.000	0.683	0.621
	10 HOTELS AND MOTELS	17,264	64,159	0.865	1.358	1.236
	11 HOSPITALS/NURS HOME	19,261	108,413	0.032	1.149	1.045
	13 MOTOR VEHICLE RISKS	18,884	97,824	0.093	0.775	0.705
	14 OTHER NON-MANUF.	17,517	95,810	0.054	0.886	0.806
	15 STORAGE	19,115	113,559	5.715	2.861	2.603
	17 FOOD MANUFACTURING	9,837	49,591	0.000	0.574	0.522
	18 WOOD MANUFACTURING	17,232	53,741	0.016	0.619	0.563
	19 WEARING APPAREL	3,452	5,400	0.000	0.622	0.566
	20 CHEM. MANUFACTURING	0	4,425	0.000	1.000	1.000
	21 METAL MANUFACTURING	64,473	295,927	0.437	0.606	0.551
	22 OTHER MANUFACTURING	6,880	162,066	0.000	0.531	0.483
	TOTAL*	700,049	3,756,527	1.266	1.275	1.160

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

Balance of State (Minnesota)  
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MINNESOTA  
BASIC GROUP I RELATIVITY ANALYSIS  
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 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	154,249	920,627	0.622	0.955	0.869
	02 OTHER HABITATIONAL	83,902	593,050	0.714	1.055	0.960
	03 RESTAURANTS & BARS	24,240	164,591	0.047	0.994	0.904
	04 OTHER MERCANTILE RS	623,851	4,024,760	1.239	1.254	1.141
	05 PUBLIC BUILDINGS	4,504	21,475	0.321	1.150	1.046
	06 CHURCHES	13,556	90,264	0.328	1.107	1.007
	07 SCHOOLS	18,014	99,142	0.000	1.031	0.938
	08 OFFICES AND BANKS	127,335	727,224	1.085	1.206	1.097
	09 REC. FACILITIES	121,902	744,247	7.667	4.337	3.946
	10 HOTELS AND MOTELS	31,742	113,934	0.019	1.024	0.932
	11 HOSPITALS/NURS HOME	71,571	376,842	0.355	0.975	0.887
	13 MOTOR VEHICLE RISKS	230,568	1,405,080	1.574	1.472	1.339
	14 OTHER NON-MANUF.	121,448	983,472	1.230	1.269	1.155
	15 STORAGE	113,452	665,595	0.065	0.747	0.680
	17 FOOD MANUFACTURING	20,682	365,559	1.610	1.417	1.289
	18 WOOD MANUFACTURING	25,760	84,366	0.000	1.043	0.949
	19 WEARING APPAREL	39,818	167,811	0.000	0.980	0.892
	20 CHEM. MANUFACTURING	10,848	79,782	0.000	1.047	0.953
	21 METAL MANUFACTURING	182,995	959,723	0.033	0.637	0.580
	22 OTHER MANUFACTURING	20,429	168,465	0.099	1.004	0.914
	TOTAL*	2,040,866	12,756,009	1.272	1.317	1.198
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	276,546	1,142,535	5.584	2.726	2.480
	TOTAL*	276,546	1,142,535	5.584	2.726	2.480
32 MULTILINE APARTMENT	01 APARTMENTS	1,179,784	8,186,625	0.515	0.657	0.598
	02 OTHER HABITATIONAL	619,508	3,466,708	1.959	1.587	1.444
	TOTAL*	1,799,292	11,653,333	1.012	0.977	0.889
33 MULTILINE OFFICE	08 OFFICES AND BANKS	533,718	2,688,706	0.595	0.825	0.751
	TOTAL*	533,718	2,688,706	0.595	0.825	0.751
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	604,053	2,748,299	0.536	0.791	0.720
	04 OTHER MERCANTILE RS	2,455,132	12,453,300	1.060	1.063	0.967
	08 OFFICES AND BANKS	98,812	424,722	0.160	0.849	0.773
	13 MOTOR VEHICLE RISKS	390,862	1,552,829	0.299	0.753	0.685
	14 OTHER NON-MANUF.	137,064	701,853	4.653	2.147	1.954
	15 STORAGE	440,768	2,317,001	2.548	1.804	1.641
	TOTAL*	4,126,691	20,198,004	1.168	1.104	1.004



Balance of State (Minnesota)  
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MINNESOTA  
BASIC GROUP I RELATIVITY ANALYSIS  
TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
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35 MULTILINE	02 OTHER HABITATIONAL	10,325	59,530	0.000	0.892	0.812
INSTITUTIONAL	05 PUBLIC BUILDINGS	46,247	305,658	0.018	0.839	0.763
	06 CHURCHES	969,457	5,301,393	0.820	0.906	0.824
	07 SCHOOLS	1,132,376	5,191,192	0.935	0.983	0.894
	08 OFFICES AND BANKS	77,748	430,812	0.062	0.823	0.749
	09 REC. FACILITIES	168,096	940,147	0.052	0.732	0.666
	11 HOSPITALS/NURS HOME	480,141	2,461,384	1.059	1.068	0.972
	13 MOTOR VEHICLE RISKS	11,959	52,652	0.000	0.894	0.813
	14 OTHER NON-MANUF.	226,736	1,044,975	0.217	0.775	0.705
	TOTAL*	3,123,085	15,787,743	0.777	0.937	0.852
36 MULTILINE	03 RESTAURANTS & BARS	51,472	247,944	0.273	0.916	0.833
SERVICES	04 OTHER MERCANTILE RS	310,502	1,597,346	0.277	0.778	0.708
	08 OFFICES AND BANKS	294,550	1,918,254	0.172	0.712	0.648
	09 REC. FACILITIES	552,603	3,146,895	0.490	0.781	0.711
	13 MOTOR VEHICLE RISKS	1,211,895	6,242,019	2.286	1.836	1.671
	14 OTHER NON-MANUF.	269,527	1,545,231	1.154	1.092	0.994
	15 STORAGE	236,408	1,178,429	0.895	1.007	0.916
	21 METAL MANUFACTURING	78,629	381,396	0.073	0.859	0.782
	22 OTHER MANUFACTURING	32,788	407,154	0.014	0.842	0.766
	TOTAL*	3,038,374	16,664,668	1.225	1.245	1.133
37 MULTILINE	04 OTHER MERCANTILE RS	257,938	1,980,242	0.442	0.814	0.741
INDUST/PROCESS	08 OFFICES AND BANKS	29,009	162,329	0.000	0.883	0.803
	14 OTHER NON-MANUF.	99,077	659,616	0.696	0.969	0.882
	15 STORAGE	25,787	347,686	0.000	0.850	0.773
	17 FOOD MANUFACTURING	358,209	2,181,276	1.088	1.070	0.974
	18 WOOD MANUFACTURING	495,840	2,302,024	1.771	1.360	1.237
	19 WEARING APPAREL	70,796	476,693	0.000	0.828	0.753
	20 CHEM. MANUFACTURING	162,351	763,274	1.560	1.188	1.081
	21 METAL MANUFACTURING	2,112,750	11,164,783	0.527	0.661	0.601
	22 OTHER MANUFACTURING	806,607	4,384,572	1.811	1.478	1.345
	TOTAL*	4,418,364	24,422,495	0.968	0.962	0.876

Balance of State (Minnesota)

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	1,051,978	5,269,007	1.344	1.229	1.118
	08 OFFICES AND BANKS	90,416	399,999	1.471	1.143	1.040
	14 OTHER NON-MANUF.	55,466	510,007	0.042	0.832	0.757
	TOTAL*	1,197,860	6,179,013	1.293	1.204	1.096
TOTAL ALL TOPS*	01 APARTMENTS	1,334,033	9,107,252	0.527	0.691	0.629
	02 OTHER HABITATIONAL	713,735	4,119,288	1.784	1.514	1.378
	03 RESTAURANTS & BARS	679,765	3,160,834	0.499	0.808	0.735
	04 OTHER MERCANTILE RS	4,699,401	25,324,655	1.062	1.093	0.995
	05 PUBLIC BUILDINGS	50,751	327,133	0.045	0.866	0.789
	06 CHURCHES	983,013	5,391,657	0.813	0.909	0.827
	07 SCHOOLS	1,150,390	5,290,334	0.920	0.984	0.895
	08 OFFICES AND BANKS	1,251,588	6,752,046	0.527	0.863	0.785
	09 REC. FACILITIES	842,601	4,831,289	1.441	1.286	1.170
	10 HOTELS AND MOTELS	308,288	1,256,469	5.011	2.550	2.321
	11 HOSPITALS/NURS HOME	551,712	2,838,226	0.968	1.056	0.961
	13 MOTOR VEHICLE RISKS	1,845,284	9,252,580	1.761	1.555	1.415
	14 OTHER NON-MANUF.	909,318	5,445,154	1.340	1.166	1.061
	15 STORAGE	816,415	4,508,711	1.644	1.396	1.270
	17 FOOD MANUFACTURING	378,891	2,546,835	1.116	1.089	0.991
	18 WOOD MANUFACTURING	521,600	2,386,390	1.684	1.345	1.223
	19 WEARING APPAREL	110,614	644,504	0.000	0.883	0.803
	20 CHEM. MANUFACTURING	173,199	843,056	1.462	1.179	1.073
	21 METAL MANUFACTURING	2,374,374	12,505,902	0.474	0.666	0.606
	22 OTHER MANUFACTURING	859,824	4,960,191	1.702	1.442	1.313
	TOTAL*	20,554,796	111,492,506	1.122	1.099	1.000

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

ENTIRE STATE

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MINNESOTA

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 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	180,962	1,066,940	0.588	0.905	0.823
	02 OTHER HABITATIONAL	91,815	653,583	1.033	1.137	1.034
	03 RESTAURANTS & BARS	27,456	189,591	0.061	0.967	0.880
	04 OTHER MERCANTILE RS	666,898	4,264,646	1.177	1.207	1.098
	05 PUBLIC BUILDINGS	5,575	25,976	0.259	1.077	0.979
	06 CHURCHES	15,183	97,392	0.929	1.193	1.086
	07 SCHOOLS	22,536	122,431	0.000	0.966	0.878
	08 OFFICES AND BANKS	142,663	822,291	0.975	1.142	1.039
	09 REC. FACILITIES	128,546	784,858	7.271	4.150	3.776
	10 HOTELS AND MOTELS	33,191	120,901	0.018	1.010	0.919
	11 HOSPITALS/NURS HOME	79,128	447,100	0.321	0.942	0.858
	13 MOTOR VEHICLE RISKS	235,334	1,430,539	1.542	1.457	1.325
	14 OTHER NON-MANUF.	134,433	1,032,758	1.395	1.303	1.186
	15 STORAGE	119,957	702,252	0.749	1.019	0.927
	17 FOOD MANUFACTURING	21,006	368,588	1.585	1.406	1.279
	18 WOOD MANUFACTURING	27,233	98,156	0.000	1.043	0.949
	19 WEARING APPAREL	39,818	168,141	0.000	0.980	0.892
	20 CHEM. MANUFACTURING	11,027	80,171	0.000	1.042	0.948
	21 METAL MANUFACTURING	183,436	976,353	0.033	0.638	0.580
	22 OTHER MANUFACTURING	20,817	171,852	0.097	1.000	0.910
	TOTAL*	2,187,014	13,624,519	1.273	1.297	1.180
31 MULTILINE MOTEL/HOTEL	10 HOTELS AND MOTELS	316,404	1,236,586	4.928	2.494	2.269
	TOTAL*	316,404	1,236,586	4.928	2.494	2.269
32 MULTILINE APARTMENT	01 APARTMENTS	1,593,013	10,292,131	0.557	0.696	0.633
	02 OTHER HABITATIONAL	720,323	4,057,285	1.778	1.495	1.360
	TOTAL*	2,313,336	14,349,416	0.938	0.944	0.860
33 MULTILINE OFFICE	08 OFFICES AND BANKS	604,294	3,046,393	0.567	0.820	0.746
	TOTAL*	604,294	3,046,393	0.567	0.820	0.746
34 MULTILINE MERCANTILE	03 RESTAURANTS & BARS	819,106	3,528,608	0.529	0.804	0.731
	04 OTHER MERCANTILE RS	2,740,840	14,010,594	1.157	1.073	0.976
	08 OFFICES AND BANKS	119,169	497,906	0.171	0.812	0.739
	13 MOTOR VEHICLE RISKS	399,676	1,589,381	0.314	0.760	0.692
	14 OTHER NON-MANUF.	148,337	756,513	4.312	2.040	1.857
	15 STORAGE	465,588	2,433,707	2.470	1.758	1.600
	TOTAL*	4,692,716	22,816,709	1.180	1.092	0.993

ENTIRE STATE

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MINNESOTA

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 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	11,787	68,440	0.000	0.933	0.849
	05 PUBLIC BUILDINGS	50,723	340,007	0.016	0.827	0.753
	06 CHURCHES	1,093,090	6,008,219	0.808	0.892	0.812
	07 SCHOOLS	1,168,608	5,394,130	0.923	0.981	0.893
	08 OFFICES AND BANKS	126,172	636,805	0.046	0.773	0.703
	09 REC. FACILITIES	177,707	976,203	0.049	0.737	0.670
	11 HOSPITALS/NURS HOME	528,944	2,669,329	0.962	1.039	0.945
	13 MOTOR VEHICLE RISKS	14,437	65,418	0.000	0.834	0.758
	14 OTHER NON-MANUF.	232,899	1,087,770	0.212	0.776	0.707
	TOTAL*	3,404,367	17,246,321	0.745	0.924	0.841
36 MULTILINE SERVICES	03 RESTAURANTS & BARS	61,132	331,395	0.230	0.937	0.853
	04 OTHER MERCANTILE RS	319,254	1,659,745	0.269	0.790	0.719
	08 OFFICES AND BANKS	313,496	2,039,870	0.176	0.751	0.683
	09 REC. FACILITIES	635,945	3,514,907	0.428	0.892	0.811
	13 MOTOR VEHICLE RISKS	1,253,239	6,420,434	2.211	1.826	1.662
	14 OTHER NON-MANUF.	298,359	1,747,208	1.774	1.253	1.140
	15 STORAGE	243,559	1,233,393	0.869	1.009	0.918
	21 METAL MANUFACTURING	78,980	383,926	0.073	0.859	0.782
	22 OTHER MANUFACTURING	38,390	435,246	0.012	0.939	0.854
	TOTAL*	3,242,354	17,766,124	1.217	1.272	1.157
37 MULTILINE INDUST/PROCESS	04 OTHER MERCANTILE RS	264,951	2,037,738	0.430	0.831	0.756
	08 OFFICES AND BANKS	30,607	173,819	0.000	0.916	0.834
	14 OTHER NON-MANUF.	106,100	699,194	0.650	1.002	0.912
	15 STORAGE	51,666	425,548	0.000	1.420	1.292
	17 FOOD MANUFACTURING	391,532	2,331,692	0.995	1.113	1.012
	18 WOOD MANUFACTURING	531,067	2,424,156	1.654	1.360	1.237
	19 WEARING APPAREL	75,815	507,567	0.004	0.843	0.767
	20 CHEM. MANUFACTURING	178,950	890,584	2.580	1.422	1.294
	21 METAL MANUFACTURING	2,224,157	11,694,071	0.522	0.689	0.627
	22 OTHER MANUFACTURING	836,132	4,627,899	1.755	1.488	1.354
	TOTAL*	4,690,977	25,812,268	0.968	0.998	0.908

ENTIRE STATE

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MINNESOTA

BASIC GROUP I RELATIVITY ANALYSIS

TABLE 10 - SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
38 MULTILINE CONTRACTORS	04 OTHER MERCANTILE RS	1,093,009	5,492,404	1.533	1.279	1.164
	08 OFFICES AND BANKS	97,772	427,536	1.360	1.191	1.084
	14 OTHER NON-MANUF.	63,307	555,329	0.037	0.974	0.887
	TOTAL*	1,254,088	6,475,269	1.444	1.256	1.143
TOTAL ALL TOPS*	01 APARTMENTS	1,773,975	11,359,071	0.561	0.717	0.653
	02 OTHER HABITATIONAL	823,925	4,779,308	1.670	1.447	1.316
	03 RESTAURANTS & BARS	907,694	4,049,594	0.495	0.818	0.744
	04 OTHER MERCANTILE RS	5,084,952	27,465,127	1.147	1.105	1.005
	05 PUBLIC BUILDINGS	56,298	365,983	0.040	0.852	0.775
	06 CHURCHES	1,108,273	6,105,611	0.809	0.896	0.815
	07 SCHOOLS	1,191,144	5,516,561	0.906	0.981	0.893
	08 OFFICES AND BANKS	1,434,173	7,644,620	0.485	0.859	0.782
	09 REC. FACILITIES	942,198	5,275,968	1.290	1.307	1.189
	10 HOTELS AND MOTELS	349,595	1,357,487	4.462	2.353	2.141
	11 HOSPITALS/NURS HOME	608,072	3,116,429	0.879	1.027	0.934
	13 MOTOR VEHICLE RISKS	1,902,686	9,505,772	1.713	1.549	1.410
	14 OTHER NON-MANUF.	983,435	5,878,772	1.502	1.221	1.111
	15 STORAGE	880,770	4,794,900	1.648	1.430	1.301
	17 FOOD MANUFACTURING	412,538	2,700,280	1.025	1.128	1.026
	18 WOOD MANUFACTURING	558,300	2,522,312	1.573	1.345	1.223
	19 WEARING APPAREL	115,633	675,708	0.002	0.890	0.810
	20 CHEM. MANUFACTURING	189,977	970,755	2.431	1.400	1.274
	21 METAL MANUFACTURING	2,486,573	13,054,350	0.471	0.690	0.628
	22 OTHER MANUFACTURING	895,339	5,234,997	1.642	1.453	1.323
	TOTAL*	22,705,550	122,373,605	1.111	1.099	1.000

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

MINNESOTA

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 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	891,034	5,220,063	0.986	0.977	1.083
	02 RES. APTS. AND COND	16,731	74,763	1.729	1.134	1.257
	03 OFFICES	83,977	445,812	0.756	0.771	0.855
	04 MERCANTILE - HIGH	131,941	735,616	0.116	0.284	0.315
	05 MERCANTILE - MEDIUM	37,354	250,441	1.885	1.398	1.550
	06 MERCANTILE - LOW	36,761	174,993	0.224	0.522	0.579
	07 MOTELS AND HOTELS	3,725	24,158	0.201	0.641	0.711
	08 INSTITUTIONAL - HIG	9,514	77,609	0.203	0.585	0.649
	09 INSTITUTIONAL - LOW	26,148	109,718	0.555	0.701	0.777
	10 INDUST-PROC - HIGH	16,130	83,190	0.048	0.522	0.579
	11 INDUST-PROC - LOW	68,485	376,780	0.032	0.317	0.351
	12 SERVICE - HIGH	45,892	290,796	0.437	0.590	0.654
	13 SERVICE - LOW	50,490	300,398	0.390	0.561	0.622
	14 CONTRACTORS	8,728	53,251	0.731	0.779	0.864
	TOTAL*	1,426,910	8,217,588	0.793	0.828	0.918
31 MULTILINE	01 BUILDINGS	204,902	807,068	1.726	1.031	1.143
MOTEL/HOTEL	07 MOTELS AND HOTELS	68,849	244,297	0.564	0.803	0.890
	TOTAL*	273,751	1,051,365	1.434	0.974	1.079
32 MULTILINE	01 BUILDINGS	1,109,488	5,807,743	0.926	0.889	0.986
APARTMENT	02 RES. APTS. AND COND	337,902	1,608,727	0.555	0.753	0.835
	TOTAL*	1,447,390	7,416,470	0.839	0.857	0.950
33 MULTILINE	01 BUILDINGS	633,562	3,260,426	0.703	0.780	0.865
OFFICE	03 OFFICES	282,927	1,334,239	0.613	0.777	0.861
	04 MERCANTILE - HIGH	152	753	0.000	0.759	0.841
	08 INSTITUTIONAL - HIG	861	2,716	0.000	0.759	0.841
	11 INDUST-PROC - LOW	651	1,804	0.000	0.759	0.841
	12 SERVICE - HIGH	725	2,827	0.000	0.759	0.841
	TOTAL*	918,878	4,602,765	0.673	0.779	0.864

## MINNESOTA

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
34 MULTILINE MERCANTILE	01 BUILDINGS	2,542,299	11,569,502	0.764	0.786	0.871
	03 OFFICES	15,957	51,574	0.045	0.756	0.838
	04 MERCANTILE - HIGH	363,496	1,820,169	0.628	0.771	0.855
	05 MERCANTILE - MEDIUM	393,006	1,822,150	0.824	0.835	0.926
	06 MERCANTILE - LOW	228,055	988,656	0.352	0.724	0.803
	08 INSTITUTIONAL - HIG	22	42	0.000	0.759	0.841
	10 INDUST-PROC - HIGH	1,178	2,371	0.000	0.759	0.841
	11 INDUST-PROC - LOW	486	907	0.000	0.759	0.841
	12 SERVICE - HIGH	9,246	54,328	0.288	0.782	0.867
	13 SERVICE - LOW	10,636	45,328	2.113	0.973	1.079
	14 CONTRACTORS	4,452	12,580	0.000	0.757	0.839
	TOTAL*	3,568,833	16,367,607	0.729	0.786	0.872
35 MULTILINE INSTITUTIONAL	01 BUILDINGS	2,047,641	9,365,006	1.037	0.973	1.079
	03 OFFICES	1,426	6,356	0.000	0.758	0.840
	04 MERCANTILE - HIGH	23	125	0.000	0.759	0.841
	06 MERCANTILE - LOW	45	62	0.000	0.759	0.841
	08 INSTITUTIONAL - HIG	308,772	1,570,272	0.970	0.879	0.975
	09 INSTITUTIONAL - LOW	337,464	1,697,161	0.740	0.809	0.897
	11 INDUST-PROC - LOW	2	2,223	5.513	1.116	1.237
	12 SERVICE - HIGH	593	4,322	1.319	0.887	0.983
	13 SERVICE - LOW	749	2,855	0.000	0.759	0.841
	14 CONTRACTORS	222	450	0.000	0.759	0.841
	TOTAL*	2,696,937	12,648,832	0.991	0.941	1.044
36 MULTILINE SERVICES	01 BUILDINGS	1,155,352	5,727,090	1.506	1.417	1.571
	03 OFFICES	6,514	24,800	1.529	1.066	1.182
	04 MERCANTILE - HIGH	8,903	48,384	0.411	0.938	1.040
	05 MERCANTILE - MEDIUM	1,955	8,276	0.275	0.939	1.041
	06 MERCANTILE - LOW	3,420	14,572	0.000	0.909	1.008
	08 INSTITUTIONAL - HIG	8,416	49,437	0.000	0.887	0.983
	09 INSTITUTIONAL - LOW	8,438	44,553	0.000	0.890	0.987
	10 INDUST-PROC - HIGH	0	403	0.000	1.000	1.000
	11 INDUST-PROC - LOW	11,600	37,728	0.000	0.895	0.992
	12 SERVICE - HIGH	624,448	3,431,423	1.014	1.013	1.123
	13 SERVICE - LOW	141,385	681,879	0.719	0.898	0.996
	14 CONTRACTORS	6,480	25,738	0.000	0.902	1.000
	TOTAL*	1,976,911	10,094,283	1.259	1.238	1.373

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

TYPE OF POLICY	CATEGORY	(1) ACCIDENT YEAR ENDING 09/30/18 AGGREGATE LOSS COSTS	(2) 5 - YEAR AGGREGATE LOSS COSTS	(3) 5 - YEAR EXPERIENCE RATIO	(4) Z-WEIGHTED EXPERIENCE RATIO	(5) Z-WEIGHTED RELATIVITY
37 MULTILINE INDUST/PROC	01 BUILDINGS	809,611	4,165,381	0.702	0.773	0.857
	03 OFFICES	1,571	6,476	0.216	0.935	1.037
	04 MERCANTILE - HIGH	4,941	28,156	0.369	0.941	1.043
	05 MERCANTILE - MEDIUM	425	3,591	0.000	0.916	1.016
	06 MERCANTILE - LOW	151	1,076	12.782	2.088	2.315
	08 INSTITUTIONAL - HIG	3	8	0.000	0.918	1.018
	10 INDUST-PROC - HIGH	97,513	437,368	0.717	0.921	1.021
	11 INDUST-PROC - LOW	469,807	2,332,983	0.782	0.860	0.953
	12 SERVICE - HIGH	3,927	11,015	0.000	0.911	1.010
	13 SERVICE - LOW	872	3,932	0.000	0.916	1.016
	14 CONTRACTORS	482	1,104	0.000	0.918	1.018
	TOTAL*	1,389,303	6,991,090	0.727	0.814	0.903
38 MULTILINE CONTRACTORS	01 BUILDINGS	534,678	2,541,965	0.779	0.854	0.947
	03 OFFICES	12,337	39,275	0.801	0.986	1.093
	04 MERCANTILE - HIGH	36,904	156,576	0.905	0.991	1.099
	05 MERCANTILE - MEDIUM	923	5,348	0.000	0.915	1.014
	06 MERCANTILE - LOW	8,430	36,596	0.668	0.971	1.076
	08 INSTITUTIONAL - HIG	8	8	0.000	0.918	1.018
	11 INDUST-PROC - LOW	724	1,126	0.000	0.918	1.018
	12 SERVICE - HIGH	1,171	4,214	0.799	0.990	1.098
	13 SERVICE - LOW	931	5,090	0.000	0.915	1.014
	14 CONTRACTORS	331,346	1,592,003	1.109	1.067	1.183
	TOTAL*	927,452	4,382,201	0.899	0.939	1.041
TOTAL ALL TOPS*	01 BUILDINGS	9,928,567	48,464,244	0.956	0.934	1.035
	02 RES. APTS. AND COND	354,633	1,683,490	0.610	0.771	0.855
	03 OFFICES	404,709	1,908,532	0.637	0.787	0.872
	04 MERCANTILE - HIGH	546,360	2,789,779	0.517	0.673	0.746
	05 MERCANTILE - MEDIUM	433,663	2,089,806	0.910	0.884	0.980
	06 MERCANTILE - LOW	276,862	1,215,955	0.347	0.708	0.785
	07 MOTELS AND HOTELS	72,574	268,455	0.545	0.794	0.881
	08 INSTITUTIONAL - HIG	327,596	1,700,092	0.920	0.871	0.965
	09 INSTITUTIONAL - LOW	372,050	1,851,432	0.710	0.803	0.891
	10 INDUST-PROC - HIGH	114,821	523,332	0.616	0.863	0.957
	11 INDUST-PROC - LOW	551,755	2,753,551	0.670	0.793	0.879
	12 SERVICE - HIGH	686,002	3,798,925	0.959	0.981	1.087
	13 SERVICE - LOW	205,063	1,039,482	0.701	0.818	0.907
	14 CONTRACTORS	351,710	1,685,126	1.063	1.052	1.167
	TOTAL*	14,626,365	71,772,201	0.886	0.902	1.000

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



## EXPLANATORY NOTES TO TABLES 10 AND 11

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

INTRODUCTION	<p>The experience used in the relativity analysis and displayed on Tables 10 and 11 is the latest five accident years of data reported under the Commercial Statistical Plan. As in the overall review, loss costs have been adjusted to current ISO loss cost and prospective amount of insurance levels (with multiline aggregate loss costs adjusted additionally by the current implicit package modification factors). Incurred losses are adjusted to prospective cost levels, and are further adjusted by the Basic Group I large loss procedure and the Special Causes of Loss excess procedure. Losses have also been developed to their ultimate settlement value by application of loss development factors.</p>
COLUMN (1)	<p><u>2018 AGGREGATE LOSS COSTS</u></p> <p>The latest accident year aggregate loss costs (adjusted as described above) are used as weights both in the calculation of any totals shown in this table and in the iterative formulas used in the simultaneous review procedure.</p>
COLUMN (2)	<p><u>2014-2018 AGGREGATE LOSS COSTS</u></p> <p>The combined five-year adjusted aggregate loss costs (adjusted as described above) are used to calculate the experience ratios in column (3).</p>
COLUMN (3)	<p><u>FIVE-YEAR EXPERIENCE RATIOS</u></p> <p>These are the ratios of the combined five-year adjusted incurred losses (adjusted as described above) to the combined five-year adjusted aggregate loss costs as shown in column (2). Any totals which are shown are weighted averages using the adjusted aggregate loss costs in column (1).</p>
COLUMN (4)	<p><u>CREDIBILITY (Z) WEIGHTED EXPERIENCE RATIO</u></p> <p>A credibility procedure is applied to the initial experience ratios in column (3) on a cell-by-cell basis prior to the simultaneous review procedure. The credibility values are calculated using an empirical Bayesian credibility procedure. In the following discussion, cell refers to an individual combination of TOP, rating group or category, and territory (where applicable).</p>

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

COLUMN (4)  
(cont'd)

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

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

COLUMN (5)

### WEIGHTED RELATIVITIES

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

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TABLE 12 - BASIC GROUP II RELATIVITY ANALYSIS

INDICATED LOSS COST ADJUSTMENT: +0.5%

	(1) ACCIDENT YEAR ENDING 09/30/18 AGGR. LOSS COSTS AT CURRENT IMPLICIT PMF	(2) ACCIDENT YEARS 2009-2018 EXPER. RATIO AT CURRENT PMF	(3) FORMULA RELATIVITY (2) / 0.947	(4) CREDI- BILITY Z C	(5) Z WEIGHTED RELA- TIVITY D	(6) BALANCED FORMULA RELA- TIVITY E	(7) NORMALIZED FORMULA RELA- TIVITY F	(8) CURRENT IMPLICIT PMF	(9) INDICATED IMPLICIT PMF G	(10) INDIC. LOSS COST ADJUST
MONOLINE	2,585,724	1.050	1.109	0.748	1.081	1.081	1.0476			+5.3%
MULTILINE	25,872,660	0.920	0.971	0.903	0.974	1.027	0.9952			+0.0%
COVERAGE	28,458,384	0.947	0.999			1.0319	B 1.0000			+0.5%
MULTILINE TOP										
31 MOTEL/HOTEL	608,499	0.815	0.861	0.169	0.976	0.985	0.9545	1.114	1.015	-4.1%
32 APARTMENT	3,273,024	*****	*****	*****	*****	1.389	1.3461	1.167	1.500	+35.3%
33 OFFICE	881,392	1.650	1.742	0.283	1.209	1.220	1.1823	0.671	0.757	+18.8%
34 MERCANTILE	4,843,810	0.835	0.882	0.647	0.923	0.932	0.9032	0.665	0.573	-9.2%
35 INSTITUTIONAL	7,260,171	0.861	0.909	0.756	0.931	0.940	0.9109	0.718	0.624	-8.5%
36 SERVICES	4,815,667	0.930	0.982	0.663	0.988	0.997	0.9662	1.124	1.037	-2.9%
37 INDUST/PROCESS	2,819,190	0.846	0.893	0.551	0.941	0.950	0.9206	0.658	0.578	-7.5%
38 CONTRACTORS	1,370,907	1.232	1.301	0.354	1.106	1.116	1.0815	0.963	0.994	+8.7%
	25,872,660	0.920 B	0.971		0.965 B	1.027 B	0.9952 B			+0.0%

A - TOP 32 IMPLICIT PMF CAPPED AT 1.500.

FOR COLUMNS (2) THROUGH (5), MONOLINE INCLUDES TOPS 32

AT THESE CAPPED LEVELS AND MULTILINE EXCLUDES TOPS 32

B - AVERAGE WEIGHTED BY COLUMN (1)

C - CREDIBILITY =  $P/(P+K)$  WHERE P REPRESENTS THE TOTAL 10 YEAR ADJUSTED LOSS COSTS AND K = 25,000,000D -  $(5) = (3) * (4) + (1 - (4)) * 0.999$ E - FOR UNCAPPED MULTILINE TOPS:  $(6) = (5) * (0.983/0.981)$ FOR CAPPED MULTILINE TOPS:  $(6) = (9) * (1.044) / (8)$ F -  $(7) = (6) / 1.0319$ G -  $(9) = (7) * (8) / (1.0476)$

## EXPLANATORY NOTES TO TABLE 12

### BASIC GROUP II RELATIVITY ANALYSIS

#### INTRODUCTION

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

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

#### COLUMN (1)

##### 2018 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)

##### 2009 - 2018 EXPERIENCE RATIO

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

#### COLUMN (3)

##### FORMULA RELATIVITY

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

EXPLANATORY NOTES TO TABLE 12 (cont'd)

COLUMN (4)

CREDIBILITY

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

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

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

COLUMN (5)

Z - WEIGHTED RELATIVITY

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

COLUMN (6)

BALANCED FORMULA RELATIVITY

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

COLUMN (7)

NORMALIZED FORMULA RELATIVITY

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

COLUMN (8)

CURRENT IMPLICIT PMF

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

EXPLANATORY NOTES TO TABLE 12 (cont'd)

COLUMN (9)

INDICATED IMPLICIT PMF

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

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

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

COLUMN (10)

INDICATED LOSS COST CHANGES

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

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

MULTILINE  
CONSIDERATIONS

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

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SECTION C - SUPPORTING MATERIAL

Overview .....	C2-3
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Commercial Package Policy Implicit Package Modification Factors (IPMF's) and IPMF Caps (Tables 18 - 20) .....	C15-19
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## OVERVIEW

### AGGREGATE LOSS COSTS AT CURRENT LEVEL

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

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

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

### ADJUSTMENTS TO LOSSES

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

### CREDIBILITY

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

$Z$  = credibility

$C$  = final estimate

$R$  = estimate based on the most recent data

$N$  = net trend



## OVERVIEW (cont'd)

### CREDIBILITY (cont'd)

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

### LOSS COST/RATE LEVEL HISTORY

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

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TABLE 13

BASIC GROUP I

HISTORY OF STATEWIDE LOSS COST/RATE LEVEL CHANGES

LOSS COST/RATE LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
2000-10-01	-21.0	0.790	0.681	0.252
2003-12-01	5.4	0.833	0.646	0.085
2004-12-01	4.2	0.868	0.620	0.085
2006-04-01	-10.8	0.774	0.695	0.753
2008-04-01	-14.0	0.666	0.808	0.751
2009-07-01	-18.9	0.540	0.996	0.504
2010-04-01	-16.8	0.449	1.198	0.753
2011-04-01	-6.4	0.420	1.281	0.753
2013-04-01	-1.7	0.413	1.303	0.753
2014-04-01	4.3	0.431	1.248	0.753
2015-05-01	3.0	0.444	1.212	0.671
2016-07-01	5.5	0.468	1.150	0.503
2017-04-01	10.0	0.515	1.045	0.753
2019-05-01	4.4	0.538	1.000	0.671

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

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

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TABLE 14

## BASIC GROUP II

## HISTORY OF STATEWIDE LOSS COST/RATE LEVEL CHANGES

LOSS COST/RATE LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
2000-10-01	23.2	1.232	1.761	0.252
2003-12-01	14.7	1.413	1.536	0.085
2004-12-01	-0.8	1.402	1.548	0.085
2006-04-01	13.5	1.591	1.364	0.753
2008-04-01	-1.6	1.566	1.386	0.751
2009-07-01	4.3	1.633	1.329	0.504
2010-04-01	0.8	1.646	1.318	0.753
2011-04-01	-10.2	1.478	1.468	0.753
2013-04-01	9.5	1.618	1.341	0.753
2014-04-01	10.8	1.793	1.210	0.753
2015-05-01	7.9	1.935	1.121	0.671
2016-07-01	5.3	2.038	1.065	0.503
2017-04-01	1.9	2.076	1.045	0.753
2019-05-01	4.5	2.170	1.000	0.671

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

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

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TABLE 15

SPECIAL CAUSES OF LOSS

HISTORY OF STATEWIDE LOSS COST/RATE LEVEL CHANGES

LOSS COST/RATE LEVEL HISTORY				
(1)	(2)	(3)	(4)	(5)
EFFECTIVE DATE	LOSS COST/ RATE LEVEL CHANGE (%)	LOSS COST/ RATE LEVEL INDEX	ADJUSTMENT FACTOR	WEIGHT*
2000-10-01	15.1	1.151	0.623	0.252
2003-12-01	-27.4	0.836	0.858	0.085
2004-12-01	-19.9	0.669	1.072	0.085
2006-04-01	-15.7	0.564	1.271	0.753
2008-04-01	-10.6	0.504	1.423	0.751
2009-07-01	-7.2	0.468	1.532	0.504
2010-04-01	19.6	0.560	1.280	0.753
2011-04-01	3.9	0.582	1.232	0.753
2013-04-01	12.7	0.656	1.093	0.753
2014-04-01	15.4	0.757	0.947	0.753
2015-05-01	-3.3	0.732	0.980	0.671
2016-07-01	3.5	0.757	0.947	0.503
2017-04-01	-0.1	0.756	0.948	0.753
2019-05-01	-5.2	0.717	1.000	0.671

TIME ELEMENT ONLY LOSS COST LEVEL HISTORY

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

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

## EXPLANATORY NOTES TO TABLES 13, 14 AND 15

### LOSS COST/RATE LEVEL HISTORIES

COLUMN (1) EFFECTIVE DATE

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

COLUMN (2) LOSS COST/RATE LEVEL CHANGE

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

COLUMN (3) LOSS COST/RATE LEVEL INDEX

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

COLUMN (4) WRITTEN ADJUSTMENT (ON LEVEL) FACTORS

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

COLUMN (5) WEIGHT

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

MINNESOTA  
TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: Minneapolis

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
04-01-2006	SPEC.	-30.8	-30.8	-25.6	-27.2	-29.4	-30.8	-30.8	-30.8	-28.1	-30.0	-30.6	-30.4	-26.5	-28.7	-28.1	-30.7	-28.7	-30.0	-29.7	-30.8	-29.3
	CLASS	-21.0	-19.7	-9.9	-11.8	-14.5	-17.3	-17.7	-16.1	-12.9	-15.3	-15.9	-15.7	-11.0	-13.6	-12.9	-16.0	-28.7	-15.3	-29.7	-30.8	-14.4
04-01-2008	SPEC.	-34.0	-27.8	-19.7	-19.0	-20.9	-18.3	-22.3	-25.2	-17.4	-21.3	-20.4	-23.0	-11.0	-20.2	-29.8	-24.3	-19.9	-22.0	-21.7	-19.0	-24.6
	CLASS	-29.9	-22.3	-13.6	-12.9	-14.9	-12.1	-16.4	-19.5	-11.1	-15.3	-14.3	-17.1	-4.2	-14.1	-24.4	-18.5	-19.9	-16.1	-21.7	-19.0	-18.9
07-01-2009	SPEC.	-38.9	-31.2	-13.3	-15.6	-22.3	-27.7	-33.1	-21.1	-18.7	-23.0	-23.1	-23.0	-16.1	-24.0	-25.0	-24.8	-20.3	-22.4	-22.1	-15.6	-21.8
	CLASS	-38.9	-30.5	-12.4	-14.7	-21.5	-27.0	-32.5	-20.3	-17.9	-22.2	-22.3	-22.2	-15.3	-23.2	-24.2	-24.0	-20.3	-21.7	-22.1	-15.6	-21.0
04-01-2010	SPEC.	-23.0	-22.6	-14.1	-15.9	-18.0	-22.5	-23.2	-16.9	-16.8	-19.0	-19.2	-18.7	-12.8	-19.4	-19.3	-19.0	-18.5	-18.6	-18.6	-17.7	-17.9
	CLASS	-33.9	-33.5	-26.2	-27.8	-29.5	-33.4	-34.0	-28.6	-28.5	-30.4	-30.6	-30.1	-25.1	-30.8	-30.6	-30.4	-18.5	-30.1	-18.6	-17.7	-29.4
04-01-2011	SPEC.	-3.9	-0.7	16.0	16.0	7.8	-0.4	-10.1	6.7	4.3	14.3	4.7	4.3	5.9	4.3	3.4	8.0	5.6	5.5	5.5	7.1	2.7
	CLASS	-26.4	-26.4	-18.4	-18.4	-24.1	-26.4	-26.4	-24.9	-26.4	-19.6	-26.3	-26.4	-25.5	-26.4	-26.4	-23.9	5.6	-25.7	5.5	7.1	-26.4
04-01-2013	SPEC.	-15.1	-14.7	-15.1	-8.2	-14.7	-15.1	-15.1	-15.1	-15.1	-14.5	-15.1	-15.1	-14.1	-15.1	-15.1	-11.3	-15.1	-15.1	-15.1	-12.3	-15.1
	CLASS	-4.5	-0.9	-4.6	6.7	-0.9	-7.6	-15.1	-2.9	-4.1	-0.7	-6.4	-2.1	-0.1	-2.1	-3.2	3.1	-15.1	-2.4	-15.1	-12.3	-4.7
04-01-2014	SPEC.	0.4	6.3	1.9	6.7	5.8	6.2	-1.4	3.0	0.4	3.7	3.6	4.2	5.4	4.2	3.7	7.0	3.1	3.4	3.7	2.5	4.3
	CLASS	11.0	17.5	12.6	18.0	16.9	17.4	9.0	13.9	11.0	14.7	14.6	15.2	16.5	15.2	14.7	18.3	3.1	14.3	3.7	2.5	15.4
05-01-2015	SPEC.	9.5	22.2	9.4	18.1	16.3	14.5	8.3	11.4	10.0	15.6	11.5	12.6	12.4	12.6	13.4	16.1	14.1	14.0	14.4	15.4	15.4
	CLASS	-4.6	6.5	-4.7	3.0	1.4	-0.2	-5.6	-2.9	-4.1	0.8	-2.8	-1.8	-2.0	-1.8	-1.1	1.2	14.1	-0.6	14.4	15.4	0.6
07-01-2016	SPEC.	-6.6	6.7	-2.2	4.0	2.3	4.5	1.4	2.3	5.0	1.1	0.8	-0.8	4.0	-0.8	2.6	1.0	1.8	1.5	1.8	-0.7	3.3
	CLASS	-3.6	10.1	0.8	7.3	5.5	7.8	4.6	5.5	8.3	4.3	4.0	2.3	7.3	2.3	5.8	4.2	1.8	4.7	1.8	-0.7	6.6
04-01-2017	SPEC.	-20.0	-2.9	-13.0	-4.5	-7.4	-3.4	-9.8	-8.5	-5.6	-8.5	-7.5	-9.0	-6.1	-9.0	-8.3	-9.0	-8.0	-8.1	-7.5	-8.1	-4.9
	CLASS	-12.2	10.3	-1.1	8.5	5.2	9.8	2.5	4.0	7.3	4.0	5.1	3.5	6.7	3.5	4.2	3.5	-8.0	4.5	-7.5	-8.1	8.1
05-01-2019	SPEC.	-9.6	-5.7	-6.5	-5.4	-5.9	-6.5	-6.6	-12.0	-8.7	-6.2	-6.0	-7.0	0.1	-7.0	-3.8	-4.0	-3.4	-5.9	-5.3	-12.5	-0.8
	CLASS	-9.6	-5.7	-6.5	-5.4	-5.9	-6.5	-6.6	-12.0	-8.7	-6.2	-6.0	-7.0	0.1	-7.0	-3.8	-4.0	-3.4	-5.9	-5.3	-12.5	-0.8

MINNESOTA  
TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: Saint Paul

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
04-01-2006	SPEC.	-25.2	-25.2	-19.6	-21.3	-23.7	-25.2	-25.2	-25.1	-22.2	-24.4	-25.0	-24.7	-20.6	-22.9	-22.2	-25.1	-22.9	-24.4	-24.0	-25.2	-23.6
	CLASS	-14.6	-13.3	-2.6	-4.7	-7.5	-10.6	-11.1	-9.3	-5.8	-8.4	-9.1	-8.8	-3.8	-6.6	-5.8	-9.2	-22.9	-8.4	-24.0	-25.2	-7.5
04-01-2008	SPEC.	-26.0	-19.0	-10.0	-9.2	-11.3	-8.4	-12.9	-16.1	-7.4	-11.7	-10.7	-13.6	-0.2	-10.5	-21.2	-15.1	-10.2	-12.5	-12.2	-9.2	-15.4
	CLASS	-21.4	-12.9	-3.1	-2.3	-4.6	-1.4	-6.3	-9.8	-0.3	-5.0	-3.9	-7.0	7.4	-3.7	-15.2	-8.6	-10.2	-5.9	-12.2	-9.2	-9.0
07-01-2009	SPEC.	-32.9	-24.5	-4.7	-7.2	-14.6	-20.6	-26.6	-13.2	-10.7	-15.3	-15.4	-15.3	-7.8	-16.4	-17.5	-17.3	-12.4	-14.7	-14.4	-7.2	-14.0
	CLASS	-32.9	-23.7	-3.8	-6.3	-13.7	-19.8	-25.9	-12.3	-9.8	-14.5	-14.6	-14.5	-6.8	-15.6	-16.7	-16.4	-12.4	-13.9	-14.4	-7.2	-13.2
04-01-2010	SPEC.	-17.5	-17.1	-7.9	-9.9	-12.1	-16.9	-17.7	-11.0	-10.8	-13.3	-13.4	-12.9	-6.6	-13.7	-13.5	-13.3	-12.7	-12.8	-12.8	-11.9	-12.0
	CLASS	-29.1	-28.8	-20.9	-22.6	-24.5	-28.6	-29.3	-23.5	-23.4	-25.5	-25.6	-25.2	-19.8	-25.8	-25.7	-25.5	-12.7	-25.1	-12.8	-11.9	-24.4
04-01-2011	SPEC.	1.1	4.6	22.1	22.1	13.5	4.9	-5.3	12.3	9.7	20.3	10.2	9.7	11.4	9.7	8.8	13.8	11.2	11.1	11.1	12.8	8.0
	CLASS	-22.5	-22.5	-14.0	-14.0	-20.1	-22.5	-22.5	-20.9	-22.5	-15.3	-22.4	-22.5	-21.5	-22.5	-22.5	-19.9	11.2	-21.7	11.1	12.8	-22.5
04-01-2013	SPEC.	-21.7	-21.3	-21.7	-15.3	-21.3	-21.7	-21.7	-21.7	-21.7	-21.1	-21.7	-21.7	-20.6	-21.7	-21.7	-18.2	-21.7	-21.7	-21.7	-19.1	-21.7
	CLASS	-11.9	-8.5	-12.0	-1.6	-8.5	-14.7	-21.7	-10.5	-11.6	-8.3	-13.7	-9.7	-7.8	-9.7	-10.8	-4.9	-21.7	-10.0	-21.7	-19.1	-12.1
04-01-2014	SPEC.	-8.4	-3.0	-7.1	-2.7	-3.5	-3.1	-10.1	-6.1	-8.4	-5.4	-5.5	-4.9	-3.9	-4.9	-5.4	-2.4	-6.0	-5.7	-5.4	-6.5	-4.8
	CLASS	1.3	7.2	2.7	7.6	6.7	7.1	-0.6	3.9	1.3	4.6	4.5	5.1	6.3	5.1	4.6	7.9	-6.0	4.3	-5.4	-6.5	5.2
05-01-2015	SPEC.	6.3	18.6	6.1	14.6	12.9	11.1	5.2	8.1	6.8	12.2	8.2	9.3	9.1	9.3	10.1	12.7	10.8	10.7	11.0	12.0	12.0
	CLASS	-7.4	3.4	-7.5	-0.1	-1.6	-3.1	-8.3	-5.7	-6.9	-2.2	-5.6	-4.7	-4.9	-4.7	-4.0	-1.8	10.8	-3.5	11.0	12.0	-2.4
07-01-2016	SPEC.	-2.2	11.7	2.3	8.8	7.0	9.4	6.1	7.0	9.9	5.8	5.5	3.8	8.8	3.8	7.4	5.7	6.5	6.2	6.5	3.9	8.1
	CLASS	0.8	15.2	5.5	12.3	10.4	12.8	9.4	10.4	13.4	9.1	8.8	7.0	12.3	7.0	10.7	9.0	6.5	9.5	6.5	3.9	11.5
04-01-2017	SPEC.	-12.5	6.2	-4.8	4.5	1.3	5.7	-1.3	0.1	3.3	0.1	1.2	-0.4	2.7	-0.4	0.3	-0.4	0.7	0.6	1.2	0.6	4.1
	CLASS	-4.0	20.6	8.2	18.7	15.1	20.1	12.2	13.7	17.4	13.7	15.0	13.2	16.7	13.2	14.0	13.2	0.7	14.3	1.2	0.6	18.3
05-01-2019	SPEC.	1.5	5.9	5.0	6.2	5.7	5.0	4.9	-1.1	2.6	5.4	5.6	4.4	12.4	4.4	8.0	7.8	8.5	5.7	6.3	-1.7	11.5
	CLASS	1.5	5.9	5.0	6.2	5.7	5.0	4.9	-1.1	2.6	5.4	5.6	4.4	12.4	4.4	8.0	7.8	8.5	5.7	6.3	-1.7	11.5



MINNESOTA  
TABLE 16

HISTORY OF BASIC GROUP I

LOSS COST CHANGES BY TERRITORY, RATING ID AND RATING GROUP

TERRITORY: Balance of State (Minnesota)

EFFECTIVE DATE	RATING ID	RATING GROUP																				
		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
04-01-2006	SPEC.	-18.8	-18.8	-12.7	-14.6	-17.2	-18.8	-18.8	-18.6	-15.6	-17.8	-18.5	-18.2	-13.8	-16.3	-15.6	-18.5	-16.3	-17.8	-17.5	-18.8	-17.1
	CLASS	-7.2	-5.7	5.8	3.5	0.5	-2.8	-3.3	-1.4	2.3	-0.4	-1.2	-0.9	4.5	1.4	2.3	-1.3	-16.3	-0.4	-17.5	-18.8	0.5
04-01-2008	SPEC.	-30.3	-23.8	-15.2	-14.5	-16.5	-13.8	-18.0	-21.0	-12.8	-16.9	-15.9	-18.6	-6.0	-15.7	-25.8	-20.0	-15.4	-17.6	-17.3	-14.5	-20.4
	CLASS	-26.0	-18.0	-8.8	-8.0	-10.1	-7.2	-11.7	-15.0	-6.1	-10.6	-9.5	-12.4	1.2	-9.3	-20.2	-14.0	-15.4	-11.4	-17.3	-14.5	-14.3
07-01-2009	SPEC.	-36.2	-28.1	-9.4	-11.8	-18.8	-24.5	-30.1	-17.5	-15.1	-19.5	-19.6	-19.5	-12.3	-20.6	-21.6	-21.4	-16.7	-18.9	-18.6	-11.8	-18.3
	CLASS	-36.2	-27.4	-8.4	-10.9	-18.0	-23.8	-29.4	-16.7	-14.2	-18.7	-18.8	-18.7	-11.5	-19.8	-20.8	-20.6	-16.7	-18.1	-18.6	-11.8	-17.5
04-01-2010	SPEC.	-14.8	-14.3	-4.8	-6.9	-9.2	-14.1	-14.9	-8.0	-7.8	-10.3	-10.5	-10.0	-3.5	-10.8	-10.6	-10.3	-9.7	-9.9	-9.9	-8.9	-9.1
	CLASS	-26.8	-26.4	-18.2	-20.0	-21.9	-26.2	-26.9	-20.9	-20.8	-23.0	-23.1	-22.6	-17.1	-23.3	-23.2	-23.0	-9.7	-22.6	-9.9	-8.9	-21.9
04-01-2011	SPEC.	-2.3	1.0	17.9	17.9	9.7	1.3	-8.6	8.5	6.1	16.3	6.5	6.1	7.6	6.1	5.2	9.9	7.4	7.3	7.3	8.9	4.5
	CLASS	-25.1	-25.1	-16.9	-16.9	-22.7	-25.1	-25.1	-23.6	-25.1	-18.2	-25.0	-25.1	-24.2	-25.1	-25.1	-22.6	7.4	-24.4	7.3	8.9	-25.1
04-01-2013	SPEC.	-7.5	-7.0	-7.5	0.1	-7.0	-7.5	-7.5	-7.5	-7.5	-6.8	-7.5	-7.5	-6.3	-7.5	-7.5	-3.3	-7.5	-7.5	-7.5	-4.3	-7.5
	CLASS	4.0	8.2	3.9	16.3	8.2	0.8	-7.5	5.8	4.5	8.4	2.1	6.7	9.0	6.7	5.4	12.4	-7.5	6.3	-7.5	-4.3	3.8
04-01-2014	SPEC.	-4.2	1.4	-2.8	1.8	0.9	1.3	-6.0	-1.7	-4.2	-1.0	-1.1	-0.5	0.5	-0.5	-1.0	2.1	-1.6	-1.3	-1.0	-2.2	-0.4
	CLASS	5.9	12.1	7.5	12.6	11.6	12.0	4.0	8.6	5.9	9.4	9.3	10.0	11.2	10.0	9.4	12.9	-1.6	9.1	-1.0	-2.2	10.1
05-01-2015	SPEC.	6.8	19.2	6.7	15.2	13.4	11.7	5.7	8.7	7.3	12.8	8.8	9.9	9.7	9.9	10.7	13.2	11.3	11.2	11.6	12.6	12.6
	CLASS	-6.9	3.9	-7.0	0.4	-1.1	-2.7	-7.9	-5.3	-6.4	-1.7	-5.2	-4.2	-4.4	-4.2	-3.5	-1.3	11.3	-3.0	11.6	12.6	-1.9
07-01-2016	SPEC.	-3.5	10.3	1.0	7.4	5.7	8.0	4.7	5.7	8.5	4.4	4.1	2.4	7.4	2.4	6.0	4.3	5.2	4.8	5.2	2.5	6.7
	CLASS	-0.5	13.7	4.2	10.8	9.0	11.4	8.0	9.0	11.9	7.7	7.4	5.7	10.8	5.7	9.3	7.6	5.2	8.1	5.2	2.5	10.1
04-01-2017	SPEC.	-8.6	10.9	-0.6	9.1	5.8	10.3	3.1	4.5	7.8	4.5	5.7	4.0	7.2	4.0	4.7	4.0	5.1	5.0	5.7	5.0	8.7
	CLASS	0.3	25.9	13.0	23.9	20.2	25.3	17.1	18.8	22.5	18.8	20.1	18.2	21.8	18.2	19.0	18.2	5.1	19.4	5.7	5.0	23.4
05-01-2019	SPEC.	2.0	6.4	5.5	6.7	6.2	5.5	5.4	-0.6	3.1	5.9	6.1	5.0	13.0	5.0	8.5	8.3	9.1	6.2	6.9	-1.3	12.0
	CLASS	2.0	6.4	5.5	6.7	6.2	5.5	5.4	-0.6	3.1	5.9	6.1	5.0	13.0	5.0	8.5	8.3	9.1	6.2	6.9	-1.3	12.0

EXPLANATORY NOTES TO TABLE 16

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

TERRITORY

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

EFFECTIVE DATE

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

LOSS COST/RATE LEVEL CHANGES

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

MINNESOTA  
TABLE 17

SPECIAL CAUSES OF LOSS

HISTORY OF LOSS COST/RATE LEVEL CHANGES BY CATEGORY

(1) EFFECTIVE DATE	(2) CATEGORY													
	01	02	03	04	05	06	07	08	09	10	11	12	13	14
04-01-2006	-13.4	-21.7	-13.7	-25.7	-21.4									
04-01-2008	-15.4	-9.4	8.9	12.0	-2.4									
07-01-2009	-11.9	-9.4	-0.7	11.4	2.1									
04-01-2010	17.5	15.9	12.5	35.5	16.1									
04-01-2011	3.7	1.3	1.7	7.6	9.9	4.6	1.7	-3.7	0.2	5.9	11.0	5.4	2.6	-0.3
04-01-2013	18.8	3.3	1.7	-2.7	7.0	9.5	8.4	-1.2	4.4	14.2	5.7	22.4	13.1	8.6
04-01-2014	17.6	12.7	5.7	4.6	15.1	15.6	11.8	0.3	8.1	21.4	14.6	24.4	15.4	11.2
04-01-2015	-0.4	-11.7	-6.3	-7.9	-7.1	-3.7	-6.5	-14.7	-10.1	-4.7	-7.8	-1.1	-4.1	-9.0
07-01-2016	+6.5	-4.4	+1.4	-3.5	-1.7	+1.6	+0.1	-13.0	-3.8	+1.4	-1.2	+2.9	+0.9	-2.1
04-01-2017	+1.4	-4.9	-1.8	-2.1	-2.1	-0.6	-2.4	-8.0	-3.3	-0.8	-0.4	-4.4	-2.3	-2.7
05-01-2019	-2.4	-12.4	-8.0	-10.8	-7.3	-7.4	-10.1	-11.3	-10.0	-8.1	-9.2	-17.6	-11.4	-6.7

EXPLANATORY NOTES TO TABLE 17

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

COLUMN (1)

EFFECTIVE DATE

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

COLUMN (2)

LOSS COST/RATE LEVEL CHANGES BY CATEGORY

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

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

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

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

IMPLICIT PACKAGE  
MODIFICATION  
FACTORS

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

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

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

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

IPMF CAPS

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

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

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP
-----				
31	MOTEL/HOTEL	0.934	0.500	1.500
32	APARTMENT	0.827	0.500	1.500
33	OFFICE	1.313	0.500	1.500
34	MERCANTILE	0.882	0.500	1.500
35	INSTITUTIONAL	0.821	0.500	1.500
36	SERVICES	0.990	0.500	1.500
37	INDUST/PROCESSING	1.046	0.500	1.500
38	CONTRACTORS	1.017	0.500	1.500

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

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP
-----				
31	MOTEL/HOTEL	1.114	0.500	1.500
32	APARTMENT	1.167	0.500	1.500
33	OFFICE	0.671	0.500	1.500
34	MERCANTILE	0.665	0.500	1.500
35	INSTITUTIONAL	0.718	0.500	1.500
36	SERVICES	1.124	0.500	1.500
37	INDUST/PROCESSING	0.658	0.500	1.500
38	CONTRACTORS	0.963	0.500	1.500

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

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP
-----				
31	MOTEL/HOTEL	0.885	0.500	1.500
32	APARTMENT	1.024	0.500	1.500
33	OFFICE	1.160	0.500	1.500
34	MERCANTILE	0.814	0.500	1.500
35	INSTITUTIONAL	0.572	0.500	1.500
36	SERVICES	0.776	0.500	1.500
37	INDUST/PROCESSING	0.507	0.500	1.500
38	CONTRACTORS	1.034	0.500	1.500



EXPLANATORY NOTES TO TABLES 18, 19, AND 20

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

TABLES 18, 19,  
AND 20

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

## TREND PROCEDURE

### INTRODUCTION

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

### LOSS TREND

#### EXTERNAL LOSS DATA

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

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

The CCF's adjust losses for actual inflationary changes which have taken place between the accident date and the midpoint of the latest period of external trend information, i.e. May 15, 2019 for property damage and time element. The LPF's adjust losses for projected inflationary changes from the midpoint of the latest period of external trend information to the anticipated average date of accident for policies written under the proposed loss costs (assumed to be 12 months after the assumed revision date based on all one-year policies).

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

## TREND PROCEDURE (cont'd)

### LOSS TREND (cont'd)

#### LOSS TREND ADJUSTMENT - SEVERITY

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

#### LOSS TREND ADJUSTMENT - FREQUENCY

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

### AMOUNT-OF- INSURANCE TREND

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

The application and development of these factors parallels loss trend factors in that separate factors are developed for buildings, contents, and time element, and the adjustment to prospective amount of insurance levels is done in two steps. The current written factors adjust loss costs to the amount of insurance level for the midpoint of the latest period of renewal information, i.e. July 1, 2018. Total amount of insurance trend factors are then calculated by projecting these current factors to the average date of writing (i.e. to the amount of insurance level six months beyond the assumed effective date).

TABLE 21

Development of Current Cost Factors and Loss Projection Factors  
For Commercial Property Building and Contents Experience  
 Period ending June 30, 2019

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

Building Loss Projection Factors - Xactware Commercial Index (XCI) (Base: 2009 = 100.0)

Contents - Producer Price Index (PPI) - U.S. Dept. of Labor (Finished Goods Less Energy) (Base: 2009 = 100.0)

Time Element Combined Index - Weighted average of IMSEP and RSALES indices <sup>(a)</sup>

<u>Quarter</u>	<u>XCI</u>	<u>PPI</u>	<u>IMSEP</u>	<u>RSALES</u>	Time Element Combined <u>Index</u>
Q3-2016	111.3	114.3	1.028	0.952	0.975
Q4-2016	111.9	114.6	1.032	0.955	0.978
Q1-2017	112.7	115.5	1.035	0.962	0.984
Q2-2017	114.0	116.5	1.034	0.956	0.979
Q3-2017	115.0	116.3	1.040	0.958	0.983
Q4-2017	115.5	117.1	1.043	0.963	0.987
Q1-2018	116.6	117.6	1.046	0.970	0.993
Q2-2018	117.5	118.1	1.053	0.973	0.997
Q3-2018	118.4	118.3	1.058	0.974	0.999
Q4-2018	118.8	119.6	1.059	0.970	0.997
Q1-2019	119.8	120.4	1.060	0.965	0.994
Q2-2019	121.1	120.7	1.063	0.971	0.999

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

Annual Rate of Change = 0.0309 = 3.09%

 $R^2 = 0.995$ Loss Projection Factor for Buildings =  $1.0309^{22.5/12 \text{ (b)}}$  = 1.0587

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

Annual Rate of Change = 0.020 = 2.0%

 $R^2 = 0.981$ Loss Projection Factor for Contents =  $1.0200^{22.5/12 \text{ (b)}}$  = 1.0378

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

Annual Rate of Change = 0.0092 = 0.92%

 $R^2 = 0.861$ Loss Projection Factor for Time Element =  $1.0092^{22.5/12 \text{ (b)}}$  = 1.0173

- (a) 30% weight for IMSEP and 70% weight for RSALES. IMSEP & RSALES indices were rescaled to a 2012 year base.
- (b) Assuming a rate or loss cost revision date of April 1 2020, and all one year policies, the time interval between the midpoint of the latest period (05/15/2019) and the average date of accident (04/01/2021) would be 22.5 months.

TABLE 21

Development of Current Cost Factors and Loss Projection Factors

## Part E: Calculation of Current Cost Factors (CCF)

Calendar Year <u>Averages</u>				Current Cost Factors Based on Average Index Values for <u>Period ending June 30, 2019</u>		
<u>Year</u>	<u>XCI</u>	<u>PPI</u>	<u>Time Element</u> <u>Index</u>	<u>Buildings</u>	<u>Contents</u>	<u>Time Element</u>
2008	97.0	98.5	0.948	121.1 / 97.0 = 1.249	120.7 / 98.5 = 1.225	0.999 / 0.948 = 1.054
2009	100.0	100.0	0.940	121.1 / 100.0 = 1.211	120.7 / 100.0 = 1.207	0.999 / 0.940 = 1.063
2010	99.3	101.8	0.953	121.1 / 99.3 = 1.220	120.7 / 101.8 = 1.185	0.999 / 0.953 = 1.048
2011	100.0	105.2	0.985	121.1 / 100.0 = 1.211	120.7 / 105.2 = 1.147	0.999 / 0.985 = 1.014
2012	101.0	108.0	1.000	121.1 / 101.0 = 1.199	120.7 / 108.0 = 1.118	0.999 / 1.000 = 0.999
2013	102.7	109.7	1.003	121.1 / 102.7 = 1.179	120.7 / 109.7 = 1.100	0.999 / 1.003 = 0.996
2014	104.7	112.5	1.006	121.1 / 104.7 = 1.157	120.7 / 112.5 = 1.073	0.999 / 1.005 = 0.994
2015	109.1	113.8	0.987	121.1 / 109.1 = 1.110	120.7 / 113.8 = 1.060	0.999 / 0.986 = 1.013
2016	111.1	114.4	0.977	121.1 / 111.1 = 1.090	120.7 / 114.4 = 1.055	0.999 / 0.975 = 1.025
2017	114.3	116.4	0.985	121.1 / 114.3 = 1.059	120.7 / 116.4 = 1.037	0.999 / 0.983 = 1.016
2018	117.8	118.4	0.998	121.1 / 117.8 = 1.028	120.7 / 118.4 = 1.020	0.999 / 0.997 = 1.002

## EXPLANATORY NOTES TO TABLE 21

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

QUARTER	The quarter for which the indices shown apply.
XACTWARE COMMERCIAL INDEX (XCI)	The Xactware Commercial Index measures the costs of building material and repairs for commercial properties. The index, which is available since 1st Quarter 2005, is based on regular surveys of over 42,000 material and equipment suppliers and over 9,500 contractors, in addition to claims settlement data. The index values are created by estimating the cost to rebuild a sample set of different structures ranging in size, style, and quality in each economic market. The Xactware index is used in this filing to adjust for current cost from 1/1/05 to the midpoint of the latest index point and for determining the loss projection factor.
PRODUCER PRICE INDEX (PPI)	The Producer Price Index is a time series which measures the price level for a predetermined group of goods produced relative to the price level for an earlier point in time (2009). The PPI Finished Goods Less Energy is published by the U.S. Department of Labor.
PRICE DEFLATOR INDEX FOR MANUFACTURERS' SALES EXPOSURE (IMSEP)	<p>The price deflator index for manufacturers' sales exposure is a quarter's model of Manufacturers' Sales Exposure Proxy (MSEP) for the period in question relative to MSEP measured in chained 2012 dollars. The price deflator is defined as the GNP (Gross National Product) price deflator with government expenditures, investment in intellectual property products, inventory changes, and all services except food services removed.</p> <p><math display="block">\text{MSEP} = (\text{CD} + \text{CN} + \text{FS}) + (\text{EXD\&amp;N} - \text{IMD\&amp;N}) + (\text{IFIX} - \text{IPP}), \text{ where}</math></p> <p>CD and CN represent consumption of durables and nondurables, respectively; EXD&amp;N and IMD&amp;N represent exports and imports of merchandise, respectively; FS represents food services and IFIX represents gross private domestic fixed investment (including residential fixed investment as well as nonresidential fixed investment in structures, equipment, and intellectual property products); and IPP represents nonresidential fixed investment in intellectual property products.</p>
CHAIN-TYPE PRICE INDEX FOR RETAIL SALES (RSALES)	The Chain-Type Price Index for Retail Sales measures changes in losses due solely to inflation.

EXPLANATORY NOTES TO TABLE 21 (cont'd)

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

LOSS PROJECTION  
FACTOR

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

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

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

CALENDAR YEAR  
AVERAGES

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

CURRENT COST  
FACTORS

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

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

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

TABLE 22

SUMMARY OF LOSS TREND ADJUSTMENTS (LTA'S)

<u>BUILDINGS</u>	<u>5 YEAR INCURRED LOSSES</u>	<u>LTA'S*</u>
BASIC GROUP I	3,397,603,765	-0.3
BASIC GROUP II	3,091,434,408	0.2
SPECIAL CAUSES OF LOSS	1,852,163,757	0.2
TOTAL	8,341,201,930	0.0
<u>CONTENTS</u>		
	964,588,247	0.7
BASIC GROUP I		
BASIC GROUP II	283,850,498	0.6
SPECIAL CAUSES OF LOSS	724,827,074	0.0
TOTAL	1,973,265,819	0.4
<u>TIME ELEMENT</u>		
BASIC GROUP I	397,520,411	2.8
BASIC GROUP II	75,461,620	2.6
SPECIAL CAUSES OF LOSS	138,773,134	2.8
TOTAL	611,755,165	2.8
GRAND TOTAL	10,926,222,913	0.2

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



EXPLANATORY NOTES TO TABLE 22

SUMMARY OF LOSS TREND ADJUSTMENTS (LTA'S)

COLUMN (1)

COVERAGE

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

COLUMN (2)

FIVE-YEAR INCURRED LOSSES

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

COLUMN (3)

ANNUAL LTA's

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

## OVERVIEW

### DEVELOPMENT OF LOSS TREND ADJUSTMENTS

#### INTRODUCTION

In order to supplement the external indices reflected in CCF's and LPF's, loss trend adjustments (LTA's) have been developed based on internal loss data. This is necessary because the external indices alone have been insufficient in reflecting cost level and claim frequency changes in Commercial Property Insurance. The following tables show the calculations used to develop these LTA's. Please note the development of the LTA's for the 2019 COMFAL reviews is based on internal commercial property experience through 12/31/2017 and external cost indices through 12/31/2017. Therefore, the CCF's and LPF's shown on Table 23 will not necessarily match those shown on Table 21. ISO has determined that the selected LTAs are appropriate to be used with the latest external indices shown on Table 21.

TABLE 23  
DEVELOPMENT OF LTA'S

I. EXTERNAL RATE OF CHANGE<sup>a</sup>

Calendar Year	(1) Buildings Current Cost Factor	(2) Contents Current Cost Factor	(3) Time Element Cost Factor	(4) Basic Group I (BGI)& Special Causes of Loss (SCL) Weights	(5) Basic Group II (BGII) Weights
2008	1.247	1.240	1.062		0.10
2009	1.191	1.189	1.043		0.10
2010	1.155	1.171	1.052		0.10
2011	1.164	1.150	1.038		0.10
2012	1.155	1.113	1.004		0.10
2013	1.144	1.085	0.989	0.10	0.10
2014	1.125	1.067	0.986	0.15	0.10
2015	1.103	1.041	0.983	0.20	0.10
2016	1.058	1.029	1.002	0.25	0.10
2017	1.040	1.023	1.012	0.30	0.10

(6) AVERAGE CURRENT COST FACTORS

	Buildings	Contents	Time Element
Basic Group I and Special Causes of Loss (Weighted on Column (4))	1.080	1.041	0.998
Basic Group II (Weighted on Column (5))	1.138	1.111	1.017

(7) LOSS PROJECTION FACTORS

	Buildings	Contents	Time Element
Annual Rate of Change	0.024	0.011	-0.001
Loss Projection Factor: <sup>b</sup> $(1.0 + \text{Annual Rate of Change})^{(X/12)}$	1.063	1.029	0.998

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

	Buildings	Contents	Time Element
Basic Group I and Special Causes of Loss	1.148	1.071	0.996
Basic Group II	1.210	1.143	1.015

(9) EXTERNAL ANNUAL RATE OF CHANGE<sup>c</sup>

	Buildings	Contents	Time Element
Basic Group I and Special Causes of Loss: $(\text{Total Trend Factor})^{12/54}$	1.031	1.015	0.999
Basic Group II: $(\text{Total Trend Factor})^{12/90}$	1.026	1.018	1.002

- (a) The Current Cost Factors and Loss Projection Factors on this exhibit are based on external economic indices through December 31, 2017 for Buildings, Contents and Time Element.
- (b) Assuming a loss cost revision date of July 1, 2019, the time interval between the midpoint of the latest period of external trend information (November 15, 2017) and the prospective average date of loss (July 1, 2020) is 31.5 months for Buildings, Contents and Time Element.
- (c) The time interval from the weighted midpoint of the experience period to the prospective average date of loss (July 1, 2020) is 54 months for BG I and SCL, and 90 months for BG II. The weighted midpoint is January 1, 2016 for BG I and SCL, and January 1, 2013 for BG II.

TABLE 23  
DEVELOPMENT OF LTA'S

II. INTERNAL ANNUAL RATES OF CHANGE:

(10) SELECTED COMFAL

	Buildings	Contents	Time Element
Basic Group I (BGI)	1.045	1.050	1.055
Basic Group II (BGII)	1.030	1.030	1.055
Special Causes of Loss	1.035	1.025	1.055

III. LTA CALCULATION:

CALCULATION OF LTAs - BUILDINGS

	(11) External Rate of Change <sup>d</sup>	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA <sup>e</sup>	(15) Frequency Effect	(16) Final LTA <sup>f</sup>
Basic Group I (BGI)	1.031	1.045	1.4	0.7	-1.0	-0.3
Basic Group II (BGII)	1.026	1.030	0.4	0.2	0.0	0.2
Special Causes of Loss	1.031	1.035	0.4	0.2	0.0	0.2

CALCULATION OF LTAs - CONTENTS

	(11) External Rate of Change <sup>d</sup>	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA <sup>e</sup>	(15) Frequency Effect	(16) Final LTA <sup>f</sup>
Basic Group I (BGI)	1.015	1.050	3.4	1.7	-1.0	0.7
Basic Group II (BGII)	1.018	1.030	1.2	0.6	0.0	0.6
Special Causes of Loss	1.015	1.025	1.0	0.5	-0.5	0.0

CALCULATION OF LTAs - TIME ELEMENT

	(11) External Rate of Change <sup>d</sup>	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA <sup>e</sup>	(15) Frequency Effect	(16) Final LTA <sup>f</sup>
Basic Group I (BGI)	0.999	1.055	5.6	2.8	0.0	2.8
Basic Group II (BGII)	1.002	1.055	5.3	2.6	0.0	2.6
Special Causes of Loss	0.999	1.055	5.6	2.8	0.0	2.8

(d) The external rates of change are based on external economic indices through December 31, 2017 for Buildings, Contents and Time Element.

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

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

## EXPLANATORY NOTES TO TABLE 23

### DEVELOPMENT OF LOSS TREND ADJUSTMENTS (LTA'S)

#### I. EXTERNAL RATE OF CHANGE

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

##### CURRENT COST FACTORS

The CCF's underlying the LTA analysis are based on external cost indices through 12/31/2017 for buildings, contents and time element.

COLUMNS (4)  
AND (5)

##### WEIGHTS

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

LINES (6)

##### AVERAGE CURRENT COST FACTORS

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

LINE (7)

##### LOSS PROJECTION FACTORS

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

LINE (8)

##### TOTAL TREND

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

LINE (9)

##### EXTERNAL ANNUAL RATE OF CHANGE

The total trend is converted to an annual basis by raising it to the reciprocal of the number of years between the weighted midpoint of the experience period and the anticipated average accident date. For BG I and SCL the weighted midpoint of the experience period is 1/1/2016, for BG II it is 1/1/2013. Accordingly, there are 54 and 90 months, respectively, to the anticipated average accident date of 7/1/2020.

#### II. INTERNAL ANNUAL RATES OF CHANGES

LINE (10)

##### SELECTED COMFAL

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

EXPLANATORY NOTES TO TABLE 23 (cont'd)

III. LTA CALCULATION

COLUMN (11)

ANNUAL EXTERNAL

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

COLUMN (12)

ANNUAL INTERNAL

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

COLUMN (13)

INDICATED SEVERITY LTA

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

COLUMN (14)

FORMULA SEVERITY LTA

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

COLUMN (15)

FREQUENCY EFFECT

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

COLUMN (16)

FINAL LTA

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

TABLE 24A

**EXPOSURE TREND**  
**DEVELOPMENT OF CURRENT AND PROJECTED EARNED EXPOSURE FACTORS**

	<u>Buildings</u>				<u>Contents</u>			
	(1) <sup>a</sup>	(2) <sup>a</sup>	(3) <sup>b</sup>	(4) <sup>c</sup>	(5) <sup>a</sup>	(6) <sup>a</sup>	(7) <sup>b</sup>	(8) <sup>c</sup>
<u>Year</u>	<u>Annual</u> <u>Written</u> <u>Increase</u>	<u>07-01-2018</u> <u>Written</u> <u>Factors</u>	<u>10-01-2020</u> <u>Projected</u> <u>Factors</u>	<u>10-01-2020</u> <u>Earned</u> <u>Factors</u>	<u>Annual</u> <u>Written</u> <u>Increase</u>	<u>07-01-2018</u> <u>Written</u> <u>Factors</u>	<u>10-01-2020</u> <u>Projected</u> <u>Factors</u>	<u>10-01-2020</u> <u>Earned</u> <u>Factors</u>
2006	3.8%	1.380	1.462	1.503	2.1%	1.268	1.323	1.344
2007	3.9%	1.328	1.407	1.448	2.4%	1.238	1.292	1.315
2008	3.5%	1.283	1.359	1.395	2.4%	1.209	1.261	1.284
2009	3.3%	1.242	1.316	1.348	2.2%	1.183	1.234	1.254
2010	2.5%	1.212	1.284	1.308	1.7%	1.163	1.213	1.229
2011	2.5%	1.182	1.252	1.276	1.8%	1.142	1.191	1.207
2012	2.7%	1.151	1.219	1.244	1.8%	1.122	1.171	1.186
2013	2.6%	1.122	1.189	1.212	2.1%	1.099	1.147	1.165
2014	2.5%	1.095	1.160	1.182	2.1%	1.076	1.123	1.141
2015	2.3%	1.070	1.134	1.154	1.9%	1.056	1.102	1.118
2016	2.1%	1.048	1.110	1.128	1.8%	1.037	1.082	1.097
2017	2.1%	1.026	1.087	1.104	1.8%	1.019	1.063	1.077
2018	2.6%	1.000	1.059	1.080	1.9%	1.000	1.043	1.058

## Notes

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

b The selected average annual changes in Amount of Insurance for projection purposes are 2.6% and 1.9% for Buildings and Contents, respectively. Consequently, the written factors at 07/01/2018 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 10/01/2020 (i.e., 6 months beyond an assumed revision date of 04/01/2020), by applying a factor of  $(1.026)^{27/12}$  for Buildings and  $(1.019)^{27/12}$  for Contents.

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

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

For example, the factors used to adjust earned exposures for the period from 10/01/2017 to 09/30/2018 to the projected level are 1.080 for Buildings and 1.058 for Contents.

TABLE 24A (cont'd)

**EXPOSURE TREND**  
**DEVELOPMENT OF CURRENT AND PROJECTED EARNED EXPOSURE FACTORS**

Time Element				
	(1) <sup>a</sup>	(2) <sup>a</sup>	(3) <sup>b</sup>	(4) <sup>c</sup>
	Annual	07-01-2018	10-01-2020	10-01-2020
	Written	Written	Projected	Earned
<u>Year</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>
2006	1.4%	1.118	1.133	1.145
2007	1.3%	1.104	1.119	1.130
2008	1.3%	1.090	1.105	1.116
2009	0.8%	1.081	1.096	1.103
2010	0.7%	1.073	1.088	1.094
2011	0.8%	1.064	1.078	1.085
2012	0.8%	1.056	1.070	1.076
2013	0.9%	1.047	1.061	1.068
2014	1.0%	1.037	1.051	1.058
2015	1.1%	1.026	1.040	1.048
2016	1.1%	1.015	1.029	1.037
2017	0.9%	1.006	1.020	1.027
2018	0.6%	1.000	1.014	1.019

## Notes

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

b The selected average annual change in Net Income (Time Element exposure) for projection purposes is 0.6%. Consequently, the written factors at 07/01/2018 levels in column (2) are brought to the level of the average date of writing in the effective period, 10/01/2020 (i.e., 6 months beyond an assumed revision date of 04/01/2020), by applying a factor of  $(1.006)^{27/12}$  for Time Element.

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

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

For example, the factor used to adjust earned exposures for the period from 10/01/2017 to 09/30/2018 to the projected level is 1.019.



TABLE 24B

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

	<u>Buildings</u>				<u>Contents</u>			
	(1) <sup>a</sup>	(2) <sup>a</sup>	(3) <sup>b</sup>	(4) <sup>c</sup>	(5) <sup>a</sup>	(6) <sup>a</sup>	(7) <sup>b</sup>	(8) <sup>c</sup>
<u>Year</u>	<u>Annual</u> <u>Written</u> <u>Increase</u>	<u>07-01-2018</u> <u>Written</u> <u>Factors</u>	<u>10-01-2020</u> <u>Projected</u> <u>Factors</u>	<u>10-01-2020</u> <u>Earned</u> <u>Factors</u>	<u>Annual</u> <u>Written</u> <u>Increase</u>	<u>07-01-2018</u> <u>Written</u> <u>Factors</u>	<u>10-01-2020</u> <u>Projected</u> <u>Factors</u>	<u>10-01-2020</u> <u>Earned</u> <u>Factors</u>
2006	3.1%	1.297	1.359	1.390	1.8%	1.219	1.263	1.280
2007	3.1%	1.258	1.318	1.349	2.0%	1.195	1.238	1.257
2008	2.8%	1.224	1.283	1.309	2.0%	1.172	1.215	1.232
2009	2.7%	1.192	1.249	1.275	1.8%	1.151	1.193	1.210
2010	2.0%	1.169	1.225	1.243	1.4%	1.135	1.176	1.189
2011	2.0%	1.146	1.201	1.219	1.5%	1.118	1.159	1.172
2012	2.2%	1.121	1.175	1.194	1.5%	1.101	1.141	1.154
2013	2.1%	1.098	1.151	1.169	1.8%	1.082	1.121	1.136
2014	2.0%	1.076	1.128	1.145	1.8%	1.063	1.102	1.116
2015	1.9%	1.056	1.107	1.123	1.6%	1.046	1.084	1.098
2016	1.7%	1.038	1.088	1.102	1.5%	1.031	1.068	1.080
2017	1.7%	1.021	1.070	1.084	1.5%	1.016	1.053	1.064
2018	2.1%	1.000	1.048	1.064	1.6%	1.000	1.036	1.049

## Notes

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

b The average annual changes in Premium for projection purposes are 2.1% and 1.6% for Buildings and Contents, respectively. Consequently, the written factors at 07/01/2018 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 10/01/2020 (i.e., 6 months beyond an assumed revision date of 04/01/2020), by applying a factor of  $(1.021)^{27/12}$  for Buildings and  $(1.016)^{27/12}$  for Contents.

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

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

For example, the factors used to adjust earned exposures for the period from 10/01/2017 to 09/30/2018 to the projected level are 1.064 for Buildings and 1.049 for Contents.

TABLE 24C

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

	Buildings				Contents			
	(1) <sup>a</sup>	(2) <sup>a</sup>	(3) <sup>b</sup>	(4) <sup>c</sup>	(5) <sup>a</sup>	(6) <sup>a</sup>	(7) <sup>b</sup>	(8) <sup>c</sup>
Year	Annual Written Increase	07-01-2018 Written Factors	10-01-2020 Projected Factors	10-01-2020 Earned Factors	Annual Written Increase	07-01-2018 Written Factors	10-01-2020 Projected Factors	10-01-2020 Earned Factors
2006	2.8%	1.272	1.327	1.355	1.6%	1.197	1.235	1.250
2007	2.9%	1.236	1.289	1.318	1.8%	1.176	1.213	1.229
2008	2.6%	1.205	1.257	1.281	1.8%	1.155	1.192	1.208
2009	2.4%	1.177	1.228	1.250	1.7%	1.136	1.172	1.188
2010	1.9%	1.155	1.205	1.222	1.3%	1.121	1.157	1.169
2011	1.9%	1.133	1.182	1.199	1.4%	1.106	1.141	1.153
2012	2.0%	1.111	1.159	1.176	1.4%	1.091	1.126	1.137
2013	1.9%	1.090	1.137	1.154	1.6%	1.074	1.108	1.122
2014	1.9%	1.070	1.116	1.132	1.6%	1.057	1.091	1.104
2015	1.7%	1.052	1.098	1.112	1.4%	1.042	1.075	1.087
2016	1.6%	1.035	1.080	1.094	1.4%	1.028	1.061	1.071
2017	1.6%	1.019	1.063	1.076	1.4%	1.014	1.046	1.057
2018	1.9%	1.000	1.043	1.058	1.4%	1.000	1.032	1.043

## Notes

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

b The average annual changes in Premium for projection purposes are 1.9% and 1.4% for Buildings and Contents, respectively. Consequently, the written factors at 07/01/2018 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 10/01/2020 (i.e., 6 months beyond an assumed revision date of 04/01/2020), by applying a factor of  $(1.019)^{27/12}$  for Buildings and  $(1.014)^{27/12}$  for Contents.

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

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

For example, the factors used to adjust earned premium for the period from 10/01/2017 to 09/30/2018 to the projected level are 1.058 for Buildings and 1.043 for Contents.

TABLE 24D

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

	<u>Buildings</u>				<u>Contents</u>			
	(1) <sup>a</sup>	(2) <sup>a</sup>	(3) <sup>b</sup>	(4) <sup>c</sup>	(5) <sup>a</sup>	(6) <sup>a</sup>	(7) <sup>b</sup>	(8) <sup>c</sup>
	Annual	07-01-2018	10-01-2020	10-01-2020	Annual	07-01-2018	07-01-2020	07-01-2020
	Written	Written	Projected	Earned	Written	Written	Projected	Earned
<u>Year</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>
2006	2.9%	1.281	1.339	1.368	1.4%	1.168	1.200	1.212
2007	3.0%	1.244	1.301	1.330	1.6%	1.150	1.181	1.195
2008	2.7%	1.211	1.266	1.292	1.6%	1.132	1.163	1.177
2009	2.5%	1.181	1.235	1.258	1.4%	1.116	1.146	1.159
2010	1.9%	1.159	1.212	1.230	1.1%	1.104	1.134	1.143
2011	1.9%	1.137	1.189	1.206	1.2%	1.091	1.121	1.131
2012	2.1%	1.114	1.165	1.183	1.2%	1.078	1.107	1.117
2013	2.0%	1.092	1.142	1.159	1.4%	1.063	1.092	1.103
2014	1.9%	1.072	1.121	1.137	1.4%	1.048	1.077	1.088
2015	1.8%	1.053	1.101	1.116	1.2%	1.036	1.064	1.074
2016	1.6%	1.036	1.083	1.097	1.2%	1.024	1.052	1.061
2017	1.6%	1.020	1.066	1.079	1.2%	1.012	1.040	1.049
2018	2.0%	1.000	1.046	1.061	1.2%	1.000	1.027	1.037

## Notes

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

b The average annual changes in Premium for projection purposes are 2.0% and 1.2% for Buildings and Contents, respectively. Consequently, the written factors at 07/01/2018 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 10/01/2020 (i.e., 6 months beyond an assumed revision date of 04/01/2020), by applying a factor of  $(1.020)^{27/12}$  for Buildings and  $(1.012)^{27/12}$  for Contents.

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

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

For example, the factors used to adjust earned premium for the period from 10/01/2017 to 09/30/2018 to the projected level are 1.061 for Buildings and 1.037 for Contents.

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

Table 24A contains Exposure trend factors.

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

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

COLUMNS (1)  
AND (5)                      ANNUAL WRITTEN INCREASE

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

COLUMNS (2)  
AND (6)                      07-01-2018 WRITTEN FACTORS

The written factors for a given year are the product of the written annual changes for all years subsequent to that year. Although the 2018 written changes are based on two quarters of data, the consistency of this experience allows for the assumption that written changes for the first half of 2018 are applicable for the entire year.

COLUMNS (3)  
AND (7)                      10-01-2020 PROJECTED FACTORS

The 10-01-2020 factors are calculated by applying a factor to adjust the 07-01-2018 written factors to the amount of insurance level at the average date of writing, 10-01-2020. This is done using the selected annual changes in exposure or premium.

COLUMNS (4)  
AND (8)                      10-01-2020 EARNED EXPOSURES/PREMIUM FACTORS

The projected earned factors at the 10-01-2020 level (where 10-01-2020 is the average date of writing in the effective period) are calculated by earning the written factors assuming all one-year policies. The earning factors are shown in footnote (c).

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TABLE 25

BASIC GROUP I

ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1)	(2)	(3)	(4)		
	UNADJUSTED INCURRED LOSSES	TRENDED INCURRED LOSSES	AVERAGE TOTAL LOSS TREND FACTOR (2) / (1)	SPLIT %		
				BUILDINGS	CONTENTS	TIME ELEMENT
2014	21,888,212	28,346,514	1.295	59.9%	30.3%	9.8%
2015	18,446,652	22,771,618	1.234	68.1%	24.0%	7.9%
2016	17,196,406	20,764,637	1.207	75.3%	18.5%	6.2%
2017	13,209,656	15,447,356	1.169	71.9%	25.3%	2.8%
2018	21,143,734	23,775,156	1.124	70.2%	18.6%	11.2%

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TABLE 26

BASIC GROUP II

ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1)	(2)	(3)	(4)		
	UNADJUSTED INCURRED LOSSES	TRENDED INCURRED LOSSES	AVERAGE TOTAL LOSS TREND FACTOR (2) / (1)	SPLIT %		TIME ELEMENT
				BUILDINGS	CONTENTS	
2009	9,468,127	12,641,452	1.335	92.9%	6.9%	0.2%
2010	27,604,473	36,803,111	1.333	95.7%	3.9%	0.4%
2011	29,489,688	38,932,639	1.320	94.8%	5.1%	0.1%
2012	12,262,023	16,075,924	1.311	95.8%	4.2%	0.0%
2013	31,964,965	40,571,971	1.269	94.6%	5.3%	0.1%
2014	11,107,085	13,918,309	1.253	94.3%	2.7%	3.0%
2015	15,237,324	18,267,021	1.199	93.9%	5.1%	1.0%
2016	14,779,604	17,324,804	1.172	91.2%	8.2%	0.6%
2017	31,306,207	35,614,837	1.138	94.7%	4.2%	1.1%
2018	12,929,907	14,174,831	1.096	89.4%	9.1%	1.5%

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TABLE 27

SPECIAL CAUSES OF LOSS

ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1)	(2)	(3)	(4)		
	UNADJUSTED INCURRED LOSSES	TRENDED INCURRED LOSSES	AVERAGE TOTAL LOSS TREND FACTOR (2) / (1)	----- BUILDINGS	SPLIT % CONTENTS	----- TIME ELEMENT
2014	11,157,532	13,982,627	1.253	73.7%	24.9%	1.4%
2015	8,431,733	10,150,260	1.204	77.3%	14.2%	8.5%
2016	7,694,942	9,029,790	1.173	76.1%	21.9%	2.0%
2017	5,109,170	5,881,815	1.151	73.4%	24.4%	2.2%
2018	8,211,806	9,073,590	1.105	66.2%	26.0%	7.8%

## EXPLANATORY NOTES TO TABLES 25, 26 AND 27

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

#### COLUMN (1) UNADJUSTED INCURRED LOSSES

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

#### COLUMN (2) TRENDED INCURRED LOSSES

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

#### COLUMN (3) AVERAGE TREND FACTOR

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

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

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

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



## LOSS DEVELOPMENT

### INTRODUCTION

For Commercial Property, losses are evaluated as of December 31, 2018, three months after the end of the latest experience year used in the review. In order to account for development of losses beyond fifteen months and to reflect overall loss development patterns, loss development was incorporated into the adjustment process of incurred losses to their ultimate settlement value.

### LOSS DEVELOPMENT PROCEDURES

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

The incurred losses underlying the statewide loss cost level indications were evaluated as of December 31, 2018.

Accident year ended September 30, 2018 includes all losses paid on accidents from October 1, 2017 to September, 2018 and all losses outstanding on those accidents as of December 31, 2018, fifteen months after the inception of the accident year. Similarly, accident years ended September 30, 2017, 2016, 2015 and 2014 include all losses paid and outstanding as of 27, 39, 51 and 63 months, respectively, after the inception of the accident year.

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

TABLE 28  
BASIC GROUP I  
INCURRED LOSSES  
LOSS YEARS 2009-2018  
EVALUATED AS OF 9/2018

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
9/30/2009	1,052,857,738	1,039,862,454	1,033,265,426	1,025,670,173	1,023,992,459
9/30/2010	930,968,017	919,408,054	903,226,210	892,467,424	878,482,656
9/30/2011	998,293,064	992,684,774	964,945,287	957,126,433	956,203,944
9/30/2012	856,841,828	844,347,615	831,197,492	824,245,535	821,921,434
9/30/2013	896,813,949	883,680,132	881,064,984	871,719,750	860,203,281
9/30/2014	921,108,988	912,247,796	899,155,607	887,681,026	891,776,530
9/30/2015	850,198,339	826,021,876	818,259,875	818,714,488	
9/30/2016	837,497,076	831,380,830	817,165,967		
9/30/2017	936,831,491	910,224,237			
9/30/2018	1,087,087,879				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
9/30/2009	0.988	0.994	0.993	0.998
9/30/2010	0.988	0.982	0.988	0.984
9/30/2011	0.994	0.972	0.992	0.999
9/30/2012	0.985	0.984	0.992	0.997
9/30/2013	0.985	0.997	0.989	0.987
9/30/2014	0.990	0.986	0.987	1.005
9/30/2015	0.972	0.991	1.001	
9/30/2016	0.993	0.983		
9/30/2017	0.972			
5 POINT AVERAGE	0.982	0.988	0.992	0.994

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE =  $0.982 \times 0.988 \times 0.992 \times 0.994 = 0.957$

27 MONTHS TO ULTIMATE =  $0.988 \times 0.992 \times 0.994 = 0.974$

39 MONTHS TO ULTIMATE =  $0.992 \times 0.994 = 0.986$

51 MONTHS TO ULTIMATE =  $0.994 = 0.994$

TABLE 28  
BASIC GROUP II  
INCURRED LOSSES  
LOSS YEARS 2009-2018  
EVALUATED AS OF 9/2018

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
9/30/2009	549,265,018	582,733,382	586,249,626	589,358,700	590,997,589
9/30/2010	578,417,723	589,375,095	589,859,808	590,911,779	591,882,902
9/30/2011	1,317,994,639	1,365,541,623	1,376,121,744	1,390,429,685	1,404,186,893
9/30/2012	794,507,854	840,335,298	860,960,081	869,126,414	875,580,287
9/30/2013	765,752,691	785,911,188	796,763,487	805,041,034	812,610,224
9/30/2014	586,891,616	606,426,804	619,314,845	631,508,594	638,854,978
9/30/2015	430,442,489	457,767,932	461,401,839	467,332,180	
9/30/2016	669,860,568	706,445,793	730,998,507		
9/30/2017	765,871,289	816,621,876			
9/30/2018	613,189,614				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
9/30/2009	1.061	1.006	1.005	1.003
9/30/2010	1.019	1.001	1.002	1.002
9/30/2011	1.036	1.008	1.010	1.010
9/30/2012	1.058	1.025	1.009	1.007
9/30/2013	1.026	1.014	1.010	1.009
9/30/2014	1.033	1.021	1.020	1.012
9/30/2015	1.063	1.008	1.013	
9/30/2016	1.055	1.035		
9/30/2017	1.066			
5 POINT AVERAGE	1.049	1.021	1.012	1.008

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE =  $1.049 \times 1.021 \times 1.012 \times 1.008 = 1.093$

27 MONTHS TO ULTIMATE =  $1.021 \times 1.012 \times 1.008 = 1.042$

39 MONTHS TO ULTIMATE =  $1.012 \times 1.008 = 1.020$

51 MONTHS TO ULTIMATE =  $1.008 = 1.008$

TABLE 28  
SPECIAL CAUSES OF LOSS  
INCURRED LOSSES  
LOSS YEARS 2009-2018  
EVALUATED AS OF 9/2018

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
9/30/2009	584,173,124	579,385,221	575,109,121	572,402,934	571,941,654
9/30/2010	696,002,373	691,168,816	683,519,792	684,208,442	682,611,374
9/30/2011	768,991,597	756,762,824	750,306,837	747,706,401	747,251,786
9/30/2012	398,877,474	389,864,335	387,999,511	389,255,366	388,890,218
9/30/2013	420,189,303	413,898,468	404,972,636	405,973,778	406,486,027
9/30/2014	670,817,981	667,510,394	666,228,175	664,905,151	665,922,895
9/30/2015	605,098,441	600,098,280	598,082,425	601,421,668	
9/30/2016	375,712,210	386,617,205	391,056,370		
9/30/2017	429,186,240	434,159,945			
9/30/2018	568,704,031				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
9/30/2009	0.992	0.993	0.995	0.999
9/30/2010	0.993	0.989	1.001	0.998
9/30/2011	0.984	0.991	0.997	0.999
9/30/2012	0.977	0.995	1.003	0.999
9/30/2013	0.985	0.978	1.002	1.001
9/30/2014	0.995	0.998	0.998	1.002
9/30/2015	0.992	0.997	1.006	
9/30/2016	1.029	1.011		
9/30/2017	1.012			
5 POINT AVERAGE	1.003	0.996	1.001	1.000

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE =  $1.003 \times 0.996 \times 1.001 \times 1.000 = 1.000$

27 MONTHS TO ULTIMATE =  $0.996 \times 1.001 \times 1.000 = 0.997$

39 MONTHS TO ULTIMATE =  $1.001 \times 1.000 = 1.001$

51 MONTHS TO ULTIMATE =  $1.000 = 1.000$

## EXPLANATORY NOTES TO TABLE 28

### LOSS DEVELOPMENT

#### INTRODUCTION

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

#### INCURRED LOSSES

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

#### AGE-TO-AGE DEVELOPMENT FACTORS

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

#### AGE-TO-ULTIMATE DEVELOPMENT FACTORS

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

## EXCESS LOSS PROCEDURES

### INTRODUCTION

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

### BASIC GROUP I

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

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

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

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

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

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

## EXCESS LOSS PROCEDURES (cont'd)

### BASIC GROUP I (cont'd)

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

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

### BASIC GROUP II

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

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

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

### SPECIAL CAUSES OF LOSS

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

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

		Amount of Insurance *										
		1	2	3	4	5	6	7	8	9	10	11
Const. 1-3	Prot. 1-4	1.000	1.043	1.089	1.136	1.186	1.237	1.291	1.347	1.405	1.467	2.048
	Prot. 5-7	1.000	1.054	1.112	1.172	1.235	1.302	1.373	1.448	1.526	1.609	2.436
	Prot. 8-10	1.000	1.062	1.129	1.199	1.274	1.353	1.437	1.527	1.622	1.723	2.770

		Amount of Insurance *										
		1	2	3	4	5	6	7	8	9	10	11
Const. 4-6	Prot. 1-4	1.000	1.042	1.086	1.132	1.180	1.229	1.281	1.335	1.392	1.450	2.005
	Prot. 5-7	1.000	1.053	1.109	1.167	1.229	1.294	1.363	1.435	1.511	1.591	2.386
	Prot. 8-10	1.000	1.061	1.126	1.195	1.267	1.345	1.427	1.514	1.606	1.704	2.712

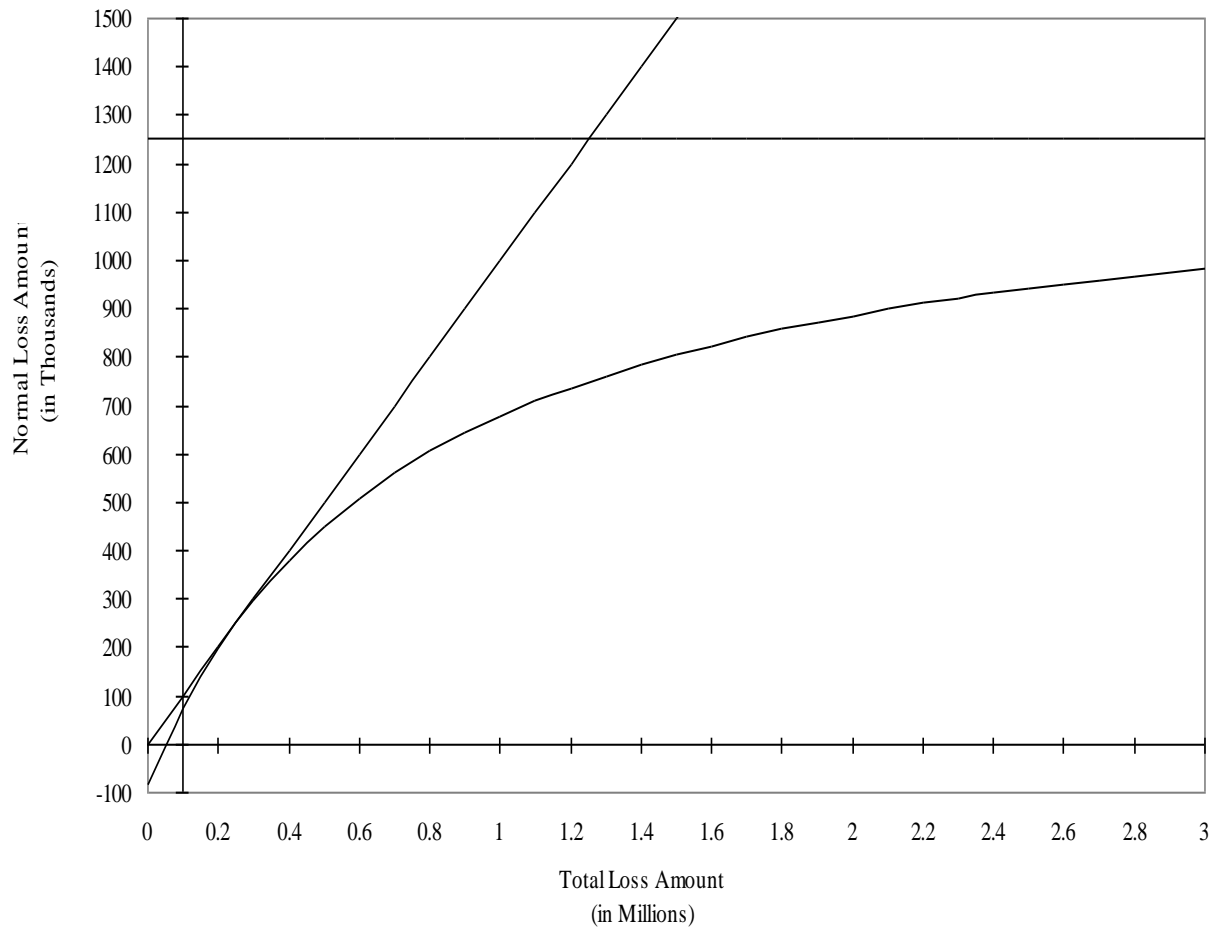
*	<u>Amount of Insurance</u>	<u>Intervals</u>
	1	0-421,000
	2	421,001-500,000
	3	500,001-700,000
	4	700,001-1,000,000
	5	1,000,001-1,500,000
	6	1,500,001-2,500,000
	7	2,500,001-3,500,000
	8	3,500,001-5,500,000
	9	5,500,001-7,500,000
	10	7,500,001-10,000,000
	11	10,000,001 and over



Table 29 (cont'd)

Countrywide Basic Group I  
Normal vs. Total Loss Amount

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



## EXPLANATORY NOTES TO TABLES 29

### COUNTRYWIDE BASIC GROUP I EXCESS LOSS FACTORS

#### EXCESS LOSS FACTORS

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

MINNESOTA  
TABLE 30

BASIC GROUP I  
ADDITIONAL EXCESS LOSS INFORMATION

	(1)	(2)	(3)	(4)	(5)	(6)
YEAR	TRENDED INCURRED LOSSES	TRENDED NORMAL LOSSES	STATE NORMAL % (2) / (1)	MULTI- STATE NORMAL %	ADJUSTED INCURRED LOSSES	STATE AVERAGE EXCESS FACTOR (5) / (2)
2014	28,346,514	19,859,352	70.1%	72.6%	30,255,720	1.523
2015	22,771,618	19,306,236	84.8%	72.0%	27,278,776	1.413
2016	20,764,637	17,725,477	85.4%	72.1%	24,862,345	1.403
2017	15,447,356	13,646,759	88.3%	72.2%	21,019,182	1.540
2018	23,775,156	20,450,063	86.0%	65.8%	27,173,801	1.329

EXPLANATORY NOTES TO TABLE 30

BASIC GROUP I ADDITIONAL EXCESS LOSS INFORMATION

COLUMN (1)                      TRENDED INCURRED LOSSES

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

COLUMN (2)                      TRENDED NORMAL LOSSES

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

COLUMN (3)                      STATE NORMAL PERCENTAGE

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

COLUMN (4)                      MULTISTATE NORMAL PERCENTAGES

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

COLUMN (5)                      ADJUSTED INCURRED LOSSES

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

COLUMN (6)                      STATE AVERAGE EXCESS FACTOR

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

MINNESOTA  
TABLE 31A

DEVELOPMENT OF BASIC GROUP II EXCESS MULTIPLIER

	(1)	(2)	(3)	(4)	(5)	(6)
YEAR	EARNED PREMIUMS	INCURRED LOSSES	NORMAL INCURRED LOSSES	NORMAL LOSS RATIO	STATE EXCESS LOSS RATIO	REGIONAL EXCESS LOSS RATIO
1950	1,549,565	1,479,075	1,118,786	0.722	0.210	0.023
1951	1,697,452	1,968,220	1,225,560	0.722	0.365	0.073
1952	1,885,674	1,503,379	1,361,457	0.722	0.073	0.002
1953	1,892,862	835,808	835,808	0.442		
1954	2,080,006	1,056,276	1,056,276	0.508		
1955	2,212,756	976,717	976,717	0.441		
1956	2,251,529	766,087	766,087	0.340		
1957	2,356,325	888,403	888,403	0.377		
1958	2,357,061	1,045,851	1,045,851	0.444		
1959	2,476,701	1,270,375	1,270,375	0.513		
1960	2,595,223	894,901	894,901	0.345		
1961	2,583,792	1,006,858	1,006,858	0.390		
1962	2,564,398	1,510,489	1,510,489	0.589		
1963	2,441,663	2,498,729	1,762,881	0.722	0.265	0.036
1964	2,218,489	1,799,291	1,601,749	0.722	0.086	0.003
1965	2,074,141	2,652,366	1,497,530	0.722	0.444	0.113
1966	1,954,784	473,038	473,038	0.242		
1967	2,121,525	5,197,802	1,531,741	0.722	0.968	0.760
1968	2,259,888	997,815	997,815	0.442		
1969	3,062,945	1,125,290	1,125,290	0.367		
1970	4,958,145	1,174,562	1,174,562	0.237		
1971	5,645,657	1,416,482	1,416,482	0.251		
1972	6,692,491	1,176,935	1,176,935	0.176		
1973	6,334,759	1,540,371	1,540,371	0.243		
1974	6,394,817	2,443,100	2,443,100	0.382		
1975	7,537,022	4,314,983	4,314,983	0.573		
1976	8,606,596	2,303,417	2,303,417	0.268		
1977	9,390,285	3,164,001	3,164,001	0.337		
1978	10,086,056	3,695,326	3,695,326	0.366		
1979	9,780,714	10,094,564	6,487,168	0.663	0.290	0.079
1980	9,057,650	13,353,391	9,046,778	0.999	0.382	0.093
1981	8,260,828	8,426,600	4,320,687	0.523	0.380	0.117
1982	8,475,936	5,316,397	5,316,397	0.627		
1983	9,545,964	8,074,926	6,110,297	0.640	0.183	0.023
1984	9,523,476	11,313,559	6,549,890	0.688	0.385	0.115
1985	13,979,304	5,111,019	5,111,019	0.366		
1986	19,206,588	4,048,923	4,048,923	0.211		
1987	17,555,169	2,850,192	2,850,192	0.162		
1988	16,580,064	2,250,818	2,250,818	0.136		
1989	13,967,430	2,002,462	2,002,462	0.143		

MINNESOTA  
TABLE 31A

DEVELOPMENT OF BASIC GROUP II EXCESS MULTIPLIER

	(1)	(2)	(3)	(4)	(5)	(6)
YEAR	EARNED PREMIUMS	INCURRED LOSSES	NORMAL INCURRED LOSSES	NORMAL LOSS RATIO	STATE EXCESS LOSS RATIO	REGIONAL EXCESS LOSS RATIO
1990	14,486,136	4,386,637	4,386,637	0.303		
1991	14,211,918	2,968,541	2,968,541	0.209		
1992	14,190,915	5,619,182	4,596,256	0.324	0.069	0.003
1993	12,221,070	3,567,205	3,567,205	0.292		
1994	10,701,681	2,277,593	2,277,593	0.213		
1995	9,358,719	2,755,506	2,755,506	0.294		
1996	8,097,753	7,883,912	6,103,699	0.754	0.202	0.018
1997	7,462,893	9,843,594	4,470,293	0.599	0.502	0.218
1998	7,204,203	47,058,583	10,255,421	1.424	2.209	2.899
1999	7,726,815	4,581,052	4,581,052	0.593		
2000	7,521,642	11,354,052	6,376,073	0.848	0.517	0.145
2001	8,552,532	9,974,799	7,333,271	0.857	0.264	0.045
2002	11,656,287	3,273,524	3,273,524	0.281		
2003	14,227,806	3,239,887	3,239,887	0.228		
2004	16,337,511	2,586,652	2,586,652	0.158		
2005	18,152,892	12,574,804	6,040,624	0.333	0.296	0.064
2006	16,969,707	12,089,980	6,435,391	0.379	0.278	0.055
2008	29,880,114	48,905,177	29,306,011	0.981	0.560	0.096
2009	22,181,441	9,468,127	9,468,127	0.427		
2010	25,035,617	27,604,473	15,825,179	0.632	0.399	0.072
2011	23,982,860	29,489,688	19,708,526	0.822	0.362	0.046
2012	25,233,533	12,262,023	12,262,023	0.486		
2013	26,623,936	31,964,965	11,761,313	0.442	0.525	0.234
2014	28,353,390	11,107,085	11,107,085	0.392		
2015	29,832,695	15,237,324	15,237,324	0.511		
2016	30,690,136	14,779,604	14,779,604	0.482		
2017	32,414,742	31,306,207	17,229,459	0.532	0.345	0.089
2018	33,891,868	12,929,907	12,929,907	0.382		
TOTALS				32.663	10.559	5.421

(7) STATE EXCESS COMPONENT = (SELR / NLR) = 0.323

(8) REGIONAL EXCESS COMPONENT = 0.115

(9) STATE EXCESS MULTIPLIER = (1 + SEC) \* (1 + REC) = 1.475

NOTE: FOR YEARS PRIOR TO 2007, THE DISPLAYED YEAR INCLUDES DATA FOR ACCIDENT YEAR ENDING 12/31. FOR YEARS 2009 TO 2018, THE DISPLAYED YEAR INCLUDES DATA FOR ACCIDENT YEAR ENDING 09/30. THE DISPLAYED YEAR 2008 INCLUDES DATA FOR FIRST QUARTER 2007 THROUGH THIRD QUARTER 2008.

## EXPLANATORY NOTES TO TABLE 31A

### COLUMN (1)

#### EARNED PREMIUMS

The unadjusted earned premiums are shown for each year.

### COLUMN (2)

#### INCURRED LOSSES

The unadjusted incurred losses are shown for each year.

### COLUMN (3)

#### NORMAL INCURRED LOSSES

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

- for losses reported under CSP (for which month of loss detail is available), that portion of each month's losses which does not exceed 2.5 times that month's earned premiums.
- for losses reported under CRSP, SCOH and SMP (for which month of loss detail is not available), that part of each year's losses which does not exceed 0.722 times that year's earned premiums.

### COLUMN (4)

#### NORMAL LOSS RATIO

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

### COLUMN (5)

#### STATE EXCESS LOSS RATIO

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

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

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

- $$EP \times \frac{2.2(LR-.722)}{(LR-.722)+2.2} \text{ if } LR > 0.722; \text{ otherwise } 0$$

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

EXPLANATORY NOTES TO TABLE 31A (cont'd)

COLUMN (6)

REGIONAL EXCESS LOSS RATIO

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

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

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

LINE (7)

STATE EXCESS COMPONENT

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

LINE (8)

REGIONAL EXCESS COMPONENT

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

LINE (9)

STATE EXCESS MULTIPLIER

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



TABLE 31B

BASIC GROUP II REGIONS

NORTHEAST REGION

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

PLAINS REGION

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

SOUTHEAST REGION

ALABAMA  
FLORIDA  
GEORGIA  
LOUISIANA  
MISSISSIPPI  
NORTH CAROLINA  
SOUTH CAROLINA  
HAWAII

MIDWEST REGION

ILLINOIS  
INDIANA  
KENTUCKY  
MICHIGAN  
OHIO  
TENNESSEE  
WEST VIRGINIA  
WISCONSIN

WEST REGION

ARIZONA  
CALIFORNIA  
IDAHO  
NEVADA  
NEW MEXICO  
OREGON  
UTAH  
WASHINGTON  
ALASKA

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TABLE 32 - DEVELOPMENT OF SPECIAL CAUSES OF LOSS EXCESS MULTIPLIER

YEAR	(1) EARNED PREMIUMS	(2) INCURRED LOSSES	(3) NORMAL INCURRED LOSSES	(4) NORMAL LOSS RATIO	(5) STATE EXCESS LOSS RATIO
1986	6,586,758	3,233,446	3,233,446	0.491	
1987	7,976,736	5,415,647	3,898,303	0.489	0.190
1988	7,935,510	23,092,586	3,912,848	0.493	2.417
1989	8,011,212	4,832,354	4,832,354	0.603	
1990	10,705,407	5,800,525	5,647,684	0.528	0.014
1991	12,477,267	6,838,319	6,838,319	0.548	
1992	11,256,135	7,805,650	7,475,594	0.664	0.029
1993	10,138,647	5,168,957	5,168,957	0.510	
1994	9,964,728	4,857,891	4,857,891	0.488	
1995	10,618,458	4,017,803	4,017,803	0.378	
1996	10,493,307	6,077,072	6,077,072	0.579	
1997	10,090,416	13,532,823	10,941,684	1.084	0.257
1998	10,524,234	8,131,611	7,600,174	0.722	0.051
1999	11,739,438	8,203,374	8,203,374	0.699	
2000	13,746,303	7,191,624	7,191,624	0.523	
2001	16,882,155	14,260,814	13,631,767	0.807	0.038
2002	21,275,730	7,772,425	7,772,425	0.365	
2003	24,651,861	5,495,227	5,495,227	0.223	
2004	28,360,899	6,432,536	6,432,536	0.227	
2005	26,218,866	6,620,810	6,620,810	0.253	
2006	19,992,168	6,166,342	6,166,342	0.308	
2007	18,293,457	8,329,715	8,329,715	0.455	
2008	16,185,795	9,214,162	9,214,162	0.569	
2009	16,862,262	7,571,026	7,571,026	0.449	
2010	17,898,501	12,643,822	12,454,835	0.696	0.010
2011	16,542,117	16,080,091	14,023,560	0.848	0.124
2012	16,019,604	6,708,110	6,708,110	0.419	
2013	17,777,715	8,187,395	8,187,395	0.461	
2014	18,371,979	11,157,532	11,157,532	0.607	
2015	19,414,023	8,431,733	8,431,733	0.434	
2016	19,518,985	7,694,942	7,694,942	0.394	
2017	20,014,972	5,109,170	5,109,170	0.255	
2018	20,114,221	8,211,806	8,211,806	0.408	
TOTALS		270,287,340	243,110,220	16.977	3.130

(6) STATE EXCESS COMPONENT = (SELR / NLR) = 0.184

(7) STATE EXCESS MULTIPLIER = (1 + SEC) = 1.184

EXPLANATORY NOTES TO TABLE 32

SPECIAL CAUSES OF LOSS ADDITIONAL EXCESS LOSS FACTOR

COLUMN (1)                      EARNED PREMIUMS

These are the unadjusted earned premiums for each year.

COLUMN (2)                      INCURRED LOSSES

These are the unadjusted incurred losses for each year.

COLUMN (3)                      NORMAL INCURRED LOSSES

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

COLUMN (4)                      NORMAL LOSS RATIO

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

Column (4) = Column (3) ÷ Column (1)

COLUMN (5)                      EXCESS LOSS RATIO

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

LINE (6)                          EXCESS COMPONENT

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

LINE (7)                          EXCESS MULTIPLIER

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

## OVERVIEW

### APPLICATION OF CREDIBILITY

#### INTRODUCTION

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

$Z$  = credibility

$C$  = final estimate

$R$  = estimate based on the most recent data

$N$  = net trend

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

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TABLE 33 - BASIC GROUP I STATEWIDE CREDIBILITY CALCULATION

(1a) FULL CREDIBILITY CLAIMS STANDARD FOR FREQUENCY WITH (P,K) = ( 95.00% , 5.00%)	1,537
(1b) SEVERITY MODIFICATION FACTOR	8.677
(1c) FULL CREDIBILITY CLAIMS STANDARD ADJUSTED FOR SEVERITY ((1a) X (1b))	13,337
(2) MULTISTATE FIVE YEAR RATIO OF EARNED RISKS TO CLAIMS	346.400
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1c)X(2)	4,619,937
(4) FIVE YEAR STATEWIDE EARNED RISKS	416,652
(5) FIVE YEAR AGGREGATE LOSS COSTS	122,373,605
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5)/(4)	293.707
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	1,356,907,836
(8) STATEWIDE CREDIBILITY ((5)/(7))**(.5)	30.0%

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TABLE 33A - BASIC GROUP II STATEWIDE CREDIBILITY CALCULATION

(1) FULL CREDIBILITY CLAIMS STANDARD	30,000
(2) MULTISTATE TEN YEAR RATIO OF EARNED RISKS TO CLAIMS	148.160
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1)X(2)	4,444,800
(4) TEN YEAR STATEWIDE EARNED RISKS	877,290
(5) TEN YEAR AGGREGATE LOSS COSTS	296,704,415
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5)/(4)	338.206
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	1,503,258,029
(8) STATEWIDE CREDIBILITY ((5)/(7))**(.5)	44.4%

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TABLE 34 - SPECIAL CAUSES OF LOSS STATEWIDE CREDIBILITY CALCULATION

(1) FULL CREDIBILITY CLAIMS STANDARD	25,000
(2) MULTISTATE FIVE YEAR RATIO OF EARNED RISKS TO CLAIMS	181.791
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1)X(2)	4,544,775
(4) FIVE YEAR STATEWIDE EARNED RISKS	422,566
(5) FIVE YEAR AGGREGATE LOSS COSTS	71,772,201
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5)/(4)	169.848
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	771,920,944
(8) STATEWIDE CREDIBILITY ((5)/(7))**(.5)	30.5%

EXPLANATORY NOTES TO TABLES 33, 33A AND 34

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

LINE (1a)  
(BGI only)

Full Credibility Claims Standard of Frequency

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

LINE (1b)  
(BGI only)

Severity Modification Factor

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

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

Full Credibility Claims Standard

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

LINE (2)

Multistate Experience Period Ratio of Earned Risks to Claims

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

LINE (3)

Full Credibility Earned Risks Standard

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

LINE (4)

Experience Period Statewide Earned Risks

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



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

LINE (5) Experience Period Aggregate Loss Costs

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

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

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

LINE (7) Full Credibility Aggregate Loss Costs Standard

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

LINE (8) Credibility

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

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

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

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SECTION D - ADDITIONAL SUPPORTING MATERIAL

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

TABLE 36

BASIC GROUP I RATING GROUP DEFINITIONS

THE FOLLOWING CSP CLASSES COMPRISE THE BASIC GROUP I RATING GROUPS

01      APARTMENTS

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

02      OTHER HABITATIONAL

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

03      RESTAURANTS & BARS

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

#### 04 OTHER MERCANTILES

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

#### 05 PUBLIC BUILDINGS

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

#### 06 CHURCHES

- 0900 Churches and Synagogues

#### 07 SCHOOLS

- 1052 Schools, Academic

#### 08 OFFICE AND BANKS

- 0702 Non-Governmental Offices and Banks

## 09 RECREATIONAL FACILITIES

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

## 10 HOTELS & MOTELS

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

## 11 HOSPITALS & NURSING HOMES

- 0851 Hospitals
- 0852 Nursing and Convalescent Homes

## 12 BUILDINGS UNDER CONSTRUCTION

- 1150 Buildings Under Construction

## 13 MOTOR VEHICLE RISKS

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

## 14 OTHER NON-MANUFACTURING

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

## 15 STORAGE

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

## 17 FOOD MANUFACTURING

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

## 18 WOOD MANUFACTURING

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

## 19 WEARING APPAREL

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

## 20 CHEMICAL MANUFACTURING

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

## 21 METAL MANUFACTURING

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

## 22 OTHER MANUFACTURING

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

## TABLE 37

### SPECIAL CAUSES OF LOSS CATEGORY DEFINITIONS

#### CATEGORY 01 - BUILDING AND TIME ELEMENT COVERAGE

#### CATEGORY 02 - APARTMENT AND CONDOMINIUM CONTENTS COVERAGE

#### CATEGORY 03 - OFFICE CONTENTS COVERAGE

#### CATEGORIES 04, 05, & 06 - MERCANTILE CONTENTS COVERAGE

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

##### CATEGORY 04 - MERCANTILE CONTENTS COVERAGE (HIGH)

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

##### CATEGORY 05 - MERCANTILE CONTENTS COVERAGE (MEDIUM)

Occupancy classes not listed in Category 04 or Category 06

##### CATEGORY 06 - MERCANTILE CONTENTS COVERAGE (LOW)

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

#### CATEGORY 07 - MOTEL & HOTEL CONTENTS COVERAGE

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



## TABLE 37

### SPECIAL CAUSES OF LOSS CATEGORY DEFINITIONS

#### CATEGORIES 08 & 09 - INSTITUTIONAL CONTENTS COVERAGE

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

##### CATEGORY 08 - INSTITUTIONAL CONTENTS COVERAGE (HIGH)

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

##### CATEGORY 09 - INSTITUTIONAL CONTENTS COVERAGE (LOW)

Occupancy classes not listed in Category 08

#### CATEGORIES 10 & 11 - INDUSTRIAL & PROCESSING CONTENTS COVERAGE

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

##### CATEGORY 10 - INDUSTRIAL & PROCESSING CONTENTS COVERAGE (HIGH)

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

##### CATEGORY 11 - INDUSTRIAL & PROCESSING CONTENTS COVERAGE (LOW)

Occupancy classes not listed in Category 10

## TABLE 37

### SPECIAL CAUSES OF LOSS CATEGORY DEFINITIONS

#### CATEGORIES 12 & 13 - SERVICE CONTENTS COVERAGE

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

##### CATEGORY 12 - SERVICE CONTENTS COVERAGE (HIGH)

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

##### CATEGORY 13 - SERVICE CONTENTS COVERAGE (LOW)

Occupancy classes not listed in Category 12

#### CATEGORY 14 - CONTRACTOR CONTENTS COVERAGE

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

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TABLE 38

BASIC GROUP I

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
2014	15,928,969	21,888,212	1.374
2015	15,380,825	18,446,652	1.199
2016	14,360,587	17,196,406	1.197
2017	14,236,383	13,209,656	0.928
2018	14,378,641	21,143,734	1.470

MINNESOTA  
TABLE 39

BASIC GROUP II

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
2009	12,515,346	9,468,127	0.757
2010	14,124,800	27,604,473	1.954
2011	13,533,713	29,489,688	2.179
2012	14,240,432	12,262,023	0.861
2013	15,021,518	31,964,965	2.128
2014	16,003,930	11,107,085	0.694
2015	16,839,597	15,237,324	0.905
2016	17,324,422	14,779,604	0.853
2017	18,301,949	31,306,207	1.711
2018	19,133,091	12,929,907	0.676

MINNESOTA  
TABLE 40

SPECIAL CAUSES OF LOSS

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

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YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
<hr/>	<hr/>	<hr/>	<hr/>
2014	10,364,121	11,157,532	1.077
2015	10,953,244	8,431,733	0.770
2016	11,012,812	7,694,942	0.699
2017	11,292,697	5,109,170	0.452
2018	11,348,881	8,211,806	0.724

## OVERVIEW

### LOSS ADJUSTMENT EXPENSE FACTORS

OBJECTIVE	The reported indemnity losses must be loaded for any loss adjustment expenses (LAE) that are not reported in statistical detail to ISO.
PROPERTY COVERAGES	For the property coverages, only the incurred indemnity losses are reported to ISO under the Commercial Statistical Plan. All loss adjustment expenses must be loaded in. A factor representing the ratio of incurred losses plus all LAE to incurred losses was selected based on multistate financial data (see Table 41 for the underlying data).
EXPERIENCE INCLUDED	Fire and Allied Lines incurred loss and loss adjustment expense experience for 2013-2017 is displayed on Table 41. The experience is based on Insurance Expense Exhibit information compiled by A.M. Best. For Allied Lines, the loss adjustment expense ratios [Table 41, line (3)(b)] for a few years are distorted by unusual catastrophe-related losses and loss adjustment expenses. The selected Allied Lines loss adjustment expense factor used for this review was selected after consideration of this distortion and based on a review of average loss adjustment expense ratios over a longer time period.
SELECTED FACTORS	The following factors have been used in this review to load incurred losses for all loss adjustment expenses:

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

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Selected</u>
(1) Fire						
(a) Direct Losses Incurred	4,684,461	5,449,566	5,303,941	5,626,602	7,720,282	
(b) Direct Loss Adjustment Expense Incurred	466,590	540,067	520,392	540,922	688,647	
(2) Allied Lines						
(a) Direct Losses Incurred	4,800,449	4,486,897	4,725,289	6,319,875	17,490,979	
(b) Direct Loss Adjustment Expense Incurred	700,795	617,569	650,048	707,895	1,112,736	
(3) Loss Adjustment Expense as a Ratio to Losses						
(a) Fire (1b) / (1a)	10.0%	9.9%	9.8%	9.6%	8.9%	10.0%
(b) Allied Lines (2b) / (2a)	14.6%	13.8%	13.8%	11.2%	6.4%	12.5%

NOTE: All dollar amounts are displayed in thousands.

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

MINNESOTA  
COMMERCIAL PROPERTY INSURANCE

SECTION E - REVISED LOSS COST PAGES

Basic Group II Loss Costs.....	E2
Special Causes of Loss Loss Costs.....	E3
Basic Group I Loss Costs.....	E4-14



## ADDITIONAL RULE(S)

### FUNGUS, WET ROT, DRY ROT AND BACTERIA – COVERAGE LIMITATIONS AND OPTIONS

#### B. Optional Endorsement – Increased Coverage

2. The following rating provisions apply to the use of Endorsement **CP 04 31**:
  - a. Loss cost for amount of coverage in excess of \$15,000 \$ 0.09
  - b. Loss cost increment applicable to number of premises or locations (minus one) \$ 10
  - c. Refer to the state exceptions for the factors applicable to increased time element coverage.

### TERRORISM PRICING – FEDERAL BACKSTOP

Refer to the Terrorism Supplement to the CLM.

### SECTION I GENERAL RULES

#### 8. POLICY WRITING MINIMUM PREMIUM

- |  |   |
|--|---|
| <b>B. Annual Premium Payment Plan Policies</b> | + |
|--|---|

+ Refer to company.

## SECTION VI CAUSES OF LOSS FORM RULES

### 70. CAUSES OF LOSS – BASIC FORM

#### E. Rating Procedure

##### 2. Property Damage – Group II Causes Of Loss

###### e. Loss Costs

- (1) Determine the Basic Group II symbol from the specific publication or from Rule **70.E.2.a**.
- (2) For Symbols **AA, A, AB** and **B**, use the applicable rate.
- (3) For symbols with numerical prefixes, multiply the applicable rate by the prefix shown in Rule **70.E.2.a**.

Symbol		Loss Cost
<b>AA</b>	Buildings	<u>.096-094</u>
	Contents	<u>.081-077</u>
<b>A</b>	Buildings	<u>.104-099</u>
	Contents	<u>.094-089</u>
<b>AB</b>	Buildings	<u>.136-129</u>
	Contents	<u>.114-108</u>
<b>B</b>	Buildings	<u>.161-153</u>
	Contents	<u>.125-119</u>

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**72. CAUSES OF LOSS – SPECIAL FORM**

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**E.2.** Rating Procedure – Property Damage – Other than Builders' Risk

**b.(1)** Building Coverage – Loss Cost: .061-064

**c.(2)** Personal Property Coverage – Loss Costs

<b>Occupancy Category</b>	<b>Loss Cost</b>
Residential Apartments and Condominiums	<u>.126-138</u>
Offices	<u>.128-138</u>
Mercantile – High	<u>.167-182</u>
Mercantile – Medium	<u>.191-204</u>
Mercantile – Low	<u>.154-167</u>
Motels and Hotels	<u>.098-106</u>
Institutional – High	<u>.053-058</u>
Institutional – Low	<u>.053-058</u>
Industrial and Processing – High	<u>.215-234</u>
Industrial and Processing – Low	<u>.138-153</u>
Service – High	<u>.183-208</u>
Service – Low	<u>.123-135</u>
Contractors	<u>.202-214</u>
<b>Territory (Districts)</b>	<b>Territorial Multiplier</b>
Hennepin, Ramsey	1.218
Remainder of State	1.000

**DIVISION FIVE**  
**FIRE AND ALLIED LINES**  
**LOSS COST PAGES**

**85. BASIC GROUP I CLASS LOSS COSTS**

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>0074</b>	Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories – Up to 10 Units					
<b>0075</b>	Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories – 11 to 30 Units					
<b>0076</b>	Boarding and Lodging Houses, Rooming Houses, Fraternities and Sororities, Dormitories – Over 30 Units					
<b>0077</b>	Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes – Up to 10 Units					
<b>0078</b>	Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes – 11 to 30 Units					
<b>0079</b>	Convents, Monasteries and Rectories, Orphan Homes, Nurses' Homes, Sisters' Homes – Over 30 Units					
<b>0196</b>	1 Family Dwellings (Lessor's Risk)					
<b>0197</b>	2 Family Dwellings (Lessor's Risk)					
<b>0198</b>	3 or 4 Family Dwellings (Lessor's Risk)					
<b>0311</b>	Apartments without Mercantile Occupancies – Up to 10 Units					
<b>0312</b>	Apartments without Mercantile Occupancies – 11 to 30 Units					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>0074</b>	<b>Building (1)</b>	0.117	0.102	0.092	0.074	0.069
	<b>Contents (2)</b>	0.117	0.102	0.097	0.084	0.083
<b>0075</b>	<b>Building (1)</b>	0.117	0.102	0.092	0.074	0.069
	<b>Contents (2)</b>	0.117	0.102	0.097	0.084	0.083
<b>0076</b>	<b>Building (1)</b>	0.117	0.102	0.092	0.074	0.069
	<b>Contents (2)</b>	0.117	0.102	0.097	0.084	0.083
<b>0077</b>	<b>Building (1)</b>	0.102	0.095	0.084	0.069	0.061
	<b>Contents (2)</b>	0.108	0.097	0.094	0.083	0.078
<b>0078</b>	<b>Building (1)</b>	0.102	0.095	0.084	0.069	0.061
	<b>Contents (2)</b>	0.108	0.097	0.094	0.083	0.078
<b>0079</b>	<b>Building (1)</b>	0.102	0.095	0.084	0.069	0.061
	<b>Contents (2)</b>	0.108	0.097	0.094	0.083	0.078
<b>0196</b>	<b>Building (1)</b>	0.072	0.061	0.057	0.047	0.044
	<b>Contents (2)</b>	0.078	0.072	0.065	0.058	0.053
<b>0197</b>	<b>Building (1)</b>	0.072	0.061	0.057	0.047	0.044
	<b>Contents (2)</b>	0.078	0.072	0.065	0.058	0.053
<b>0198</b>	<b>Building (1)</b>	0.072	0.061	0.057	0.047	0.044
	<b>Contents (2)</b>	0.078	0.072	0.065	0.058	0.053
<b>0311</b>	<b>Building (1)</b>	0.161	0.146	0.128	0.105	0.096
	<b>Contents (2)</b>	0.185	0.164	0.154	0.137	0.127
<b>0312</b>	<b>Building (1)</b>	0.161	0.146	0.128	0.105	0.096
	<b>Contents (2)</b>	0.185	0.164	0.154	0.137	0.127
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

## DIVISION FIVE

## FIRE AND ALLIED LINES

## LOSS COST PAGES

**85. BASIC GROUP I CLASS LOSS COSTS** (Cont'd)

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>0313</b>	Apartments without Mercantile Occupancies – Over 30 Units					
<b>0321</b>	Apartments with Mercantile Occupancies – Up to 10 Units					
<b>0322</b>	Apartments with Mercantile Occupancies – 11 to 30 Units					
<b>0323</b>	Apartments with Mercantile Occupancies – Over 30 Units					
<b>0331</b>	Residential Condominiums without Mercantile Occupancies – Up to 10 Units					
<b>0332</b>	Residential Condominiums without Mercantile Occupancies – 11 to 30 Units					
<b>0333</b>	Residential Condominiums without Mercantile Occupancies – Over 30 Units					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>0313</b>	<b>Building (1)</b>	0.161	0.146	0.128	0.105	0.096
	<b>Contents (2)</b>	0.185	0.164	0.154	0.137	0.127
<b>0321</b>	<b>Building (1)</b>	0.249	0.225	0.199	0.161	0.148
	<b>Contents (2)</b>					
	<b>A</b>	0.368	0.332	0.315	0.278	0.259
<b>0322</b>	<b>B&amp;C</b>	0.432	0.389	0.367	0.325	0.303
	<b>Building (1)</b>	0.249	0.225	0.199	0.161	0.148
	<b>Contents (2)</b>					
<b>0323</b>	<b>A</b>	0.368	0.332	0.315	0.278	0.259
	<b>B&amp;C</b>	0.432	0.389	0.367	0.325	0.303
	<b>Building (1)</b>	0.249	0.225	0.199	0.161	0.148
<b>0331</b>	<b>Contents (2)</b>					
	<b>A</b>	0.368	0.332	0.315	0.278	0.259
	<b>B&amp;C</b>	0.432	0.389	0.367	0.325	0.303
<b>0332</b>	<b>Building (1)</b>	0.091	0.081	0.073	0.058	0.054
	<b>Contents (2)</b>	0.080	0.070	0.068	0.058	0.054
<b>0333</b>	<b>Building (1)</b>	0.091	0.081	0.073	0.058	0.054
	<b>Contents (2)</b>	0.080	0.070	0.068	0.058	0.054
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

**DIVISION FIVE**  
**FIRE AND ALLIED LINES**  
**LOSS COST PAGES**

**85. BASIC GROUP I CLASS LOSS COSTS (Cont'd)**

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>0341</b>	Residential Condominiums with Mercantile Occupancies – Up to 10 Units					
<b>0342</b>	Residential Condominiums with Mercantile Occupancies – 11 to 30 Units					
<b>0343</b>	Residential Condominiums with Mercantile Occupancies – Over 30 Units					
<b>0511</b>	Mercantile – Sole Occupancy Only – Not Otherwise Classified – Low Susceptibility					
<b>0512</b>	Mercantile – Sole Occupancy Only – Tire, Battery and Accessory Dealers without Tire Recapping and Vulcanizing					
<b>0520</b>	Mercantile – Sole Occupancy Only – Wearing Apparel, Textiles, Shoes					
<b>0531</b>	Mercantile – Sole Occupancy Only – Alcoholic Beverages other than Bars					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>0341</b>	<b>Building (1)</b>	0.140	0.125	0.112	0.093	0.084
	<b>Contents (2)</b>					
	<b>A</b>	0.160	0.143	0.135	0.121	0.110
	<b>B&amp;C</b>	0.187	0.169	0.160	0.140	0.130
<b>0342</b>	<b>Building (1)</b>	0.140	0.125	0.112	0.093	0.084
	<b>Contents (2)</b>					
	<b>A</b>	0.160	0.143	0.135	0.121	0.110
	<b>B&amp;C</b>	0.187	0.169	0.160	0.140	0.130
<b>0343</b>	<b>Building (1)</b>	0.140	0.125	0.112	0.093	0.084
	<b>Contents (2)</b>					
	<b>A</b>	0.160	0.143	0.135	0.121	0.110
	<b>B&amp;C</b>	0.187	0.169	0.160	0.140	0.130
<b>0511</b>	<b>Building (1)</b>	0.143	0.130	0.117	0.092	0.087
	<b>Contents (2)</b>	0.204	0.185	0.173	0.153	0.143
<b>0512</b>	<b>Building (1)</b>	0.139	0.125	0.111	0.089	0.084
	<b>Contents (2)</b>	0.180	0.163	0.155	0.136	0.126
<b>0520</b>	<b>Building (1)</b>	0.172	0.155	0.139	0.114	0.102
	<b>Contents (2)</b>	0.266	0.242	0.228	0.201	0.186
<b>0531</b>	<b>Building (1)</b>	0.147	0.131	0.117	0.093	0.087
	<b>Contents (2)</b>	0.218	0.193	0.180	0.160	0.150
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

## DIVISION FIVE

## FIRE AND ALLIED LINES

## LOSS COST PAGES

**85. BASIC GROUP I CLASS LOSS COSTS (Cont'd)**

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>0532</b>	Merc – Sole Occy Only – Food Products Inc. Retail Bakeries; Non-Alcoholic Beverages (Sales Only – No Baking or Cooking)					
<b>0533</b>	Mercantile – Sole Occupancy Only – Baking on Premises, No Delivery to Outlets					
<b>0534</b>	Mercantile – Sole Occupancy Only – Food Products with Limited Cooking, Excluding Bakeries					
<b>0541</b>	Mercantile – Sole Occupancy Only – Bars and Taverns					
<b>0545</b>	Mercantile – Sole Occupancy Only – Restaurants with Limited Cooking					
<b>0550</b>	Mercantile – Sole Occupancy Only – Motor Vehicles, No Repair					
<b>0561</b>	Mercantile – Sole Occupancy Only – Boat and Marine Supply Dealers					
<b>0562</b>	Mercantile – Sole Occupancy Only – Drugs					
<b>0563</b>	Mercantile – Sole Occupancy Only – Electrical Goods, Hardware and Machinery					
<b>0564</b>	Mercantile – Sole Occupancy Only – Furniture and Home Furnishings other than Appliances					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>0532</b>	<b>Building (1)</b>	0.224	0.202	0.177	0.143	0.135
	<b>Contents (2)</b>	0.266	0.242	0.228	0.201	0.186
<b>0533</b>	<b>Building (1)</b>	0.174	0.156	0.141	0.114	0.106
	<b>Contents (2)</b>	0.215	0.189	0.178	0.160	0.149
<b>0534</b>	<b>Building (1)</b>	0.245	0.221	0.194	0.159	0.147
	<b>Contents (2)</b>	0.224	0.202	0.188	0.166	0.156
<b>0541</b>	<b>Building (1)</b>	0.472	0.427	0.380	0.308	0.285
	<b>Contents (2)</b>	0.507	0.457	0.431	0.380	0.353
<b>0545</b>	<b>Building (1)</b>	0.558	0.504	0.446	0.362	0.337
	<b>Contents (2)</b>	0.631	0.565	0.537	0.472	0.440
<b>0550</b>	<b>Building (1)</b>	0.131	0.117	0.106	0.087	0.078
	<b>Contents (2)</b>	0.221	0.201	0.188	0.166	0.155
<b>0561</b>	<b>Building (1)</b>	0.141	0.126	0.113	0.089	0.085
	<b>Contents (2)</b>	0.221	0.201	0.188	0.166	0.155
<b>0562</b>	<b>Building (1)</b>	0.156	0.142	0.126	0.102	0.093
	<b>Contents (2)</b>	0.244	0.221	0.208	0.185	0.172
<b>0563</b>	<b>Building (1)</b>	0.156	0.141	0.126	0.101	0.092
	<b>Contents (2)</b>	0.180	0.163	0.155	0.136	0.126
<b>0564</b>	<b>Building (1)</b>	0.218	0.194	0.172	0.141	0.129
	<b>Contents (2)</b>	0.321	0.291	0.272	0.243	0.224
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

**DIVISION FIVE**  
**FIRE AND ALLIED LINES**  
**LOSS COST PAGES**

**85. BASIC GROUP I CLASS LOSS COSTS (Cont'd)**

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>0565</b>	Mercantile – Sole Occupancy Only – Jewelry					
<b>0566</b>	Mercantile – Sole Occupancy Only – Sporting Goods					
<b>0567</b>	Mercantile – Sole Occupancy Only – Not Otherwise Classified – Moderate Susceptibility					
<b>0570</b>	Mercantile – Sole Occupancy Only – Not Otherwise Classified – High Susceptibility					
<b>0580</b>	Greenhouses – Sole Occupancy Only					
<b>0581</b>	Mercantile – Multiple Occupancy without 0564 Occupant					
<b>0582</b>	Mercantile – Multiple Occupancy with 0564 Occupant					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>0565</b>	<b>Building (1)</b>	0.143	0.129	0.115	0.092	0.087
	<b>Contents (2)</b>	0.177	0.160	0.150	0.135	0.126
<b>0566</b>	<b>Building (1)</b>	0.160	0.147	0.130	0.106	0.098
	<b>Contents (2)</b>	0.243	0.218	0.204	0.178	0.166
<b>0567</b>	<b>Building (1)</b>	0.143	0.130	0.117	0.092	0.087
	<b>Contents (2)</b>	0.204	0.185	0.173	0.153	0.143
<b>0570</b>	<b>Building (1)</b>	0.143	0.130	0.117	0.092	0.087
	<b>Contents (2)</b>	0.218	0.193	0.180	0.160	0.150
<b>0580</b>	<b>Building (1)</b>	0.143	0.130	0.117	0.092	0.087
	<b>Contents (2)</b>	0.224	0.203	0.189	0.166	0.156
<b>0581</b>	<b>Building (1)</b>	0.155	0.139	0.122	0.100	0.092
	<b>Contents (2)</b>					
	<b>A</b>	0.218	0.193	0.180	0.160	0.150
	<b>B</b>	0.262	0.238	0.224	0.194	0.185
<b>0582</b>	<b>Contents (2)</b>	0.238	0.215	0.203	0.177	0.166
	<b>Building (1)</b>	0.169	0.153	0.136	0.113	0.101
	<b>Contents (2)</b>					
	<b>A</b>	0.189	0.173	0.163	0.143	0.135
	<b>B</b>	0.238	0.213	0.202	0.177	0.163
	<b>C</b>	0.215	0.189	0.178	0.160	0.149
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

## DIVISION FIVE

## FIRE AND ALLIED LINES

## LOSS COST PAGES

**85. BASIC GROUP I CLASS LOSS COSTS (Cont'd)**

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>0701</b>	Government Offices					
<b>0702</b>	Banks and Offices other than Governmental					
<b>0742</b>	Motels and Hotels with Limited Cooking Restaurant – Up to 10 Units					
<b>0743</b>	Motels and Hotels with Limited Cooking Restaurant – 11 to 30 Units					
<b>0744</b>	Motels and Hotels with Limited Cooking Restaurant – Over 30 Units					
<b>0745</b>	Motels and Hotels without Restaurant – Up to 10 Units					
<b>0746</b>	Motels and Hotels without Restaurant – 11 to 30 Units					
<b>0747</b>	Motels and Hotels without Restaurant – Over 30 Units					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>0701</b>	<b>Building (1)</b>	0.095	0.087	0.076	0.066	0.059
	<b>Contents (2)</b>					
	<b>A</b>	0.107	0.095	0.089	0.080	0.076
	<b>B</b>	0.158	0.143	0.135	0.116	0.110
<b>0702</b>	<b>Building (1)</b>	0.052	0.048	0.044	0.033	0.032
	<b>Contents (2)</b>					
	<b>A</b>	0.063	0.057	0.053	0.048	0.044
	<b>B</b>	0.088	0.079	0.076	0.067	0.062
<b>0742</b>	<b>Building (1)</b>	0.162	0.145	0.129	0.104	0.098
	<b>Contents (2)</b>	0.179	0.161	0.151	0.133	0.127
<b>0743</b>	<b>Building (1)</b>	0.162	0.145	0.129	0.104	0.098
	<b>Contents (2)</b>	0.179	0.161	0.151	0.133	0.127
<b>0744</b>	<b>Building (1)</b>	0.162	0.145	0.129	0.104	0.098
	<b>Contents (2)</b>	0.179	0.161	0.151	0.133	0.127
<b>0745</b>	<b>Building (1)</b>	0.071	0.062	0.056	0.044	0.042
	<b>Contents (2)</b>	0.077	0.069	0.063	0.056	0.054
<b>0746</b>	<b>Building (1)</b>	0.071	0.062	0.056	0.044	0.042
	<b>Contents (2)</b>	0.077	0.069	0.063	0.056	0.054
<b>0747</b>	<b>Building (1)</b>	0.071	0.062	0.056	0.044	0.042
	<b>Contents (2)</b>	0.077	0.069	0.063	0.056	0.054
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	



**DIVISION FIVE**  
**FIRE AND ALLIED LINES**  
**LOSS COST PAGES**

**85. BASIC GROUP I CLASS LOSS COSTS (Cont'd)**

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>0755</b>	Golf, Tennis and Similar Sport Facilities with Limited Cooking					
<b>0756</b>	Golf, Tennis and Similar Sport Facilities without Cooking					
<b>0757</b>	Clubs, Not Otherwise Classified, Including Fraternal and Union Halls					
<b>0831</b>	Motion Picture Studios					
<b>0832</b>	Theaters Excluding Drive-in Theaters					
<b>0833</b>	Drive-in Theaters					
<b>0834</b>	Skating Rinks – Roller Rinks					
<b>0841</b>	Bowling Alleys without Cooking					
<b>0843</b>	Halls and Auditoriums					
<b>0844</b>	Recreational Facilities, Not Otherwise Classified					
<b>0845</b>	Boys' and Girls' Camps					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>0755</b>	<b>Building (1)</b>	0.462	0.416	0.371	0.302	0.277
	<b>Contents (2)</b>	0.532	0.480	0.452	0.399	0.373
<b>0756</b>	<b>Building (1)</b>	0.188	0.170	0.148	0.123	0.112
	<b>Contents (2)</b>	0.214	0.195	0.182	0.162	0.148
<b>0757</b>	<b>Building (1)</b>	0.203	0.182	0.162	0.133	0.123
	<b>Contents (2)</b>	0.214	0.195	0.182	0.162	0.148
<b>0831</b>	<b>Building (1)</b>	0.159	0.144	0.125	0.101	0.095
	<b>Contents (2)</b>	0.182	0.163	0.153	0.138	0.128
<b>0832</b>	<b>Building (1)</b>	0.203	0.180	0.162	0.133	0.122
	<b>Contents (2)</b>	0.214	0.195	0.182	0.162	0.148
<b>0833</b>	<b>Building (1)</b>	0.171	0.153	0.138	0.110	0.101
	<b>Contents (2)</b>	0.199	0.180	0.170	0.148	0.139
<b>0834</b>	<b>Building (1)</b>	0.275	0.246	0.220	0.180	0.166
	<b>Contents (2)</b>	0.280	0.251	0.239	0.211	0.197
<b>0841</b>	<b>Building (1)</b>	0.280	0.251	0.224	0.182	0.169
	<b>Contents (2)</b>	0.291	0.263	0.247	0.218	0.205
<b>0843</b>	<b>Building (1)</b>	0.139	0.125	0.110	0.092	0.082
	<b>Contents (2)</b>	0.147	0.134	0.125	0.110	0.101
<b>0844</b>	<b>Building (1)</b>	0.188	0.170	0.148	0.123	0.112
	<b>Contents (2)</b>	0.206	0.184	0.176	0.158	0.145
<b>0845</b>	<b>Building (1)</b>	0.125	0.110	0.099	0.077	0.075
	<b>Contents (2)</b>	0.144	0.128	0.123	0.106	0.099
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

## DIVISION FIVE

## FIRE AND ALLIED LINES

## LOSS COST PAGES

**85. BASIC GROUP I CLASS LOSS COSTS** (Cont'd)

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>0846</b>	Dance Halls, Ballrooms and Discotheques					
<b>0851</b>	Hospitals					
<b>0852</b>	Nursing and Convalescent Homes					
<b>0900</b>	Churches and Synagogues					
<b>0911</b>	Dry Cleaners and Dyeing Plants, other than Self-Service					
<b>0912</b>	Laundries, other than Self-Service					
<b>0913</b>	Self-Service Laundries and Dry Cleaners					
<b>0921</b>	Light Hazard Service Occupancies					
<b>0922</b>	Service Occupancies, other than Light Hazard					
<b>0923</b>	Funeral Homes					
<b>0931</b>	Auto Parking Garages, Car Washes					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>0846</b>	<b>Building (1)</b>	0.261	0.233	0.206	0.170	0.158
	<b>Contents (2)</b>	0.256	0.230	0.218	0.194	0.180
<b>0851</b>	<b>Building (1)</b>	0.136	0.122	0.109	0.088	0.081
	<b>Contents (2)</b>	0.158	0.144	0.133	0.118	0.110
<b>0852</b>	<b>Building (1)</b>	0.139	0.127	0.112	0.094	0.084
	<b>Contents (2)</b>	0.163	0.146	0.138	0.122	0.116
<b>0900</b>	<b>Building (1)</b>	0.088	0.083	0.073	0.058	0.055
	<b>Contents (2)</b>	0.096	0.085	0.083	0.071	0.068
<b>0911</b>	<b>Building (1)</b>	0.223	0.203	0.178	0.145	0.134
	<b>Contents (2)</b>	0.264	0.240	0.226	0.197	0.186
<b>0912</b>	<b>Building (1)</b>	0.298	0.267	0.238	0.192	0.177
	<b>Contents (2)</b>	0.366	0.329	0.309	0.273	0.254
<b>0913</b>	<b>Building (1)</b>	0.196	0.175	0.153	0.127	0.116
	<b>Contents (2)</b>	0.230	0.206	0.194	0.170	0.159
<b>0921</b>	<b>Building (1)</b>	0.116	0.104	0.092	0.075	0.071
	<b>Contents (2)</b>	0.140	0.125	0.117	0.103	0.097
<b>0922</b>	<b>Building (1)</b>	0.128	0.116	0.103	0.084	0.077
	<b>Contents (2)</b>	0.159	0.142	0.134	0.118	0.113
<b>0923</b>	<b>Building (1)</b>	0.086	0.077	0.069	0.054	0.049
	<b>Contents (2)</b>	0.092	0.082	0.077	0.069	0.065
<b>0931</b>	<b>Building (1)</b>	0.130	0.116	0.102	0.084	0.078
	<b>Contents (2)</b>	0.150	0.135	0.130	0.111	0.103
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

**DIVISION FIVE**  
**FIRE AND ALLIED LINES**  
**LOSS COST PAGES**

**85. BASIC GROUP I CLASS LOSS COSTS (Cont'd)**

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>0932</b>	Gasoline Service Stations					
<b>0933</b>	Motor Vehicle and Aircraft Repair, with or without Sales					
<b>0934</b>	Tire Recapping and Vulcanizing, with or without Sales					
<b>0940</b>	Aircraft Hangars without Repair					
<b>0951</b>	Gambling Casinos with Limited Cooking Restaurants					
<b>0952</b>	Gambling Casinos without Restaurants					
<b>1000</b>	Penal Institutions					
<b>1051</b>	Museums, Libraries, Art Galleries (Non-Profit)					
<b>1052</b>	Schools, Academic					
<b>1070</b>	Fire Departments, Police, Sewage, Water Works and Other Public Buildings					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>0932</b>	<b>Building (1)</b>	0.181	0.165	0.146	0.117	0.110
	<b>Contents (2)</b>	0.222	0.201	0.188	0.168	0.157
<b>0933</b>	<b>Building (1)</b>	0.154	0.137	0.123	0.099	0.094
	<b>Contents (2)</b>	0.196	0.176	0.166	0.146	0.135
<b>0934</b>	<b>Building (1)</b>	0.201	0.180	0.161	0.131	0.121
	<b>Contents (2)</b>	0.239	0.211	0.201	0.179	0.168
<b>0940</b>	<b>Building (1)</b>	0.096	0.087	0.080	0.063	0.060
	<b>Contents (2)</b>	0.121	0.108	0.102	0.092	0.086
<b>0951</b>	<b>Building (1)</b>	0.540	0.484	0.434	0.351	0.325
	<b>Contents (2)</b>	0.595	0.537	0.508	0.448	0.418
<b>0952</b>	<b>Building (1)</b>	0.182	0.163	0.146	0.119	0.109
	<b>Contents (2)</b>	0.263	0.234	0.222	0.197	0.182
<b>1000</b>	<b>Building (1)</b>	0.094	0.083	0.076	0.061	0.059
	<b>Contents (2)</b>	0.081	0.073	0.068	0.062	0.059
<b>1051</b>	<b>Building (1)</b>	0.060	0.052	0.047	0.040	0.036
	<b>Contents (2)</b>	0.076	0.068	0.066	0.059	0.052
<b>1052</b>	<b>Building (1)</b>	0.067	0.060	0.055	0.041	0.040
	<b>Contents (2)</b>	0.076	0.068	0.064	0.058	0.055
<b>1070</b>	<b>Building (1)</b>	0.089	0.081	0.072	0.060	0.056
	<b>Contents (2)</b>	0.107	0.095	0.089	0.081	0.076
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

# COMMERCIAL LINES MANUAL

## DIVISION FIVE

### FIRE AND ALLIED LINES

#### LOSS COST PAGES

#### 85. BASIC GROUP I CLASS LOSS COSTS (Cont'd)

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
<b>1150</b>	Builders' Risk					
<b>1180</b>	Vacant Buildings – See CSP Class Code of previous or intended occupancy. Add loss cost of .015 unless Class Code of previous or intended occupancy is 0580, 0742-0747, 0833, 0834, 0841, 0843, 0844, 0846, 0900, 0951, 0952, 1051 or 1052.					
<b>1211</b>	Freight Terminals					
<b>1212</b>	General Storage Warehouses – Bailee					
<b>1213</b>	Miscellaneous Products Storage – (Other Than Retail Or Wholesale Or Cold Storage)					
<b>1220</b>	Household Goods Storage					
<b>1230</b>	Cold Storage Warehouses					
<b>1400</b>	Waste and Reclaimed Materials Including Yards					
<b>1650</b>	Building Supply Yards, Including Retail Lumberyards, Coal and Coke Yards					
CSP Class Code	Coverage	Construction (Code)				
		Frame (1)	Joisted Masonry (2)	Non-Comb. (3)	Mas. Non-Comb. (4)	Mod. F.R. (5) Or Fire Res. (6)
<b>1150</b>	<b>Building (1)</b>	0.147	0.132	0.117	0.095	0.088
<b>1211</b>	<b>Building (1)</b>	0.141	0.128	0.111	0.090	0.086
	<b>Contents (2)</b>	0.165	0.150	0.141	0.122	0.116
<b>1212</b>	<b>Building (1)</b>	0.111	0.101	0.089	0.070	0.067
	<b>Contents (2)</b>	0.137	0.122	0.116	0.101	0.097
<b>1213</b>	<b>Building (1)</b>	0.099	0.089	0.077	0.066	0.060
	<b>Contents (2)</b>	0.130	0.118	0.111	0.099	0.090
<b>1220</b>	<b>Building (1)</b>	0.118	0.106	0.091	0.073	0.069
	<b>Contents (2)</b>	0.142	0.128	0.122	0.106	0.101
<b>1230</b>	<b>Building (1)</b>	0.101	0.090	0.081	0.067	0.061
	<b>Contents (2)</b>	0.138	0.123	0.118	0.103	0.097
<b>1400</b>	<b>Building (1)</b>	0.302	0.274	0.242	0.197	0.182
	<b>Contents (2)</b>	0.368	0.331	0.316	0.280	0.258
	<b>Yard</b>	0.456		0.047		
<b>1650</b>	<b>Building (1)</b>	0.181	0.161	0.145	0.118	0.108
	<b>Contents (2)</b>	0.229	0.205	0.196	0.171	0.159
	<b>Yard</b>	0.128		0.016		
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

**DIVISION FIVE**  
**FIRE AND ALLIED LINES**  
**LOSS COST PAGES**

**85. BASIC GROUP I CLASS LOSS COSTS (Cont'd)**

All rates are subject to protection class and territorial multipliers.

<b>CSP Class Codes And Description</b>						
<b>1700</b>	Mill Yards					
<b>1751</b>	Oil Distributing, Oil Terminals and LPG Tank Farms – Including Stock					
<b>1752</b>	Oil Distributing, Oil Terminals and LPG Tank Farms – Excluding Stock					
<b>2200</b>	Baking on Premises, Delivery to Outlets					
<b>2350</b>	Beverage Bottlers Excluding Alcoholic Beverages					
<b>2459</b>	Distilleries and Wineries					
<b>2800</b>	Textile Mill Products					
<b>3409</b>	Leather and Leather Products					
<b>4809</b>	Printing					
<b>CSP Class Code</b>	<b>Coverage</b>	<b>Construction (Code)</b>				
		<b>Frame (1)</b>	<b>Joisted Masonry (2)</b>	<b>Non-Comb. (3)</b>	<b>Mas. Non-Comb. (4)</b>	<b>Mod. F.R. (5) Or Fire Res. (6)</b>
<b>1700</b>	<b>Building (1)</b>	0.150	0.133	0.119	0.097	0.089
	<b>Contents (2)</b>	0.226	0.199	0.190	0.169	0.158
	<b>Yard</b>	0.122		0.016		
<b>1751</b>	<b>Building (1)</b>	0.096	0.086	0.073	0.061	0.058
	<b>Contents (2)</b>	0.122	0.111	0.106	0.091	0.086
<b>1752</b>	<b>Building (1)</b>	0.089	0.081	0.070	0.060	0.054
	<b>Contents (2)</b>	0.089	0.081	0.073	0.067	0.061
<b>2200</b>	<b>Building (1)</b>	0.558	0.506	0.450	0.367	0.334
	<b>Contents (2)</b>	0.665	0.602	0.564	0.500	0.469
<b>2350</b>	<b>Building (1)</b>	0.361	0.324	0.287	0.234	0.215
	<b>Contents (2)</b>	0.425	0.385	0.361	0.318	0.299
<b>2459</b>	<b>Building (1)</b>	0.234	0.210	0.183	0.151	0.138
	<b>Contents (2)</b>	0.299	0.271	0.258	0.229	0.210
<b>2800</b>	<b>Building (1)</b>	0.678	0.609	0.545	0.441	0.410
	<b>Contents (2)</b>	0.891	0.802	0.754	0.668	0.627
<b>3409</b>	<b>Building (1)</b>	0.141	0.131	0.115	0.092	0.086
	<b>Contents (2)</b>	0.167	0.149	0.140	0.123	0.115
<b>4809</b>	<b>Building (1)</b>	0.108	0.099	0.088	0.071	0.065
	<b>Contents (2)</b>	0.134	0.122	0.114	0.099	0.095
<b>Territory</b>					<b>Territorial Multiplier</b>	
Minneapolis					0.738	
Saint Paul					0.737	
Balance of State (Minnesota)					1.000	

MINNESOTA  
COMMERCIAL PROPERTY  
LOSS COST LEVEL REVIEW  
ACTUARIAL ANALYSIS SUPPLEMENT

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

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MONOLINE  
INDICATIONS

The indicated statewide monoline changes are:

<u>Subline</u>	<u>Current Review</u>	<u>Prior Review</u>
Basic Group I	+5.7%	+4.4%
Basic Group II	+5.3%	+4.5%
Special Causes of Loss	-6.4%	-5.2%
All Coverages Combined	+2.8%	+2.2%

The prior review's indications were filed and implemented. There has been no change in the Implicit Package Modification Factors since the prior review.

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

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IMPACT OF LIMIT  
OF INSURANCE  
(LOI) FACTOR  
IMPLEMEN-  
TATION

Instructions for companies that have not adopted the Limit of Insurance Curves or revised rating for Special Causes of Loss

Class-rated Loss Costs

The loss costs contained in this filing reflect the introduction of limit of insurance (LOI) curves and revised rating for Special Causes of Loss. For those companies which have not adopted those changes, the loss costs in effect immediately prior to the introduction of the LOI curves and revised SCL rating can be adjusted by applying the loss cost changes in Section A of this filing. These changes are changes from the current loss cost level; therefore, any other loss cost level changes effective subsequent to the introduction of LOI should also be applied. The loss cost changes based on this filing for Special Causes of Loss on an old category basis are given below. For Basic Group II, the loss cost changes by territory (not coverage and symbol) should be applied to the pre-LOI loss costs, since the loss cost changes by coverage and symbol reflect revised coverage and symbol relativities based on the introduction of the LOI curves.

Please note that the Basic Group I and Basic Group II loss costs in this filing reflect revised class, construction, and coverage (building and contents) relativities associated with the introduction of LOI curves in addition to the LOI curves themselves. Therefore, dividing the revised loss costs in this filing by the off-balance factors found in Section A of filing CF-2009-RLC09, Commercial Fire and Allied Lines Loss Cost Revision for the Introduction of Limit of Insurance Curves, will not result in the same loss costs as the procedure described above.

Schedule-rated Loss Costs

Section A of filing CF-2009-RLC09, Commercial Fire and Allied Lines Loss Cost Revision for the Introduction of Limit of Insurance Curves, displayed off-balance factors that are being applied to specifically-rated loss costs to reflect the introduction of LOI curves. Those off-balance factors can be divided out of the schedule-rated loss costs effective after the implementation of the LOI curves to bring them to a level appropriate for use without the application of LOI factors.

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

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

<u>Category</u>	<u>Loss Cost Change</u>
01 Buildings	-5.3%
02 Apartment and Condominium Contents	-8.8%
03 Office Contents	-7.9%
04 Mercantile, Motel-Hotel, and Institutional Contents	-7.8%
05 Service, Industrial-Processing and Contractors Contents	-9.7%
Personal Property (Contents) Excluding Theft	-8.5%

IMPACT OF LIMIT  
OF INSURANCE  
(LOI) FACTOR  
IMPLEMEN-  
TATION (cont'd)

Limit of Insurance Transition Rule and Public Protection Class Factors

The transition rule, which caps rate changes for renewal policies due to the implementation of limit of insurance curves and revised rating, does not apply to rate changes produced by changes in protection class, deductible level, coinsurance level and/or optional coverages. Protection class factors for specifically-rated properties are included in the Basic Group I loss cost quote. In order to measure the impact of a change in protection class for specifically-rated properties, the public protection class factors are given below.

Protection Class	Non-Sprinklered <u>Schedule Rated</u>		<u>Sprinklered</u>
	Const. <u>1-3 *</u>	Const. <u>4-6 **</u>	All <u>Const.</u>
1	0.88	0.90	0.65
2	0.92	0.94	0.67
3	0.96	0.97	0.68
4	0.98	0.98	0.69
5	1.00	1.00	0.70
6	1.06	1.05	0.72
7	1.18	1.14	0.77
8	1.30	1.24	0.82
8B	1.35	1.28	0.84
9	1.42	1.34	0.88
10	1.72	1.58	1.00
1X - 5X	1.14	1.09	0.75
6X - 7X	1.35	1.28	0.84
8X	1.42	1.34	0.88
1Y - 5Y	1.14	1.09	0.75
6Y - 8Y	1.35	1.28	0.84
10W	1.63	1.51	0.97

\* Frame, Joisted Masonry and Non-combustible

\*\* Masonry Non-combustible, Modified Fire Resistive and Fire Resistive

Protection class factors for class-rated risks can be found in Rule **85.M** of the Commercial Lines manual.

DATA QUALITY

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



LOSS  
ADJUSTMENT  
EXPENSE/LOSS  
DEVELOPMENT  
FACTORS

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

LOSS TREND  
FACTORS

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

External Trend

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

<u>Coverage</u>	<u>Current Review</u>	<u>Prior Review</u>	<u>Change</u>
Buildings	+3.1%	+2.7%	+0.4%
Contents	+2.0%	+1.4%	+0.6%
Time Element	+0.9%	+0.5%	+0.4%

Loss Trend Adjustments (LTAs)

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

<u>Subline</u>	<u>Current Review</u>			<u>Prior Review</u>		
	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>
Basic Group I	-0.3%	+0.7%	+2.8%	-0.4%	+0.5%	+2.5%
Basic Group II	+0.2%	+0.6%	+2.6%	+0.5%	+0.8%	+2.2%
Special Causes of Loss	+0.2%	+0.0%	+2.8%	+0.3%	+0.5%	+2.5%

Total Annual Loss Trend

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

<u>Subline</u>	<u>Current Review</u>			<u>Prior Review</u>		
	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>
Basic Group I	+2.8%	+2.7%	+3.7%	+2.3%	+1.9%	+3.0%
Basic Group II	+3.3%	+2.6%	+3.5%	+3.2%	+2.2%	+2.7%
Special Causes of Loss	+3.3%	+2.0%	+3.7%	+3.0%	+1.9%	+3.0%

CHANGE IN  
AVERAGE LOSS  
TREND

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

<u>Subline</u>	<u>Change in Average Trend</u>
Basic Group I	+1.9%
Basic Group II	0.0%
Special Causes of Loss	+0.3%

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

PREMIUM TREND  
FACTORS

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

<u>Subline</u>	<u>Current Review</u>			<u>Prior Review</u>		
	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>
Basic Group I	+2.1%	+1.6%	+0.6%	+1.6%	+1.4%	+1.5%
Basic Group II	+1.9%	+1.4%	+0.6%	+1.5%	+1.3%	+1.4%
Special Causes of Loss	+2.0%	+1.2%	+0.6%	+1.5%	+1.1%	+1.3%

NET TREND

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

<u>Subline</u>	<u>Current Review</u>			<u>Prior Review</u>		
	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>	<u>Bldg.</u>	<u>Cnts.</u>	<u>TE</u>
Basic Group I	+0.7%	+1.1%	+3.1%	+0.7%	+0.5%	+2.0%
Basic Group II	+1.4%	+1.2%	+2.9%	+1.7%	+0.9%	+1.7%
Special Causes of Loss	+1.3%	+0.8%	+3.1%	+1.5%	+0.8%	+2.0%

**BASIC GROUP I**

The statewide five year weighted average experience ratio, before credibility weighting, increased by 6.7%, from 1.029 in the prior review to 1.098 in the current review. The increase is due to a lower-than-average experience ratio of 1.011 for 2013 exiting the experience period, and a higher-than-average experience ratio of 1.225 for 2018 entering the experience period, and a 2.1% increase in Average Loss Trend Factors (LTFs). The monoline relativity decreased by -1.2%, due to a lower-than-overall monoline experience of 0.380 for 2018 entering the experience period.

Statewide Loss Cost Level Review

	<u>Current Review</u>	<u>Prior Review</u>	<u>Ratio</u>
Weighted Experience			
Ratio	1.098	1.029	1.067
Credibility	0.300	0.307	0.977
Expected Experience			
Ratio	1.010	1.004	1.006
Coverage Change	1.036	1.012	1.024
Monoline Relativity	1.020	1.032	0.988
Monoline Change	1.057	1.044	1.012

**BASIC GROUP II**

The statewide ten year weighted average experience ratio, before credibility weighting, decreased by 7.8%, from 1.076 in the prior review to 0.992 in the current review. The decrease is due to a higher-than-average experience ratio of 1.099 for 2008 exiting the experience period, and a lower-than-average experience ratio of 0.903 for 2018 entering the experience period. The monoline relativity increased by 4.4%, due to a higher-than-overall monoline experience of 1.245 for 2018 entering the experience period.

Statewide Loss Cost Level Review

	<u>Current Review</u>	<u>Prior Review</u>	<u>Ratio</u>
Weighted Experience Ratio	0.992	1.076	0.922
Credibility	0.444	0.462	0.961
Expected Experience Ratio	1.015	1.011	1.004
Coverage Change	1.005	1.041	0.965
Monoline Relativity	1.048	1.004	1.044
Monoline Change	1.053	1.045	1.008

SPECIAL CAUSES  
OF LOSS

The statewide five year weighted average experience ratio, before credibility weighting, increased by 0.9%, from 0.815 in the prior review to 0.822 in the current review. The increase is due to a higher-than-average experience ratio of 0.823 for 2018 entering the experience period, and a 0.6% increase in Average Loss Trend Factors (LTFs). The monoline relativity decreased by 2% due to higher-than-overall monoline experience of 0.932 for 2013 exiting the experience period, and a lower-than-overall monoline experience of 0.703 for 2018 entering the experience period.

Statewide Loss Cost Level Review

	<u>Current Review</u>	<u>Prior Review</u>	<u>Ratio</u>
Weighted Experience Ratio	0.822	0.815	1.009
Credibility	0.305	0.315	0.968
Expected Experience Ratio	1.012	1.007	1.005
Coverage Change	0.954	0.947	1.007
Monoline Relativity	0.981	1.001	0.980
Monoline Change	0.936	0.948	0.987

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PROPERTY  
CLAIMS SERVICES  
INFORMATION

The following events have been identified by Property Claims Services as catastrophes occurring in this state from 1/1/1990 through 12/31/2018.

<u>Date From</u>	<u>Date To</u>	<u>Perils</u>
5/22/2008	5/26/2008	Hail, Tornadoes, Wind
5/29/2008	6/1/2008	Flooding, Hail, Tornadoes, Wind
6/5/2008	6/8/2008	Flooding, Hail, Tornadoes, Wind
7/10/2008	7/12/2008	Flooding, Hail, Tornadoes, Wind
7/24/2009	7/25/2009	Flooding, Hail, Wind
8/7/2009	8/10/2009	Flooding, Hail, Tornadoes, Wind
6/17/2010	6/20/2010	Flooding, Hail, Tornadoes, Wind
6/25/2010	6/28/2010	Flooding, Hail, Tornadoes, Wind
7/17/2010	7/18/2010	Flooding, Hail, Tornadoes, Wind
7/20/2010	7/25/2010	Flooding, Hail, Tornadoes, Wind
8/8/2010	8/12/2010	Flooding, Hail, Wind
10/26/2010	10/28/2010	Flooding, Hail, Tornadoes, Wind
5/10/2011	5/13/2011	Hail, Tornadoes, Wind
5/20/2011	5/27/2011	Flooding, Hail, Tornadoes, Wind
5/29/2011	6/1/2011	Flooding, Hail, Tornadoes, Wind
7/1/2011	7/4/2011	Flooding, Hail, Tornadoes, Wind
7/10/2011	7/14/2011	Flooding, Hail, Tornadoes, Wind
7/29/2011	8/1/2011	Flooding, Hail, Wind
5/2/2012	5/6/2012	Flooding, Hail, Wind
5/25/2012	5/30/2012	Flooding, Hail, Tornadoes, Wind
6/17/2012	6/18/2012	Flooding, Hail, Tornadoes, Wind
6/19/2012	6/20/2012	Flooding, Wind
7/2/2012	7/4/2012	Flooding, Hail, Wind
6/20/2013	6/22/2013	Flooding, Hail, Tornadoes, Wind
8/6/2013	8/7/2013	Flooding, Hail, Tornadoes, Wind
5/7/2014	5/9/2014	Flooding, Hail, Tornadoes, Wind
6/14/2014	6/18/2014	Flooding, Hail, Tornadoes, Wind
5/3/2015	5/4/2015	Flooding, Hail, Tornadoes, Wind
6/29/2015	6/30/2015	Flooding, Hail, Tornadoes, Wind
7/12/2015	7/14/2015	Flooding, Hail, Tornadoes, Wind
7/17/2015	7/20/2015	Flooding, Hail, Tornadoes, Wind
6/16/2016	6/18/2016	Flooding, Hail, Wind
7/5/2016	7/7/2016	Flooding, Hail, Tornadoes, Wind
7/20/2016	7/21/2016	Flooding, Hail, Wind
9/19/2016	9/23/2016	Flooding, Hail, Tornadoes, Wind
3/6/2017	3/9/2017	Flooding, Hail, Tornadoes, Wind
5/15/2017	5/18/2017	Flooding, Hail, Tornadoes, Wind

PROPERTY CLAIMS SERVICES INFORMATION (Cont'd)	<u>Date From</u>	<u>Date To</u>	<u>Perils</u>
	6/11/2017	6/11/2017	Flooding, Hail, Wind
	7/11/2017	7/12/2017	Flooding, Hail, Wind
	5/29/2018	6/1/2018	Flooding, Hail, Tornadoes, Wind
	8/27/2018	8/28/2018	Flooding, Hail, Tornadoes, Wind
	9/20/2018	9/21/2018	Flooding, Hail, Tornadoes, Wind

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

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

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

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

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

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