

LOSS COSTS – IMPLEMENTATION

JULY 16, 2020

COMMERCIAL PROPERTY

LI-CF-2020-063

MONTANA COMMERCIAL FIRE AND ALLIED LINES ADVISORY PROSPECTIVE LOSS COST REVISION TO BE IMPLEMENTED; EXHIBITS NEWLY PRESENTED IN EXCEL

KEY MESSAGE

Revised advisory prospective loss costs reflecting a statewide loss cost level change of +3.4% to be implemented.

BACKGROUND

In circular [LI-CF-2020-023](#), we provided you with information about the Commercial Fire and Allied Lines loss cost level experience review.

ISO ACTION

We are implementing CF-2020-RLA1, which presents a review of Commercial Fire and Allied Lines loss cost experience. Refer to the attachment(s) for complete details.

CONSIDERATION OF COVID-19

ISO has considered whether any adjustments need to be made to prospective loss costs, which are based on historical experience (pre-COVID-19), to reflect the conditions in which these loss costs will be effective (post-COVID-19). While there will almost certainly be long-term behavioral, social and economic changes as a result of COVID-19, we expect, based on the information currently available, that those changes will have negligible and/or offsetting effects on prospective loss costs.

While an economic recession may be a likely outcome of the COVID-19 pandemic, ISO would not expect it to have a quantifiable impact on Commercial Property loss costs. In examining data from the Great Recession, which impacted the United States in 2008-2010, ISO found that long-term trends in claim frequency and severity for Basic Group I, Basic Group II, and Special Cause of Loss generally continued through that recession. Occasional cases of possible deviation from long-term trends are difficult to separate from inherent volatility in Commercial Property losses due to the low-frequency, high-severity nature of BGI, and the weather-driven perils in BGII and SCL.

Therefore, ISO is not making any explicit adjustment to our Commercial Property prospective loss costs due to COVID-19.

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.

IMPORTANT NOTE

Change in Format

This circular offers several enhancements for customers. In addition to the PDF version, exhibits and loss cost tables are now available in user-friendly Excel format rather than Word. Where possible, exhibits are linked together formulaically to clarify how calculations flow through the entire ratemaking process and to enable customers to test the effects of different assumptions on the results.

To facilitate this change, the filing has been restructured. All explanatory text, for all sections of the filing, appears first; all exhibits and tables are grouped together and appear thereafter. Exhibits have been relabeled (Exhibit A1, Exhibit A2, etc.).

We invite customers to share feedback on this revised format and suggestions for further enhancements by contacting the individuals listed in the Contact Information block.

EFFECTIVE DATE

The ISO revision is subject to the following rule of application:

These changes are applicable to all policies **written** on or after November 1, 2020.

The effective date applies only to those insurers who have filed their Commercial Fire and Allied Lines loss cost adjustments to be automatically applicable to future ISO loss cost revisions.

IMPACT ON THE STATISTICAL REPORTING OF LOSS COST MULTIPLIER

For the purpose of reporting your company Loss Cost Multiplier under the CSP, as of November 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.

COMPANY ACTION

You must independently determine the final rates you will use. The action, if any, you must take in response to this filing is dependent upon how you filed to have your loss cost adjustments apply to subsequent revisions of ISO loss costs. Any submission you make with respect to this revision must comply with applicable regulatory filing requirements.

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

In all correspondence with the Insurance Department on this revision, you should refer to ISO Reference Filing Number CF-2020-RLA1, NOT this circular number.

CAUTION: This reference filing revises only certain advisory prospective loss costs for Commercial Fire and Allied Lines in this state. In determining whether or not to revise your rates, you should consider the application of your loss cost adjustments to any loss costs not included in this revision.

RATING SOFTWARE IMPACT

No new attributes are being introduced with this revision.

POLICYHOLDER NOTIFICATION

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-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.

REVISION DISTRIBUTION INFORMATION

- **Manual And ISO Suite**

We will issue a Notice to Manualholders with an edition date of 11-20 (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 August 24, 2020. On November 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 August 24, 2020 to November 1, 2020. On November 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.

REFERENCE(S)

- [LI-CF-2020-023](#) (03/11/2020) Commercial Fire And Allied Lines Experience Level Indications Reviewed By ISO Staff
- [LI-CL-2019-057](#) (12/10/2019) Revised Lead Time Requirements Listing

ATTACHMENT(S)

- CF-2020-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.

ACKNOWLEDGMENT OF ACTUARIAL QUALIFICATIONS

The American Academy of Actuaries' "Qualifications 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 the loss cost level indications shown in this document a Statement of Actuarial Opinion; therefore, we are including the following acknowledgment:

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

XACTWARE SOLUTIONS, INC.

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

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

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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. To keep abreast of the latest Insurance Lines Services updates, view www.verisk.com/ils.

MONTANA

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 +3.4% 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 03/31/2019, evaluated as of 06/30/2019.
-

CONSIDERATION OF COVID-19

ISO has considered whether any adjustments need to be made to prospective loss costs, which are based on historical experience (pre-COVID-19), to reflect the conditions in which these loss costs will be effective (post-COVID-19). While there will almost certainly be long-term behavioral, social and economic changes as a result of COVID-19, we expect, based on the information currently available, that those changes will have negligible and/or offsetting effects on prospective loss costs.

While an economic recession may be a likely outcome of the COVID-19 pandemic, ISO would not expect it to have a quantifiable impact on Commercial Property loss costs. In examining data from the Great Recession, which impacted the United States in 2008-2010, ISO found that long-term trends in claim frequency and severity for Basic Group I, Basic Group II, and Special Cause of Loss generally continued through that recession. Occasional cases of possible deviation from long-term trends are difficult to separate from inherent volatility in Commercial Property losses due to the low-frequency, high-severity nature of BGI, and the weather-driven perils in BGII and SCL.

Therefore, ISO is not making any explicit adjustment to our Commercial Property prospective loss costs due to COVID-19.

DEFINITION OF THE ISO PROSPECTIVE LOSS COST

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

LOSS COST
LEVEL
CHANGES

The statewide monoline prospective loss cost level changes are:

<u>Coverage</u>	<u>Indicated</u>
Basic Group I	+2.1%
Basic Group II	+4.2%
Special Causes of Loss	+5.2%
Total	+3.4%

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

PRIOR ISO
REVISIONS

The latest revisions in this state are:

<u>Reference Document or Filing</u>	CF-2018-RLA1	CF-2016-RLA1
<u>Rates/ Loss Costs</u>	Loss Costs	Loss Costs
<u>Dates Implemented</u>	11/1/2018	1/1/2017
<u>Changes</u>		
Basic Group I	+0.5%	+0.6%
Basic Group II	+12.8%	+9.3%
Special Causes of Loss	+3.9%	+1.5%
Total	+4.8%	+3.2%

HISTORICAL
SOURCE DATA

The data used in this revision is:

- Voluntary experience for ISO reporting companies.
 - Five calendar/accident years ending 03/31/2019 for Basic Group I and Special Causes of Loss.
 - Ten calendar/accident years ending 03/31/2019 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 territory, coverage and symbol (where applicable) for Basic Group II.
- by category (building coverage and occupancy type) for Special Causes of Loss.

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

TREND AND
OTHER
ADJUSTMENTS

Loss Trend

For trend purposes, the period of use for this revision is assumed to begin on 10/01/2020. 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 2018.

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	+0.7%

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	0.0%	+0.6%	+2.6%
Basic Group II	0.0%	+0.6%	+2.7%
Special Causes of Loss	+0.3%	-0.6%	+2.6%

TREND AND
OTHER
ADJUSTMENTS
(cont'd)

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	+3.1%	+2.6%	+3.3%
Basic Group II	+3.1%	+2.6%	+3.4%
Special Causes of Loss	+3.4%	+1.4%	+3.3%

Premium Trend

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

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	+2.5%	+1.8%	+0.9%
Basic Group II	+2.3%	+1.7%	+0.9%
Special Causes of Loss	+2.4%	+1.4%	+0.9%

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. Hartford Accident & Indemnity Company
3. Harford Mutual Insurance Company
4. Tokio Marine Companies
5. Millers Capital Insurance Company
6. Nationwide Mutual Insurance Company
7. Zurich American Insurance Company
8. Allstate Insurance Company
9. Great American Insurance Company
10. Firemans Fund 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 - Non-liability (ASLOB 51) - 34.6%

COMPANY
DECISION

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

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

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

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COMMERCIAL PROPERTY

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OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

INTRODUCTION

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

STEP 1: DETERMINATION OF INDICATED STATEWIDE LOSS COST LEVEL CHANGE

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

STEP 2: DISTRIBUTION OF CHANGES

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

STEP 3: CALCULATION OF REVISED LOSS COSTS

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

COMMERCIAL PROPERTY INSURANCE
CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGES IN EXHIBITS B1-B3

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

EXPLANATORY NOTES TO EXHIBITS B1-B3

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 (Exhibit C13). 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 Exhibits C7 through C9 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 (Exhibits C10 through C12). 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 (Exhibits C18 through C21). 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 Exhibit C17, and loss adjustment expense factors on Exhibit D6. 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 Exhibits C22, C23, and C24 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 Exhibits C22, C23, and C24.

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 Exhibit B1), Basic Group II (see Exhibit B2), and Special Causes of Loss (see Exhibit B3).

COMPOSITION OF THE RATEMAKING DATA BASE

DATA INCLUDED

BASIC GROUP I

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

BASIC GROUP II

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

SPECIAL CAUSES OF LOSS

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

NOTES ON DATA INCLUDED

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

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

COMPOSITION OF THE RATEMAKING DATA BASE (cont'd)

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

X indicates that experience is excluded.

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

OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

STEP 2 - DISTRIBUTION OF LOSS COST LEVEL CHANGES

OBJECTIVE

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

BASIC GROUP I

For Basic Group I, a consolidated simultaneous iterative procedure is used to calculate the type of policy and rating group relativities. More detail on this procedure is given in Exhibit B4. 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 relativities serve to price the various rating groups relative to one another.

The indicated monoline loss cost level changes displayed on Exhibit A2 are calculated for each rating group by taking the product of the monoline type of policy relativity, the rating group relativity and the statewide loss cost level change.

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

BASIC GROUP II

The purpose of the Basic Group II relativity analysis is to determine monoline loss cost level needs, to obtain marginal relativities displayed on Exhibit B8 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 loss cost change is the product of the monoline type of policy relativity and the statewide loss cost level change.

OVERVIEW OF ISO ACTUARIAL PROCEDURES - COMMERCIAL PROPERTY

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

SPECIAL CAUSES OF LOSS

For Special Causes of Loss, a simultaneous iterative procedure is used as for BG I to arrive at a set of type of policy and category relativities (as displayed on Exhibit B5) 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 loss cost change. See Exhibit B5 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.

EXPLANATORY NOTES TO EXHIBITS B4 AND B5

BASIC GROUP I AND SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

INTRODUCTION

The explanations which follow clarify Exhibits B4 and B5, the Basic Group I relativity analysis and the Special Causes of Loss relativity analysis, respectively. The purpose of these analyses is to:

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

COLUMN (1)

LEAST SQUARES FORMULA RELATIVITIES

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

The purpose of such a simultaneous review procedure is to arrive at a set of type of policy relativities (which will serve to price CPP policies relative to monoline policies via the PMFs); a set of rating group relativities for Basic Group I; and a set of category relativities for Special Causes of Loss that best represent the experience. This procedure is in contrast to a review of each rating variable's experience separately. Such one-way types of review do not take into account differing percentages of monoline and multiline experience in each rating variable, 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 EXHIBITS B4 AND B5 (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 Exhibit B6 for Basic Group I and Exhibit B7 for Special Causes of Loss.) Specifically, the iteration procedure uses the following formulas:

BASIC GROUP I:

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

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

SPECIAL CAUSES OF LOSS:

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

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

- 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;

EXPLANATORY NOTES TO EXHIBITS B4 AND B5 (cont'd)

COLUMN (1)
(cont'd)

- W_{ij} is the loss cost volume at current level for the i th type of policy, and j th rating group;
- R_{ij} is the experience ratio relativity for the i th type of policy, and j th rating group or category;
- m is the number of types of policy in the analysis;
- n is the number of rating groups or categories in the analysis;

The procedure determines m type of policy relativities using the above formulas. Then, using those results, a set of n rating group relativities is 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 \$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 for rating group and \$40,000,000 for type of policy.

COLUMN (3)

CREDIBILITY-WEIGHTED RELATIVITIES

Credibility-weighted relativities are calculated based on the formula

$$W = R^Z ,$$

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

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

EXPLANATORY NOTES TO EXHIBITS B4 AND B5 (cont'd)

COLUMN (4)

BALANCED RELATIVITIES

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

COLUMN (5)

INDICATED MONOLINE LOSS COST LEVEL CHANGE

For Basic Group I, the indicated monoline loss cost changes are calculated for each rating group by taking the product of the monoline type of policy (TOP 10) relativity, the rating group relativity and the statewide loss cost level change. (An example of such a calculation appears on Exhibit B4.)

The indicated monoline loss cost changes by rating group shown in Exhibit B4 of this analysis are the aggregate loss cost weighted averages of the monoline loss cost changes for the rating group. The indicated overall statewide monoline loss cost level change shown at the bottom of the first page of Exhibit B4 is the aggregate loss cost-weighted average of the individual rating group changes.

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 Exhibit B5.) The indicated overall statewide loss cost level change shown at the bottom of Exhibit B5 is the aggregate loss cost-weighted average of the individual category changes.

EXPLANATORY NOTES TO EXHIBITS B4 AND B5 (cont'd)

COLUMN (5)
(cont'd)

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 Exhibit B4 and Exhibit B5.

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.

EXPLANATORY NOTES TO EXHIBITS B6 AND B7

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 Exhibit B6 and B7 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>2019 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>2015-2019 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 EXHIBITS B6 AND B7 (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.

EXPLANATORY NOTES TO EXHIBIT B8

BASIC GROUP II RELATIVITY ANALYSIS

INTRODUCTION

The explanations which follow clarify Exhibit B8, 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)

2019 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)

2010 - 2019 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 EXHIBIT B8 (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 EXHIBIT B8 (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.

OVERVIEW

AGGREGATE LOSS COSTS AT CURRENT LEVEL

Exhibit C1, C2 and C3 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 Exhibits C4 and C5, provide information on the on-level factors needed to bring collected aggregate loss costs to current loss cost level.

Exhibit C4 provides rate level/loss cost level histories by rating id (class vs. specific), rating group, and territory (where applicable) for Basic Group I, while Exhibit C5 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 Exhibits C1 and C3 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.

Exhibits C7, C8 and C9 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 Exhibits C10, C11 and C12 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 Exhibit C17.

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 Exhibits C22, C23 and C24 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.

EXPLANATORY NOTES TO EXHIBITS C1, C2 AND C3

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 Exhibits C4 and C5.

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.

EXPLANATORY NOTES TO EXHIBIT C4

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.

EXPLANATORY NOTES TO EXHIBIT C5

HISTORY OF BASIC GROUP II LOSS COST CHANGES BY TERRITORY

COLUMN (1) TERRITORY

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

COLUMN (2) EFFECTIVE DATE

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

COLUMN (3) SYMBOL

The construction group symbol is shown here. Refer to the explanatory notes to Exhibit C25 for the symbol definitions.

COLUMN (4) BUILDING

Building loss cost changes are shown in percent form.

COLUMN (5) CONTENTS

Contents loss cost changes are shown in percent form.

EXPLANATORY NOTES TO EXHIBIT C5

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 Exhibit D2 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.

EXPLANATORY NOTES TO EXHIBITS C7, C8 AND C9

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

EXHIBITS C7, C8
AND C9

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. November 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 Exhibit C12 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, 2019. 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).

EXPLANATORY NOTES TO EXHIBIT C10

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>$\text{MSEP} = (\text{CD} + \text{CN} + \text{FS}) + (\text{EXD\&N} - \text{IMD\&N}) + (\text{IFIX} - \text{IPP}), \text{ where}$</p> <p>CD and CN represent consumption of durables and nondurables, respectively; EXD&N and IMD&N represent exports and imports of merchandise, respectively; FS represents food services and IFIX represents gross private domestic fixed investment (including residential fixed investment as well as nonresidential fixed investment in structures, equipment, and intellectual property products); and IPP represents nonresidential fixed investment in intellectual property products.</p>
CHAIN-TYPE PRICE INDEX FOR RETAIL SALES (RSALES)	The Chain-Type Price Index for Retail Sales measures changes in losses due solely to inflation.

EXPLANATORY NOTES TO EXHIBIT C10 (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.

EXPLANATORY NOTES TO EXHIBIT C11

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 2020 COMFAL reviews is based on internal commercial property experience through 12/31/2018 and external cost indices through 12/31/2018. Therefore, the CCF's and LPF's shown on Exhibit C12 will not necessarily match those shown on Exhibit C10. ISO has determined that the selected LTAs are appropriate to be used with the latest external indices shown on Exhibit C10.

EXPLANATORY NOTES TO EXHIBIT C12

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 12/31/2018 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 1/1/2017, for BG II it is 1/1/2014. Accordingly, there are 54 and 90 months, respectively, to the anticipated average accident date of 7/1/2021.

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 EXHIBIT C12 (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.

EXPLANATORY NOTES TO EXHIBIT C13
EXPOSURE AND PREMIUM TREND FACTORS

Exhibit C13 contains Exposure trend factors, 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 (Exhibit C13) are calculated as the Annual Written Increase in Exposure tempered by the change in Limit of Insurance factor.

COLUMNS (2)
AND (6) 07-01-2019 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 2019 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 2019 are applicable for the entire year.

COLUMNS (3)
AND (7) 04-01-2021 PROJECTED FACTORS

The 04-01-2021 factors are calculated by applying a factor to adjust the 07-01-2019 written factors to the amount of insurance level at the average date of writing, 04-01-2021. This is done using the selected annual changes in exposure or premium.

COLUMNS (4)
AND (8) 04-01-2021 EARNED EXPOSURES/PREMIUM FACTORS

The projected earned factors at the 04-01-2021 level (where 04-01-2021 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).

EXPLANATORY NOTES TO EXHIBITS C14, C15 AND C16

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 Exhibits C10 through C12, 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 June 30, 2019, 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 June 30, 2019.

Accident year ended March 31, 2019 includes all losses paid on accidents from April 1, 2018 to March 31, 2019 and all losses outstanding on those accidents as of June 30, 2019, fifteen months after the inception of the accident year. Similarly, accident years ended March 31, 2018, 2017, 2016, and 2015 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 Exhibit C17.

EXPLANATORY NOTES TO EXHIBIT C17

LOSS DEVELOPMENT

INTRODUCTION

Exhibit C17 shows multistate incurred loss development exhibits for Basic Group I, Basic Group II and Special Causes of Loss. The exhibits on Exhibit C17 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 Exhibit C17. 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 Exhibit C18.) 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 Exhibits C10 through C11). 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 Exhibit C20. 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 Exhibit C21.

EXPLANATORY NOTES TO EXHIBIT C18

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.

EXPLANATORY NOTES TO EXHIBIT C19

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.

EXPLANATORY NOTES TO EXHIBIT C20

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 EXHIBIT C20 (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

EXPLANATORY NOTES TO EXHIBIT C21

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 Exhibits C22, C23, and C24 for a complete explanation of the credibility standards for Basic Group I, Basic Group II, and Special Causes of Loss.

EXPLANATORY NOTES TO EXHIBITS C22, C23 AND C24

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 EXHIBITS C22, C23 AND C24 (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)).

LINE (9) Minimum Credibility

When the indicated credibility is below 25%, a minimum cap of 25% is assigned to the state credibility in order to reasonably reflect the state's experience in the coverage change calculation.

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 Exhibit D6 for the underlying data).
EXPERIENCE INCLUDED	Fire and Allied Lines incurred loss and loss adjustment expense experience for 2013-2017 is displayed on Exhibit D6. The experience is based on Insurance Expense Exhibit information compiled by A.M. Best. For Allied Lines, the loss adjustment expense ratios [Exhibit D6, 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	1.095
Basic Group II	1.115
Special Causes of Loss	1.115

MONTANA

SUMMARY OF MONOLINE PROSPECTIVE LOSS COST CHANGES (A)

COVERAGE	INDICATIONS	SELECTIONS	AGGREGATE LOSS COSTS AT CURRENT LEVEL
BASIC GROUP I	+2.3%	+2.1%	8,964,340
BASIC GROUP II	+4.2%	+4.2%	5,710,906
SPECIAL CAUSES OF LOSS	+5.2%	+5.2%	3,588,226
ALL COVERAGES COMBINED	+3.5%	+3.4%	18,263,472

(A) FOR TREND PURPOSES, THE PERIOD OF USE FOR THIS REVISION IS ASSUMED TO BEGIN ON 10/01/2020.

MONTANA

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

RATING GROUP	DESCRIPTION	Entire State	

		INDICATED	CAPPED (B)
01	APARTMENTS	14.1%	10.0%
02	OTHER HABITATIONAL	6.2%	6.2%
03	RESTAURANTS & BARS	3.4%	3.4%
04	OTHER MERCANTILE RISKS	-4.8%	-4.8%
05	PUBLIC BUILDINGS	5.3%	5.3%
06	CHURCHES	6.8%	6.8%
07	SCHOOLS	5.4%	5.4%
08	OFFICES AND BANKS	5.0%	5.0%
09	RECREATIONAL FACILITIES	4.7%	4.7%
10	HOTELS & MOTELS	4.3%	4.3%
11	HOSPITALS & NURSING HOMES	5.8%	5.8%
12	BLDGS UNDER CONSTRUCTION	4.2%	4.2%
13	MOTOR VEHICLE RISKS	6.6%	6.6%
14	OTHER NON-MANUFACTURING	4.2%	4.2%
15	STORAGE	0.5%	0.5%
17	FOOD MANUFACTURING	4.5%	4.5%
18	WOOD MANUFACTURING	5.4%	5.4%
19	WEARING APPAREL	4.5%	4.5%
20	CHEMICAL MANUFACTURING	4.5%	4.5%
21	METAL MANUFACTURING	4.7%	4.7%
22	OTHER MANUFACTURING	4.5%	4.5%
	TOTAL	2.3%	2.1%

(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.

(B) CHANGES BY RATING GROUP HAVE BEEN CAPPED IN ORDER TO AVOID SIGNIFICANT SWINGS IN LOSS COSTS.

MONTANA

BASIC GROUP II PROSPECTIVE LOSS COST CHANGES
BY TERRITORY, COVERAGE, AND SYMBOL

TERRITORY

COVERAGE	SYMBOL	

EXHIBIT A3 DOES NOT EXIST FOR NON-HURRICANE STATES		

MONTANA

SPECIAL CAUSES OF LOSS PROSPECTIVE LOSS COST CHANGES BY CATEGORY

CATEGORY	DESCRIPTION	ENTIRE STATE

01	BUILDINGS	+5.5%
02	RES. APTS. AND CONDOS	+2.7%
03	OFFICES	+5.0%
04	MERCANTILE - HIGH	+4.2%
05	MERCANTILE - MEDIUM	+4.6%
06	MERCANTILE - LOW	+4.8%
07	MOTELS AND HOTELS	+4.8%
08	INSTITUTIONAL - HIGH	+4.1%
09	INSTITUTIONAL - LOW	+4.0%
10	INDUST-PROC - HIGH	+5.0%
11	INDUST-PROC - LOW	+5.1%
12	SERVICE - HIGH	+4.0%
13	SERVICE - LOW	+4.5%
14	CONTRACTORS	+5.0%
	STATEWIDE TOTAL	+5.2%

MONTANA

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

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

31	MOTEL/HOTEL	4.3%	4.2%	5.4%
32	APARTMENT	12.0%	4.2%	4.7%
33	OFFICE	5.0%	4.2%	5.4%
34	MERCANTILE	-2.5%	4.2%	5.3%
35	INSTITUTIONAL	5.9%	4.2%	5.0%
36	SERVICES	4.0%	4.2%	5.1%
37	INDUST/PROCESSING	3.2%	4.2%	5.4%
38	CONTRACTORS	-3.4%	4.2%	5.3%

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.

MONTANA

STATEWIDE BASIC GROUP I
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)	(5)
	AGGREGATE*	ADJUSTED**	EXPERIENCE	
YEAR	LOSS COSTS	INCURRED LOSSES	RATIO (3)/(2)	WEIGHTS
——	—————	—————	—————	—————
2015	9,461,405	12,519,342	1.323	0.10
2016	9,430,557	9,073,352	0.962	0.15
2017	9,283,759	7,887,188	0.850	0.20
2018	9,002,770	5,330,024	0.592	0.25
2019	8,964,340	11,290,944	1.260	0.30

(6) WEIGHTED EXPERIENCE RATIO = 0.973

(7) CREDIBILITY = 0.250

(8) EXPECTED EXPERIENCE RATIO = 1.008

(9) CREDIBILITY WEIGHTED EXPERIENCE RATIO = 0.999
(0.25 X 0.973) + (0.75 X 1.008)

(10) INDICATED COVERAGE LOSS COST CHANGE = 0.999

OR -0.1%

* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL
AND 04/01/2021 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 10/01/2021 COST LEVELS INCLUDING LOSS
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

MONTANA

STATEWIDE BASIC GROUP II
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)
YEAR	AGGREGATE* LOSS COSTS	ADJUSTED** INCURRED LOSSES	EXPERIENCE RATIO (3)/(2)
2010	5,534,339	6,481,722	1.171
2011	5,302,901	9,475,622	1.787
2012	5,140,851	7,541,758	1.467
2013	5,384,464	4,466,026	0.829
2014	5,568,696	11,593,439	2.082
2015	5,835,761	6,342,581	1.087
2016	5,936,926	10,169,007	1.713
2017	5,753,221	14,935,976	2.596
2018	5,761,571	2,275,146	0.395
2019	5,710,906	11,990,850	2.100
(5) WEIGHTED EXPERIENCE RATIO		=	1.523
(6) CREDIBILITY		=	0.270
(7) EXPECTED EXPERIENCE RATIO		=	1.009
(8) CREDIBILITY WEIGHTED EXPERIENCE RATIO (0.27 X 1.523) + (0.73 X 1.009)		=	1.148
(9) INDICATED COVERAGE LOSS COST CHANGE		=	1.148
		OR	14.8%

* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL
AND 04/01/2021 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 10/01/2021 COST LEVELS INCLUDING LOSS
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

MONTANA

STATEWIDE SPECIAL CAUSES OF LOSS
COVERAGE LOSS COST LEVEL EVALUATION

(1)	(2)	(3)	(4)	(5)
	AGGREGATE*	ADJUSTED**	EXPERIENCE	
YEAR	LOSS COSTS	INCURRED LOSSES	RATIO (3)/(2)	WEIGHTS
2015	3,504,515	3,080,310	0.879	0.10
2016	3,598,934	1,858,730	0.516	0.15
2017	3,501,678	5,422,037	1.548	0.20
2018	3,594,147	4,328,398	1.204	0.25
2019	3,588,226	3,954,078	1.102	0.30
(6) WEIGHTED EXPERIENCE RATIO			=	1.107
(7) CREDIBILITY			=	0.250
(8) EXPECTED EXPERIENCE RATIO			=	1.006
(9) CREDIBILITY WEIGHTED EXPERIENCE RATIO (0.25 X 1.106) + (0.75 X 1.006)			=	1.031
(10) INDICATED COVERAGE LOSS COST CHANGE			=	1.031
			OR	3.1%

* AGGREGATE LOSS COSTS ARE ADJUSTED TO CURRENT ISO LOSS COST LEVEL
AND 04/01/2021 AMOUNT OF INSURANCE LEVELS.

** INCURRED LOSSES ARE ADJUSTED TO 10/01/2021 COST LEVELS INCLUDING LOSS
DEVELOPMENT AND ALL LOSS ADJUSTMENT EXPENSES.

MONTANA
BASIC GROUP I RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)	STATEWIDE COVERAGE LOSS COST CHANGE OF	0.999 -0.1%
TOP	\$ LST SQ FORMULA RELATIVITY	CREDIBILITY Z	CREDIBILITY WEIGHTED RELATIVITY	BALANCED RELATIVITY	OR	
-----	-----	-----	-----	-----	-----	
10	1.466	0.067	1.026	1.024		
31	0.981	0.023	1.000	0.998		
32	0.207	0.033	0.949	0.948		
33	0.527	0.023	0.985	0.984		
34	1.384	0.101	1.033	1.031		
35	0.666	0.045	0.982	0.980		
36	0.738	0.076	0.977	0.975		
37	0.936	0.034	0.998	0.996		
38	0.867	0.030	0.996	0.994		
RATING GROUP					(5) INDICATED MONOLINE LOSS COST LEVEL CHANGE	
01	3.126	0.070	1.083	1.115	14.1	
02	1.329	0.028	1.008	1.038	6.2	
03	0.591	0.035	0.982	1.011	3.4	
04	0.681	0.261	0.905	0.931	-4.8	
05	0.993	0.010	1.000	1.029	5.3	
06	1.335	0.048	1.014	1.044	6.8	
07	1.064	0.018	1.001	1.030	5.4	
08	0.969	0.106	0.997	1.026	5.0	
09	0.918	0.069	0.994	1.023	4.7	
10	0.893	0.078	0.991	1.020	4.3	
11	1.486	0.011	1.004	1.034	5.8	
13	1.143	0.094	1.013	1.042	6.6	
14	0.805	0.044	0.991	1.019	4.2	
15	0.427	0.055	0.954	0.982	0.5	
17	0.661	0.016	0.993	1.022	4.5	
18	1.021	0.024	1.000	1.030	5.4	
21	0.661	0.015	0.994	1.023	4.7	
22	0.786	0.028	0.993	1.022	4.5	

STATEWIDE MONOLINE LOSS COST LEVEL CHANGE: 2.3%

MONTANA
BASIC GROUP I RELATIVITY ANALYSIS

EXAMPLE OF AN INDIVIDUAL LOSS COST CHANGE CALCULATION
FOR ENTIRE STATE

STATEWIDE COVERAGE LOSS COST LEVEL CHANGE	=	0.999
TERRITORIAL RELATIVITY	=	1.000
MONOLINE (TOP 10) RELATIVITY	=	1.024
RATING GROUP 01 RELATIVITY	=	1.115

INDICATED MONOLINE LOSS COSTS LEVEL CHANGE FOR RATING GROUP 01		
= 0.999 X 1.000 X 1.024 X 1.115	=	1.141
	OR	14.1%

MONTANA
SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

	(1)	(2)	(3)	(4)	STATEWIDE COVERAGE LOSS COST CHANGE OF	1.031 3.1%
TOP	\$ LST SQ FORMULA RELATIVITY	CREDIBILITY Z	CREDIBILITY WEIGHTED RELATIVITY	BALANCED RELATIVITY	OR	

10	1.376	0.068	1.022	1.020		
31	0.718	0.030	0.990	0.989		
32	1.118	0.058	1.006	1.005		
33	0.740	0.034	0.990	0.988		
34	1.057	0.068	1.004	1.002		
35	1.235	0.042	1.009	1.007		
36	0.882	0.067	0.992	0.990		
37	0.507	0.028	0.981	0.980		
38	0.664	0.025	0.990	0.988		
					(5) INDICATED MONOLINE LOSS COST LEVEL CHANGE	
CATEGORY						
01	1.017	0.468	1.008	1.003	5.5	
02	0.692	0.049	0.982	0.977	2.7	
03	1.134	0.027	1.003	0.998	5.0	
04	0.851	0.028	0.995	0.991	4.2	
05	1.002	0.018	1.000	0.995	4.6	
06	1.264	0.008	1.002	0.997	4.8	
07	1.088	0.017	1.001	0.997	4.8	
08	0.769	0.019	0.995	0.990	4.1	
09	0.798	0.025	0.994	0.989	4.0	
10	1.333	0.010	1.003	0.998	5.0	
11	1.307	0.014	1.004	0.999	5.1	
12	0.849	0.035	0.994	0.989	4.0	
13	0.941	0.018	0.999	0.994	4.5	
14	1.114	0.029	1.003	0.998	5.0	

OVERALL MONOLINE LOSS COST LEVEL CHANGE

5.2%

MONTANA
SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS

EXAMPLE OF AN INDIVIDUAL LOSS COST CHANGE CALCULATION

STATEWIDE COVERAGE LOSS COST LEVEL CHANGE	=	1.031
MONOLINE (TOP 10) RELATIVITY	=	1.020
CATEGORY 01 RELATIVITY	=	1.003

INDICATED MONOLINE LOSS COST LEVEL CHANGE FOR CATEGORY 01

=	1.055
OR	5.5%

MONTANA
BASIC GROUP I RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

Entire State		(1)	(2)	(3)	(4)	(5)
		ACCIDENT YEAR				
		ENDING 03/31/19	5 - YEAR	5 - YEAR		CREDIBILITY
		AGGREGATE LOSS	AGGREGATE	EXPERIENCE		WEIGHTED
TYPE OF POLICY	CATEGORY	COSTS	LOSS COSTS	RATIO	RELATIVITY	RELATIVITY
10 MONOLINE	01 APARTMENTS	119,910	490,953	9.747	5.251	5.163
	02 OTHER HABITATIONAL	58,987	267,136	1.698	1.694	1.666
	03 RESTAURANTS & BARS	24,849	144,458	2.536	1.921	1.889
	04 OTHER MERCANTILE RS	454,706	2,278,657	1.048	1.211	1.191
	05 PUBLIC BUILDINGS	11,287	64,781	0.000	1.323	1.301
	06 CHURCHES	3,478	19,151	0.063	1.394	1.371
	07 SCHOOLS	13,351	69,467	15.145	4.665	4.587
	08 OFFICES AND BANKS	161,250	653,096	1.673	1.682	1.654
	09 REC. FACILITIES	133,537	618,788	0.454	1.090	1.072
	10 HOTELS AND MOTELS	172,969	994,466	1.337	1.485	1.460
	11 HOSPITALS/NURS HOME	14,035	83,312	0.114	1.327	1.305
	13 MOTOR VEHICLE RISKS	82,740	433,478	0.108	1.027	1.010
	14 OTHER NON-MANUF.	41,659	226,800	0.262	1.232	1.211
	15 STORAGE	59,296	298,389	0.544	1.280	1.259
	17 FOOD MANUFACTURING	30,120	151,751	0.000	1.223	1.203
	18 WOOD MANUFACTURING	22,913	100,728	0.000	1.280	1.259
	21 METAL MANUFACTURING	23,873	124,132	0.268	1.323	1.301
	22 OTHER MANUFACTURING	26,106	111,249	0.000	1.268	1.247
	TOTAL*	1,455,066	7,130,792	1.809	1.681	1.652
31 MULTILINE	10 HOTELS AND MOTELS	444,118	2,387,366	1.060	0.993	0.976
MOTEL/HOTEL	TOTAL*	444,118	2,387,366	1.060	0.993	0.976
32 MULTILINE	01 APARTMENTS	456,919	2,538,568	0.535	0.707	0.695
APARTMENT	02 OTHER HABITATIONAL	156,875	867,839	0.668	0.829	0.815
	TOTAL*	613,794	3,406,407	0.569	0.738	0.726

MONTANA
BASIC GROUP I RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

Entire State		(1)	(2)	(3)	(4)	(5)
		ACCIDENT YEAR				
		ENDING 03/31/19	5 - YEAR	5 - YEAR		CREDIBILITY
		AGGREGATE LOSS	AGGREGATE	EXPERIENCE		WEIGHTED
TYPE OF POLICY	CATEGORY	COSTS	LOSS COSTS	RATIO	RELATIVITY	RELATIVITY

33 MULTILINE	08 OFFICES AND BANKS	531,523	2,380,424	0.287	0.579	0.569
OFFICE	TOTAL*	531,523	2,380,424	0.287	0.579	0.569
34 MULTILINE	03 RESTAURANTS & BARS	172,670	1,236,013	0.894	0.906	0.891
MERCANTILE	04 OTHER MERCANTILE RS	1,599,405	7,639,045	1.104	1.060	1.042
	08 OFFICES AND BANKS	28,260	161,882	0.024	0.735	0.723
	13 MOTOR VEHICLE RISKS	159,694	617,889	5.921	2.437	2.396
	14 OTHER NON-MANUF.	30,617	215,647	0.000	0.718	0.706
	15 STORAGE	257,042	1,384,541	0.119	0.575	0.565
	TOTAL*	2,247,688	11,255,017	1.289	1.082	1.064
35 MULTILINE	02 OTHER HABITATIONAL	3,030	12,676	0.000	0.767	0.754
INSTITUTIONAL	05 PUBLIC BUILDINGS	59,840	349,292	0.348	0.775	0.762
	06 CHURCHES	385,519	2,016,697	1.100	1.008	0.991
	07 SCHOOLS	96,846	657,513	0.169	0.682	0.671
	08 OFFICES AND BANKS	78,598	465,753	0.509	0.804	0.791
	09 REC. FACILITIES	93,124	447,654	0.006	0.670	0.659
	11 HOSPITALS/NURS HOME	78,695	380,397	2.042	1.202	1.182
	13 MOTOR VEHICLE RISKS	1,948	8,461	0.000	0.768	0.755
	14 OTHER NON-MANUF.	28,820	342,505	0.225	0.745	0.733
	TOTAL*	826,420	4,680,948	0.810	0.903	0.888

MONTANA
BASIC GROUP I RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

Entire State		(1)	(2)	(3)	(4)	(5)
		ACCIDENT YEAR				
		ENDING 03/31/19	5 - YEAR	5 - YEAR		CREDIBILITY
		AGGREGATE LOSS	AGGREGATE	EXPERIENCE		WEIGHTED
TYPE OF POLICY	CATEGORY	COSTS	LOSS COSTS	RATIO	RELATIVITY	RELATIVITY
<hr/>						
36 MULTILINE	03 RESTAURANTS & BARS	12,689	69,988	0.202	0.716	0.704
SERVICES	04 OTHER MERCANTILE RS	162,429	869,339	0.776	0.799	0.786
	08 OFFICES AND BANKS	105,679	690,814	0.129	0.685	0.674
	09 REC. FACILITIES	330,797	1,904,150	1.270	0.911	0.896
	13 MOTOR VEHICLE RISKS	567,530	3,080,829	1.145	0.897	0.882
	14 OTHER NON-MANUF.	153,965	838,691	0.401	0.730	0.718
	15 STORAGE	122,964	627,479	1.232	0.878	0.863
	21 METAL MANUFACTURING	604	8,796	0.000	0.689	0.677
	22 OTHER MANUFACTURING	15,897	120,449	0.000	0.684	0.673
	TOTAL*	1,472,554	8,210,535	0.968	0.851	0.837
37 MULTILINE	04 OTHER MERCANTILE RS	126,488	639,042	0.310	0.718	0.706
INDUST/PROCESS	08 OFFICES AND BANKS	10,664	54,121	0.138	0.707	0.695
	13 MOTOR VEHICLE RISKS	38	2,775	0.000	0.689	0.677
	14 OTHER NON-MANUF.	18,887	85,467	0.000	0.686	0.675
	15 STORAGE	4,087	12,443	0.000	0.689	0.677
	17 FOOD MANUFACTURING	123,287	494,921	0.121	0.690	0.678
	18 WOOD MANUFACTURING	174,914	885,054	2.369	1.094	1.076
	21 METAL MANUFACTURING	93,928	476,819	0.051	0.679	0.668
	22 OTHER MANUFACTURING	194,375	903,616	0.972	0.835	0.821
	TOTAL*	746,668	3,554,258	0.889	0.826	0.812

MONTANA
BASIC GROUP I RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

Entire State		(1)	(2)	(3)	(4)	(5)
		ACCIDENT YEAR				
		ENDING 03/31/19	5 - YEAR	5 - YEAR		CREDIBILITY
		AGGREGATE LOSS	AGGREGATE	EXPERIENCE		WEIGHTED
TYPE OF POLICY	CATEGORY	COSTS	LOSS COSTS	RATIO	RELATIVITY	RELATIVITY

38 MULTILINE	04 OTHER MERCANTILE RS	540,152	2,664,826	0.308	0.675	0.664
CONTRACTORS	08 OFFICES AND BANKS	69,312	353,830	0.176	0.703	0.691
	14 OTHER NON-MANUF.	17,045	118,428	0.000	0.684	0.673
	TOTAL*	626,509	3,137,084	0.285	0.679	0.667
TOTAL ALL TOPS*	01 APARTMENTS	576,829	3,029,521	2.450	1.651	1.624
	02 OTHER HABITATIONAL	218,892	1,147,651	0.936	1.061	1.044
	03 RESTAURANTS & BARS	210,208	1,450,459	1.046	1.015	0.998
	04 OTHER MERCANTILE RS	2,883,180	14,090,909	0.893	0.982	0.966
	05 PUBLIC BUILDINGS	71,127	414,073	0.293	0.862	0.848
	06 CHURCHES	388,997	2,035,848	1.091	1.011	0.995
	07 SCHOOLS	110,197	726,980	1.983	1.165	1.145
	08 OFFICES AND BANKS	985,286	4,759,920	0.498	0.804	0.790
	09 REC. FACILITIES	557,458	2,970,592	0.863	0.913	0.898
	10 HOTELS AND MOTELS	617,087	3,381,832	1.138	1.131	1.112
	11 HOSPITALS/NURS HOME	92,730	463,709	1.750	1.221	1.201
	13 MOTOR VEHICLE RISKS	811,950	4,143,432	1.976	1.213	1.193
	14 OTHER NON-MANUF.	290,993	1,827,538	0.272	0.797	0.783
	15 STORAGE	443,389	2,322,852	0.483	0.754	0.742
	17 FOOD MANUFACTURING	153,407	646,672	0.097	0.794	0.781
	18 WOOD MANUFACTURING	197,827	985,782	2.095	1.115	1.097
	21 METAL MANUFACTURING	118,405	609,747	0.094	0.809	0.795
	22 OTHER MANUFACTURING	236,378	1,135,314	0.799	0.873	0.858
	TOTAL*	8,964,340	46,142,831	1.053	1.017	1.000

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

MONTANA
SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1)	(2)	(3)	(4)	(5)
		ACCIDENT YEAR ENDING 03/31/19 AGGREGATE LOSS COSTS	5 - YEAR AGGREGATE LOSS COSTS	5 - YEAR EXPERIENCE RATIO	RELATIVITY	CREDIBILITY WEIGHTED RELATIVITY
10 MONOLINE	01 BUILDINGS	481,681	2,108,100	1.486	1.497	1.402
	02 RES. APTS. AND COND	18,603	84,384	0.097	1.197	1.121
	03 OFFICES	22,751	107,537	1.424	1.484	1.390
	04 MERCANTILE - HIGH	25,900	143,787	1.233	1.443	1.351
	05 MERCANTILE - MEDIUM	7,441	29,996	13.758	4.137	3.874
	06 MERCANTILE - LOW	2,094	11,036	13.485	4.071	3.812
	07 MOTELS AND HOTELS	19,868	114,063	0.592	1.304	1.221
	08 INSTITUTIONAL - HIG	9,109	56,417	0.084	1.195	1.119
	09 INSTITUTIONAL - LOW	11,345	51,961	0.000	1.177	1.102
	10 INDUST-PROC - HIGH	4,195	17,008	0.000	1.179	1.104
	11 INDUST-PROC - LOW	8,164	44,191	0.465	1.278	1.197
	12 SERVICE - HIGH	11,043	50,205	1.130	1.421	1.331
	13 SERVICE - LOW	8,043	47,481	0.848	1.360	1.273
	14 CONTRACTORS	10,669	36,318	3.728	1.981	1.855
	TOTAL*	640,906	2,902,484	1.541	1.509	1.413
31 MULTILINE	01 BUILDINGS	186,547	1,081,936	0.572	0.775	0.726
MOTEL/HOTEL	07 MOTELS AND HOTELS	31,804	152,975	1.102	1.060	0.993
	TOTAL*	218,351	1,234,911	0.649	0.817	0.765
32 MULTILINE	01 BUILDINGS	348,684	1,797,688	1.296	1.217	1.140
APARTMENT	02 RES. APTS. AND COND	131,176	684,399	0.571	0.823	0.771
	TOTAL*	479,860	2,482,087	1.098	1.109	1.039

MONTANA
SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1)	(2)	(3)	(4)	(5)
		ACCIDENT YEAR				
		ENDING 03/31/19	5 - YEAR	5 - YEAR		CREDIBILITY
		AGGREGATE LOSS	AGGREGATE	EXPERIENCE		WEIGHTED
		COSTS	LOSS COSTS	RATIO	RELATIVITY	RELATIVITY
<hr/>						
33 MULTILINE	01 BUILDINGS	243,271	1,105,551	0.623	0.802	0.751
OFFICE	03 OFFICES	65,740	303,141	0.710	0.940	0.880
	04 MERCANTILE - HIGH	24	103	0.000	0.931	0.872
	08 INSTITUTIONAL - HIG	223	1,555	0.000	0.930	0.871
	11 INDUST-PROC - LOW	68	134	0.000	0.931	0.872
	12 SERVICE - HIGH	670	1,969	0.000	0.930	0.871
	14 CONTRACTORS	127	418	0.000	0.931	0.872
	TOTAL*	310,123	1,412,871	0.639	0.832	0.779
34 MULTILINE	01 BUILDINGS	483,005	2,256,369	1.191	1.152	1.079
MERCANTILE	03 OFFICES	220	597	0.000	0.931	0.872
	04 MERCANTILE - HIGH	54,921	282,441	0.593	0.908	0.850
	05 MERCANTILE - MEDIUM	48,987	245,000	1.069	1.054	0.987
	06 MERCANTILE - LOW	24,605	107,789	2.884	1.410	1.320
	08 INSTITUTIONAL - HIG	25	51	0.000	0.931	0.872
	12 SERVICE - HIGH	2,262	9,553	0.000	0.923	0.864
	13 SERVICE - LOW	697	3,054	0.000	0.929	0.870
	14 CONTRACTORS	3,343	14,388	0.000	0.918	0.860
	TOTAL*	618,065	2,919,242	1.183	1.130	1.058

MONTANA
SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1)	(2)	(3)	(4)	(5)
		ACCIDENT YEAR				
		ENDING 03/31/19	5 - YEAR	5 - YEAR		CREDIBILITY
		AGGREGATE LOSS	AGGREGATE	EXPERIENCE		WEIGHTED
		COSTS	LOSS COSTS	RATIO	RELATIVITY	RELATIVITY
<hr/>						
35 MULTILINE	01 BUILDINGS	215,309	1,256,782	1.537	1.344	1.258
INSTITUTIONAL	03 OFFICES	64	137	0.000	0.931	0.872
	08 INSTITUTIONAL - HIG	35,205	199,793	0.913	1.013	0.949
	09 INSTITUTIONAL - LOW	56,134	292,137	1.072	1.055	0.988
	12 SERVICE - HIGH	44	82	0.000	0.931	0.872
	13 SERVICE - LOW	517	554	0.000	0.931	0.872
	14 CONTRACTORS	6	23	0.000	0.931	0.872
	TOTAL*	307,279	1,749,508	1.377	1.253	1.173
36 MULTILINE	01 BUILDINGS	395,799	2,089,968	1.047	0.960	0.899
SERVICES	03 OFFICES	17	160	0.000	0.705	0.660
	04 MERCANTILE - HIGH	1,786	7,476	0.412	0.748	0.700
	05 MERCANTILE - MEDIUM	318	1,008	0.000	0.705	0.660
	06 MERCANTILE - LOW	501	1,156	0.000	0.705	0.660
	08 INSTITUTIONAL - HIG	6,939	33,811	0.000	0.688	0.644
	09 INSTITUTIONAL - LOW	8,187	35,326	0.000	0.687	0.643
	10 INDUST-PROC - HIGH	651	3,817	0.000	0.703	0.658
	11 INDUST-PROC - LOW	269	1,429	0.000	0.705	0.660
	12 SERVICE - HIGH	93,463	483,699	0.813	0.798	0.747
	13 SERVICE - LOW	37,436	217,954	1.212	0.890	0.833
	14 CONTRACTORS	2,392	14,308	0.000	0.698	0.654
	TOTAL*	547,758	2,890,112	0.979	0.917	0.859

MONTANA
SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1)	(2)	(3)	(4)	(5)
		ACCIDENT YEAR				
		ENDING 03/31/19	5 - YEAR	5 - YEAR		CREDIBILITY
		AGGREGATE LOSS	AGGREGATE	EXPERIENCE		WEIGHTED
		COSTS	LOSS COSTS	RATIO	RELATIVITY	RELATIVITY
<hr/>						
37 MULTILINE	01 BUILDINGS	192,891	855,965	0.263	0.546	0.511
INDUST/PROC	03 OFFICES	4	197	0.000	0.705	0.660
	04 MERCANTILE - HIGH	0	293	0.000	1.000	1.000
	05 MERCANTILE - MEDIUM	0	307	0.000	1.000	1.000
	10 INDUST-PROC - HIGH	25,545	132,456	0.740	0.781	0.731
	11 INDUST-PROC - LOW	40,062	173,197	0.753	0.782	0.732
	12 SERVICE - HIGH	361	1,525	0.000	0.705	0.660
	13 SERVICE - LOW	57	202	0.000	0.705	0.660
	14 CONTRACTORS	740	1,498	0.000	0.705	0.660
	TOTAL*	259,660	1,165,640	0.384	0.606	0.568
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38 MULTILINE	01 BUILDINGS	127,959	638,045	0.634	0.727	0.681
CONTRACTORS	03 OFFICES	1,210	8,680	1.619	0.884	0.828
	04 MERCANTILE - HIGH	174	2,184	5.801	1.331	1.246
	08 INSTITUTIONAL - HIG	223	489	0.000	0.705	0.660
	11 INDUST-PROC - LOW	135	508	0.000	0.705	0.660
	12 SERVICE - HIGH	304	2,201	0.000	0.704	0.659
	14 CONTRACTORS	76,219	378,538	0.753	0.779	0.729
	TOTAL*	206,224	1,030,645	0.686	0.748	0.700

MONTANA
SPECIAL CAUSES OF LOSS RELATIVITY ANALYSIS
SUMMARY OF EXPERIENCE USED IN SIMULTANEOUS REVIEW

TYPE OF POLICY	CATEGORY	(1)	(2)	(3)	(4)	(5)
		ACCIDENT YEAR				
		ENDING 03/31/19	5 - YEAR	5 - YEAR		CREDIBILITY
		AGGREGATE LOSS	AGGREGATE	EXPERIENCE		WEIGHTED
		COSTS	LOSS COSTS	RATIO	RELATIVITY	RELATIVITY

TOTAL ALL TOPS*	01 BUILDINGS	2,675,146	13,190,404	1.076	1.088	1.018
	02 RES. APTS. AND COND	149,779	768,783	0.512	0.869	0.814
	03 OFFICES	90,006	420,449	0.900	1.077	1.008
	04 MERCANTILE - HIGH	82,805	436,284	0.800	1.073	1.004
	05 MERCANTILE - MEDIUM	56,746	276,311	2.727	1.456	1.364
	06 MERCANTILE - LOW	27,200	119,981	3.647	1.602	1.500
	07 MOTELS AND HOTELS	51,672	267,038	0.906	1.154	1.080
	08 INSTITUTIONAL - HIG	51,724	292,116	0.636	1.000	0.936
	09 INSTITUTIONAL - LOW	75,666	379,424	0.795	1.034	0.968
	10 INDUST-PROC - HIGH	30,391	153,281	0.622	0.834	0.781
	11 INDUST-PROC - LOW	48,698	219,459	0.697	0.865	0.810
	12 SERVICE - HIGH	108,147	549,234	0.818	0.865	0.809
	13 SERVICE - LOW	46,750	269,245	1.116	0.972	0.910
	14 CONTRACTORS	93,496	445,491	1.039	0.918	0.860
	TOTAL*	3,588,226	17,787,500	1.055	1.068	1.000

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

MONTANA

BASIC GROUP II RELATIVITY ANALYSIS

INDICATED TOTAL LOSS COST ADJUSTMENT: 14.8%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	ACCIDENT YEAR ENDING 03/31/19	ACCIDENT YEARS 2010-2019								INDICATED TOTAL
	LOSS COSTS AT CURRENT IMPLICIT PMF	EXPERIENCE RATIO AT CURRENT PMF PMF A	FORMULA RELATIVITY (2)/ 1.485	CREDIBILITY C	CREDIBILITY WEIGHTED RELATIVITY	BALANCED FORMULA RELATIVITY	NORMALIZED FORMULA RELATIVITY	CURRENT IMPLICIT PMF	INDICATED IMPLICIT PMF	LOSS COST ADJUST
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
MONOLINE	1,036,359	0.880	0.593	0.172	0.930	0.930	0.9074			4.2%
MULTILINE	4,674,547	1.619	1.090	0.509	1.046	1.046	1.0211			17.2%
	-----	-----	-----	-----	-----	-----	-----	--		-----
COVERAGE	5,710,906	1.485	1.000			1.0249	1.0005			14.8%
MULTILINE TOP										
31 MOTEL/HOTEL	280,010	1.849	1.245	0.065	1.016	1.047	1.0216	0.835	0.940	17.2%
32 APARTMENT	632,192	2.331	1.570	0.126	1.072	1.105	1.0782	0.863	1.025	23.7%
33 OFFICE	361,163	1.025	0.690	0.059	0.982	1.012	0.9874	0.729	0.793	13.3%
34 MERCANTILE	1,276,815	1.496	1.007	0.204	1.001	1.032	1.0069	0.878	0.974	15.6%
35 INSTITUTIONAL	661,442	1.940	1.306	0.158	1.048	1.080	1.0538	0.685	0.796	20.9%
36 SERVICES	877,619	1.503	1.012	0.169	1.002	1.033	1.0079	0.868	0.964	15.7%
37 INDUST/PROCESS	287,529	1.375	0.926	0.049	0.996	1.026	1.0011	0.648	0.715	14.9%
38 CONTRACTORS	297,777	1.009	0.679	0.058	0.981	1.011	0.9864	0.919	0.999	13.2%
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	4,674,547	1.619	1.090		1.015	1.046	1.0211			17.2%

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

MONTANA
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	-25.0	0.750	0.840	0.252
2004-01-01	1.5	0.761	0.828	1.000
2004-09-01	-12.4	0.667	0.945	0.333
2006-02-01	-0.5	0.664	0.949	0.915
2008-03-01	-7.1	0.616	1.023	0.836
2009-04-01	-10.0	0.555	1.135	0.753
2012-04-01	-0.9	0.550	1.145	0.751
2013-04-01	6.6	0.586	1.075	0.753
2014-04-01	6.3	0.623	1.011	0.753
2017-01-01	0.6	0.627	1.005	1.000
2018-11-01	0.5	0.630	1.000	0.167

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

MONTANA
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	4.9	1.049	1.300	0.252
2004-01-01	6.2	1.114	1.224	1.000
2004-09-01	0.3	1.117	1.221	0.333
2006-02-01	11.5	1.246	1.095	0.915
2008-03-01	-2.4	1.216	1.122	0.836
2009-04-01	-5.3	1.152	1.184	0.753
2012-04-01	-4.4	1.101	1.239	0.751
2013-04-01	-1.4	1.085	1.257	0.753
2014-04-01	1.9	1.106	1.233	0.753
2017-01-01	9.3	1.209	1.128	1.000
2018-11-01	12.8	1.364	1.000	0.167

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

MONTANA
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	2.7	1.027	1.052	0.252
2004-01-01	-8.3	0.942	1.146	1.000
2004-09-01	-1.3	0.930	1.161	0.333
2006-02-01	3.5	0.962	1.123	0.915
2008-03-01	-3.2	0.931	1.160	0.836
2009-04-01	-2.7	0.906	1.192	0.753
2012-04-01	4.7	0.949	1.138	0.751
2013-04-01	6.2	1.008	1.071	0.753
2014-04-01	1.6	1.024	1.055	0.753
2017-01-01	1.5	1.039	1.039	1.000
2018-11-01	3.9	1.080	1.000	0.167

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

MONTANA

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

TERRITORY: Entire State

EFFECTIVE RATING
DATE ID

RATING GROUP

		01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	17	18	19	20	21	22
02/01/2006	SPEC.	-14.4	-13.3	-8.3	-11.0	-12.6	-11.2	-12.2	-13.0	-12.5	-14.0	-12.6	-12.9	-17.0	-12.9	-12.6	-12.8	-12.7	-12.5	-12.5	-12.7	-12.5
	CLASS	1.8	3.1	9.0	5.8	4.0	5.5	4.4	3.4	4.1	2.3	4.0	3.5	-1.4	3.5	3.9	3.7	-12.7	4.1	-12.5	-12.7	4.1
03/01/2008	SPEC.	-20.1	-19.9	-25.6	-20.5	-19.5	-14.7	-18.5	-20.4	-17.7	-20.8	-19.3	-18.8	-21.5	-18.8	-21.4	-20.2	-20.1	-19.3	-19.3	-20.1	-19.3
	CLASS	-0.9	-0.7	-7.6	-1.4	-0.1	5.8	1.1	-1.3	2.1	-1.7	0.1	0.7	-2.6	0.7	-2.4	-1.0	-20.1	0.1	-19.3	-20.1	0.1
04/01/2009	SPEC.	-17.2	-16.3	-18.7	-17.8	-16.4	-12.5	-15.4	-18.7	-13.9	-16.0	-16.3	-15.1	-18.3	-15.1	-19.1	-16.8	-17.7	-18.9	-18.9	-16.1	-18.9
	CLASS	-7.6	-6.6	-9.4	-8.3	-6.8	-2.5	-5.6	-9.3	-3.9	-6.3	-6.6	-5.3	-8.9	-5.3	-9.8	-7.2	-17.7	-9.6	-18.9	-16.1	-9.6
04/01/2012	SPEC.	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9	-20.9
	CLASS	0.4	6.9	7.1	11.4	6.5	6.2	5.8	5.7	8.1	5.6	6.5	4.5	4.3	4.5	0.6	6.1	-20.9	6.6	-20.9	-20.9	6.6
04/01/2013	SPEC.	-1.3	2.0	1.2	5.4	1.4	-0.7	1.4	0.9	2.4	0.6	1.5	1.1	0.9	1.1	-1.3	1.2	1.1	1.5	1.5	1.3	1.5
	CLASS	4.2	7.8	6.9	11.3	7.1	4.9	7.1	6.6	8.2	6.3	7.2	6.8	6.6	6.8	4.2	6.9	1.1	7.2	1.5	1.3	7.2
04/01/2014	SPEC.	-1.2	2.2	2.1	4.6	1.6	-0.6	1.6	1.5	2.7	1.5	1.7	1.7	1.0	1.7	-1.8	1.4	1.5	1.4	1.8	1.6	1.8
	CLASS	4.0	7.7	7.6	10.1	7.0	4.6	7.0	6.9	8.2	6.9	7.1	7.1	6.4	7.1	3.5	6.8	1.5	6.8	1.8	1.6	7.2
01/01/2017	SPEC.	1.9	1.2	0.9	-0.1	0.5	0.8	0.5	-0.6	3.4	0.2	1.0	1.0	-1.0	1.0	-0.5	0.4	0.5	0.5	0.2	0.6	0.2
	CLASS	2.3	1.6	1.3	0.3	0.9	1.2	0.9	-0.2	3.8	0.6	1.4	1.4	-0.6	1.4	-0.1	0.8	0.5	0.9	0.2	0.6	0.6
11/01/2018	SPEC.	3.4	1.9	1.3	-1.7	1.3	2.7	1.4	-0.2	2.8	0.6	2.3	1.5	1.7	1.5	0.7	1.1	1.8	0.4	0.4	1.1	0.4
	CLASS	3.4	1.9	1.3	-1.7	1.3	2.7	1.4	-0.2	2.8	0.6	2.3	1.5	1.7	1.5	0.7	1.1	1.8	0.4	0.4	1.1	0.4

MONTANA

BASIC GROUP II
HISTORY OF LOSS COST/RATE LEVEL CHANGES
BY TERRITORY, SYMBOL AND COVERAGE

(1)	(2)	(3)	(4)	(5)
TERRITORY	EFFECTIVE DATE	SYMBOL	BUILDING	CONTENTS

EXHIBIT C5 DOES NOT EXIST FOR NON-HURRICANE STATES

MONTANA

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
12/01/1998	15.2	6.0	6.5	-0.4	-0.9									
10/01/1999	0.5	-3.9	-2.8	-6.0	-3.7									
10/01/2000	3.8	-0.7	1.1	-0.6	0.5									
01/01/2004	-6.9	-13.7	-8.1	-10.4	-15.0									
09/01/2004	-0.3	-4.9	-1.1	-2.3	-8.1									
02/01/2006	4.3	-1.0	2.1	2.5	-2.2									
03/01/2008	-3.1	-6.0	-4.1	-2.8	-2.9									
04/01/2009	-3.0	-5.6	-0.8	-1.5	-1.0									
04/01/2012	4.1	2.1	6.7	9.6	6.0	5.8	6.9	6.4	5.9	6.7	8.3	6.3	4.3	8.0
04/01/2013	6.5	0.4	7.1	6.9	5.4	5.1	7.1	5.5	4.2	5.7	6.1	5.8	5.2	6.6
04/01/2014	1.8	0.0	2.2	1.9	0.9	0.9	1.6	1.2	0.8	1.1	1.7	0.3	0.6	2.1
01/01/2017	1.3	1.8	2.5	2.4	2.4	2.2	2.3	2.2	1.7	2.5	2.6	1.2	2.3	3.2
11/01/2018	4.0	3.4	3.9	3.5	4.1	3.8	3.8	4.0	3.5	4.1	4.0	3.0	3.5	4.4

MONTANA

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	1.037	0.500	1.500
32	APARTMENT	0.690	0.500	1.500
33	OFFICE	1.130	0.500	1.500
34	MERCANTILE	0.875	0.500	1.500
35	INSTITUTIONAL	1.040	0.500	1.500
36	SERVICES	1.028	0.500	1.500
37	INDUST/PROCESSING	0.980	0.500	1.500
38	CONTRACTORS	0.931	0.500	1.500

MONTANA

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

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP

31	MOTEL/HOTEL	0.835	0.500	1.500
32	APARTMENT	0.863	0.500	1.500
33	OFFICE	0.729	0.500	1.500
34	MERCANTILE	0.878	0.500	1.500
35	INSTITUTIONAL	0.685	0.500	1.500
36	SERVICES	0.868	0.500	1.500
37	INDUST/PROCESSING	0.648	0.500	1.500
38	CONTRACTORS	0.919	0.500	1.500

MONTANA

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

CPP IMPLICIT PACKAGE MODIFICATION FACTORS (IPMFS) AND IPMF CAPS

TOP	DESCRIPTION	IPMF	LOW CAP	HIGH CAP

31	MOTEL/HOTEL	1.085	0.500	1.500
32	APARTMENT	1.020	0.500	1.500
33	OFFICE	0.973	0.500	1.500
34	MERCANTILE	0.710	0.500	1.500
35	INSTITUTIONAL	0.592	0.500	1.500
36	SERVICES	0.926	0.500	1.500
37	INDUST/PROCESSING	0.955	0.500	1.500
38	CONTRACTORS	0.944	0.500	1.500

Development of Current Cost Factors and Loss Projection Factors
For Commercial Property Building and Contents Experience
 Period ending December 31, 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 ^(a)

Quarter	XCI	PPI	IMSEP	RSALES	Time Element Combined
					Index
1 Q1-2017	112.7	115.5	1.035	0.962	0.984
2 Q2-2017	114.0	116.5	1.034	0.956	0.979
3 Q3-2017	115.0	116.3	1.04	0.958	0.983
4 Q4-2017	115.5	117.1	1.043	0.963	0.987
5 Q1-2018	116.6	117.6	1.046	0.970	0.993
6 Q2-2018	117.5	118.1	1.053	0.973	0.997
7 Q3-2018	118.4	118.3	1.058	0.974	0.999
8 Q4-2018	118.8	119.6	1.059	0.970	0.997
9 Q1-2019	119.8	120.4	1.06	0.965	0.994
10 Q2-2019	121.1	120.8	1.064	0.971	0.999
11 Q3-2019	121.9	120.8	1.065	0.970	0.999
12 Q4-2019	123.0	121.7	1.064	0.970	0.998

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

$$\text{Annual Rate of Change} = +3.09\% \quad R^2 = 0.996$$

$$\text{Loss Projection Factor for Buildings} = 1.031^{22.5/12 (b)} = 1.0587$$

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

$$\text{Annual Rate of Change} = +1.92\% \quad R^2 = 0.978$$

$$\text{Loss Projection Factor for Contents} = 1.019^{22.5/12 (b)} = 1.0363$$

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

$$\text{Annual Rate of Change} = +0.70\% \quad R^2 = 0.745$$

$$\text{Loss Projection Factor for Time Element} = 1.007^{22.5/12 (b)} = 1.0132$$

(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 July 1 2020, and all one year policies, the time interval between the midpoint of the latest period (08/15/2019) and the average date of accident (07/01/2021) would be 22.5 months.

Development of Current Cost Factors and Loss Projection Factors

Part E: Calculation of Current Cost Factors (CCF)

<u>Calendar Year Averages</u>			Current Cost Factors Based on Average Index Values for <u>Period ending December 31, 2019</u>			
<u>Year</u>	<u>XCI</u>	<u>PPI</u>	<u>Time Element</u>		<u>Contents</u>	<u>Time Element</u>
2008	97.0	98.5	<u>Index</u>	<u>Buildings</u>		
2009	100.0	100.0	0.948	123 / 97.0 =	1.269	121.7 / 98.5 = 1.236
2010	99.3	101.8	0.953	123 / 100.0 =	1.23	121.7 / 100.0 = 1.217
2011	100.0	105.2	0.985	123 / 99.3 =	1.239	121.7 / 101.8 = 1.195
2012	101.0	108.0	1.000	123 / 100.0 =	1.23	121.7 / 105.2 = 1.157
2013	102.7	109.7	1.003	123 / 101.0 =	1.218	121.7 / 108.0 = 1.127
2014	104.7	112.5	1.005	123 / 102.7 =	1.198	121.7 / 109.7 = 1.109
2015	109.1	113.8	0.986	123 / 104.7 =	1.175	121.7 / 112.5 = 1.081
2016	111.1	114.4	0.975	123 / 109.1 =	1.127	121.7 / 113.8 = 1.069
2017	114.3	116.4	0.983	123 / 111.1 =	1.107	121.7 / 114.4 = 1.064
2018	117.8	118.4	0.997	123 / 114.3 =	1.076	121.7 / 116.4 = 1.046
2019	121.5	120.9	0.998	123 / 117.8 =	1.044	121.7 / 118.4 = 1.028
				123 / 121.5 =	1.013	121.7 / 120.9 = 1.007
						0.998 / 0.948 = 1.053
						0.998 / 0.940 = 1.062
						0.998 / 0.953 = 1.047
						0.998 / 0.985 = 1.013
						0.998 / 1.000 = 0.998
						0.998 / 1.003 = 0.995
						0.998 / 1.005 = 0.993
						0.998 / 0.986 = 1.012
						0.998 / 0.975 = 1.024
						0.998 / 0.983 = 1.015
						0.998 / 0.997 = 1.001
						0.998 / 0.998 = 1.000

SUMMARY OF LOSS TREND ADJUSTMENTS (LTA'S)

<u>BUILDINGS</u>	<u>5 YEAR INCURRED LOSSES</u>	<u>LTA'S*</u>
BASIC GROUP I	2,958,736,918	0
BASIC GROUP II	2,951,810,348	0
SPECIAL CAUSES OF LOSS	1,665,137,986	0.3
TOTAL	7,575,685,251	0.1
<u>CONTENTS</u>		
BASIC GROUP I	869,646,578	0.6
BASIC GROUP II	263,818,148	0.6
SPECIAL CAUSES OF LOSS	606,599,719	-0.6
TOTAL	1,740,064,445	0.2
<u>TIME ELEMENT</u>		
BASIC GROUP I	389,039,379	2.6
BASIC GROUP II	70,999,922	2.7
SPECIAL CAUSES OF LOSS	123,793,433	2.6
TOTAL	583,832,734	2.6
GRAND TOTAL	9,899,582,430	0.3

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

DEVELOPMENT OF LTA'SI. EXTERNAL RATE OF CHANGE^a

	(1)	(2)	(3)	(4)	(5)
	Buildings	Contents	Time	Basic Group I (BGI)&	Basic Group II
Calendar	Current	Current	Element	Special Causes of Loss (SCL)	(BGII)
Year	Cost Factor	Cost Factor	Cost Factor	Weights	Weights
2008	1.188	1.196	1.061		0.10
2009	1.197	1.175	1.046		0.10
2010	1.188	1.137	1.012		0.10
2011	1.176	1.108	0.997		0.10
2012	1.157	1.090	0.994		0.10
2013	1.135	1.063	0.992	0.10	0.10
2014	1.089	1.051	1.011	0.15	0.10
2015	1.069	1.045	1.023	0.20	0.10
2016	1.039	1.028	1.014	0.25	0.10
2017	1.008	1.010	1.000	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))	1.053	1.033	1.009
Basic Group II (Weighted on Column (5))	1.125	1.090	1.015

(7) LOSS PROJECTION FACTORS

	Buildings	Contents	Time Element
Annual Rate of Change	0.029	0.017	0.010
Loss Projection Factor: ^b $(1.0 + \text{Annual Rate of Change})^{(X/12)}$	1.079	1.045	1.026

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

	Buildings	Contents	Time Element
Basic Group I and Special Causes of Loss	1.136	1.079	1.035
Basic Group II	1.214	1.139	1.041

(9) EXTERNAL ANNUAL RATE OF CHANGE^c

	Buildings	Contents	Time Element
Basic Group I and Special Causes of Loss: $(\text{Total Trend Factor})^{12/54}$	1.029	1.017	1.008
Basic Group II: $(\text{Total Trend Factor})^{12/90}$	1.026	1.018	1.005

(a) The Current Cost Factors and Loss Projection Factors on this exhibit are based on external economic indices through December 31, 2018 for Buildings, Contents and Time Element.

(b) Assuming a loss cost revision date of July 1, 2020, the time interval between the midpoint of the latest period of external trend information (November 15, 2018) and the prospective average date of loss (July 1, 2021) 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, 2021) is 54 months for BG I and SCL, and 90 months for BG II. The weighted midpoint is January 1, 2017 for BG I and SCL, and January 1, 2014 for BG II.

DEVELOPMENT OF LTA'SII. INTERNAL ANNUAL RATES OF CHANGE:

(10) SELECTED COMFAL

	Buildings	Contents	Time Element
Basic Group I (BGI)	1.050	1.050	1.060
Basic Group II (BGII)	1.025	1.030	1.060
Special Causes of Loss	1.035	1.025	1.060

III. LTA CALCULATION:

CALCULATION OF LTAs - BUILDINGS

	(11) External Rate of Change ^d	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA ^e	(15) Frequency Effect	(16) Final LTA ^f
Basic Group I (BGI)	1.029	1.050	2.0	1.0	-1.0	0.0
Basic Group II (BGII)	1.026	1.025	-0.1	-0.1	0.0	-0.1
Special Causes of Loss	1.029	1.035	0.6	0.3	0.0	0.3

CALCULATION OF LTAs - CONTENTS

	(11) External Rate of Change ^d	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA ^e	(15) Frequency Effect	(16) Final LTA ^f
Basic Group I (BGI)	1.017	1.050	3.2	1.6	-1.0	0.6
Basic Group II (BGII)	1.018	1.030	1.2	0.6	0.0	0.6
Special Causes of Loss	1.017	1.025	0.8	0.4	-1.0	-0.6

CALCULATION OF LTAs - TIME ELEMENT

	(11) External Rate of Change ^d	(12) Internal Rate of Change	(13) Indicated Severity LTA [(12)/(11)-1.0]	(14) Formula Severity LTA ^e	(15) Frequency Effect	(16) Final LTA ^f
Basic Group I (BGI)	1.008	1.060	5.2	2.6	0.0	2.6
Basic Group II (BGII)	1.005	1.060	5.5	2.8	0.0	2.8
Special Causes of Loss	1.008	1.060	5.2	2.6	0.0	2.6

(d) The external rates of change are based on external economic indices through December 31, 2018 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.

EXPOSURE TREND
DEVELOPMENT OF CURRENT AND PROJECTED EARNED EXPOSURE FACTORS

	<u>Buildings</u>				<u>Contents</u>			
	(1) ^a	(2) ^a	(3) ^b	(4) ^c	(5) ^a	(6) ^a	(7) ^b	(8) ^c
	Annual	7/1/2019	4/1/2021	4/1/2021	Annual	7/1/2019	4/1/2021	4/1/2021
	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>
2007	3.9%	1.368	1.443	1.485	2.4%	1.266	1.315	1.338
2008	3.5%	1.322	1.395	1.431	2.4%	1.236	1.284	1.307
2009	3.3%	1.280	1.350	1.384	2.2%	1.209	1.256	1.277
2010	2.5%	1.249	1.318	1.342	1.7%	1.189	1.235	1.251
2011	2.5%	1.219	1.286	1.310	1.8%	1.168	1.213	1.229
2012	2.7%	1.187	1.252	1.277	1.8%	1.147	1.192	1.208
2013	2.6%	1.157	1.220	1.244	2.1%	1.123	1.167	1.186
2014	2.5%	1.129	1.191	1.213	2.1%	1.100	1.143	1.161
2015	2.3%	1.104	1.165	1.185	1.9%	1.079	1.121	1.138
2016	2.1%	1.081	1.140	1.159	1.8%	1.060	1.101	1.116
2017	2.1%	1.059	1.117	1.134	1.8%	1.041	1.081	1.096
2018	2.7%	1.031	1.088	1.110	1.9%	1.022	1.062	1.076
2019	3.1%	1.000	1.055	1.080	2.2%	1.000	1.039	1.056

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 3.1% and 2.2% for Buildings and Contents, respectively. Consequently, the written factors at 7/1/2019 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 4/1/2021 (i.e., 6 months beyond an assumed revision date of 7/1/2020), by applying a factor of (1.031)^{21/12} for Buildings and (1.022)^{21/12} 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>Year</u>	<u>Earning Factors (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 01/01/2019 to 12/31/2019 to the projected level are 1.08 for Buildings and 1.056 for Contents.

EXPOSURE TREND
DEVELOPMENT OF CURRENT AND PROJECTED EARNED EXPOSURE FACTORS

Time Element				
	(1) ^a	(2) ^a	(3) ^b	(4) ^c
	Annual	7/1/2019	4/1/2021	4/1/2021
	Written	Written	Projected	Earned
<u>Year</u>	<u>Increase</u>	<u>Factors</u>	<u>Factors</u>	<u>Factors</u>
2007	1.3%	1.116	1.134	1.145
2008	1.3%	1.102	1.119	1.130
2009	0.8%	1.093	1.110	1.117
2010	0.7%	1.085	1.102	1.108
2011	0.8%	1.076	1.093	1.100
2012	0.8%	1.067	1.084	1.091
2013	0.9%	1.057	1.074	1.081
2014	1.0%	1.047	1.064	1.072
2015	1.1%	1.036	1.052	1.061
2016	1.1%	1.025	1.041	1.049
2017	0.9%	1.016	1.032	1.039
2018	0.7%	1.009	1.025	1.030
2019	0.9%	1.000	1.016	1.023

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 change in Net Income (Time Element exposure) for projection purposes is 0.9%. Consequently, the written factors at 7/1/2019 levels in column (2) are brought to the level of the average date of writing in the effective period, 4/1/2021 (i.e., 6 months beyond an assumed revision date of 7/1/2020), by applying a factor of (1.009)^{21/12} 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>Year</u>	<u>Earning Factors (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 01/01/2019 to 12/31/2019 to the projected level is 1.023 for Time Element

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

	<u>Buildings</u>				<u>Contents</u>			
	(1) ^a	(2) ^a	(3) ^b	(4) ^c	(5) ^a	(6) ^a	(7) ^b	(8) ^c
	Annual	7/1/2019	4/1/2021	4/1/2021	Annual	7/1/2019	4/1/2021	4/1/2021
	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>
2007	3.1%	1.292	1.349	1.381	2.0%	1.217	1.256	1.274
2008	2.8%	1.257	1.313	1.340	2.0%	1.193	1.231	1.250
2009	2.7%	1.224	1.278	1.304	1.8%	1.172	1.209	1.226
2010	2.0%	1.200	1.253	1.272	1.4%	1.156	1.193	1.205
2011	2.0%	1.176	1.228	1.247	1.5%	1.139	1.175	1.188
2012	2.2%	1.151	1.202	1.221	1.5%	1.122	1.158	1.171
2013	2.1%	1.127	1.177	1.196	1.8%	1.102	1.137	1.153
2014	2.0%	1.105	1.154	1.171	1.8%	1.083	1.117	1.132
2015	1.9%	1.084	1.132	1.149	1.6%	1.066	1.100	1.113
2016	1.7%	1.066	1.113	1.127	1.5%	1.050	1.083	1.096
2017	1.7%	1.048	1.094	1.108	1.5%	1.034	1.067	1.079
2018	2.2%	1.025	1.070	1.088	1.6%	1.018	1.050	1.063
2019	2.5%	1.000	1.044	1.063	1.8%	1.000	1.032	1.045

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 2.5% and 1.8% for Buildings and Contents, respectively. Consequently, the written factors at 7/1/2019 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 4/1/2021 (i.e., 6 months beyond an assumed revision date of 7/1/2020), by applying a factor of (1.025)^{21/12} for Buildings and (1.018)^{21/12} 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>Year</u>	<u>Earning Factors (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 01/01/2019 to 12/31/2019 to the projected level are 1.063 for Buildings and 1.045 for Contents.

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

	Buildings				Contents			
	(1) ^a	(2) ^a	(3) ^b	(4) ^c	(5) ^a	(6) ^a	(7) ^b	(8) ^c
	Annual	7/1/2019	4/1/2021	4/1/2021	Annual	7/1/2019	4/1/2021	4/1/2021
	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>
2007	2.9%	1.265	1.316	1.345	1.8%	1.197	1.233	1.249
2008	2.6%	1.233	1.283	1.308	1.8%	1.176	1.211	1.228
2009	2.4%	1.204	1.253	1.276	1.7%	1.156	1.191	1.206
2010	1.9%	1.182	1.230	1.247	1.3%	1.141	1.175	1.187
2011	1.9%	1.160	1.207	1.224	1.4%	1.125	1.159	1.171
2012	2.0%	1.137	1.183	1.201	1.4%	1.109	1.142	1.155
2013	1.9%	1.116	1.161	1.178	1.6%	1.092	1.125	1.138
2014	1.9%	1.095	1.139	1.156	1.6%	1.075	1.107	1.120
2015	1.7%	1.077	1.121	1.135	1.4%	1.060	1.092	1.103
2016	1.6%	1.060	1.103	1.117	1.4%	1.045	1.076	1.088
2017	1.6%	1.043	1.085	1.099	1.4%	1.031	1.062	1.073
2018	2.0%	1.023	1.065	1.080	1.4%	1.017	1.047	1.058
2019	2.3%	1.000	1.041	1.059	1.7%	1.000	1.030	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 2.3% and 1.7% for Buildings and Contents, respectively. Consequently, the written factors at 7/1/2019 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 4/1/2021 (i.e., 6 months beyond an assumed revision date of 7/1/2020), by applying a factor of (1.023)^{21/12} for Buildings and (1.017)^{21/12} 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>Year</u>	<u>Earning Factors (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 01/01/2019 to 12/31/2019 to the projected level are 1.059 for Buildings and 1.043 for Contents.

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

	Buildings				Contents			
	(1) ^a	(2) ^a	(3) ^b	(4) ^c	(5) ^a	(6) ^a	(7) ^b	(8) ^c
	Annual	7/1/2019	4/1/2021	4/1/2021	Annual	7/1/2019	4/1/2021	4/1/2021
	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>
2007	3.0%	1.275	1.329	1.359	1.6%	1.165	1.194	1.208
2008	2.7%	1.241	1.294	1.320	1.6%	1.147	1.175	1.189
2009	2.5%	1.211	1.262	1.286	1.4%	1.131	1.159	1.171
2010	1.9%	1.188	1.238	1.256	1.1%	1.119	1.147	1.156
2011	1.9%	1.166	1.215	1.232	1.2%	1.106	1.133	1.143
2012	2.1%	1.142	1.190	1.209	1.2%	1.093	1.120	1.130
2013	2.0%	1.120	1.167	1.184	1.4%	1.078	1.105	1.116
2014	1.9%	1.099	1.146	1.162	1.4%	1.063	1.089	1.101
2015	1.8%	1.080	1.126	1.141	1.2%	1.050	1.076	1.086
2016	1.6%	1.063	1.108	1.122	1.2%	1.038	1.064	1.073
2017	1.6%	1.046	1.090	1.104	1.2%	1.026	1.051	1.061
2018	2.1%	1.024	1.067	1.084	1.2%	1.014	1.039	1.048
2019	2.4%	1.000	1.042	1.061	1.4%	1.000	1.025	1.035

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 2.4% and 1.4% for Buildings and Contents, respectively. Consequently, the written factors at 7/1/2019 levels in column (2) and column (6) are brought to the level of the average date of writing in the effective period, 4/1/2021 (i.e., 6 months beyond an assumed revision date of 7/1/2020), by applying a factor of (1.024)^{21/12} for Buildings and (1.014)^{21/12} 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>Year</u>	<u>Earning Factors (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 01/01/2019 to 12/31/2019 to the projected level are 1.061 for Buildings and 1.035 for Contents.

MONTANA

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
2015	7,119,967	9,329,282	1.310	88.6%	8.3%	3.1%
2016	5,632,238	7,025,549	1.247	73.6%	19.5%	6.9%
2017	4,895,597	6,022,983	1.230	77.2%	19.9%	2.9%
2018	4,927,375	5,749,214	1.167	63.7%	12.7%	23.6%
2019	10,179,453	11,459,053	1.126	82.4%	9.1%	8.5%

MONTANA

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 %		
				----- BUILDINGS CONTENTS TIME ELEMENT		
2010	5,321,883	7,054,742	1.326	92.9%	1.7%	5.4%
2011	21,955,242	29,078,421	1.324	97.3%	2.2%	0.5%
2012	3,330,488	4,420,859	1.327	91.5%	8.5%	0.0%
2013	2,002,960	2,617,912	1.307	94.6%	4.1%	1.3%
2014	7,631,102	9,764,974	1.280	97.1%	2.2%	0.7%
2015	19,181,394	24,211,756	1.262	98.1%	1.6%	0.3%
2016	8,254,790	9,899,524	1.199	90.9%	3.7%	5.4%
2017	19,640,623	23,124,123	1.177	94.6%	3.0%	2.4%
2018	1,128,872	1,287,312	1.140	83.2%	11.3%	5.5%
2019	6,227,681	6,890,018	1.106	89.3%	5.4%	5.3%

MONTANA

SPECIAL CAUSES OF LOSS
ADDITIONAL INFORMATION ON TREND ADJUSTMENTS

YEAR	(1)	(2)	(3)	(4)		
	UNADJUSTED	TRENDED	AVERAGE	SPLIT %		
	INCURRED	INCURRED	TOTAL LOSS	-----		
	LOSSES	LOSSES	TREND FACTOR	BUILDINGS	CONTENTS	TIME
			(2) / (1)			ELEMENT
2015	2,004,219	2,484,897	1.240	69.4%	28.7%	1.9%
2016	1,217,331	1,487,389	1.222	79.3%	17.9%	2.8%
2017	5,223,657	6,172,198	1.182	83.9%	15.3%	0.8%
2018	3,472,947	3,955,509	1.139	84.2%	15.4%	0.4%
2019	3,427,584	3,776,373	1.102	81.6%	17.7%	0.7%

BASIC GROUP I
INCURRED LOSSES
LOSS YEARS 2010-2019
EVALUATED AS OF 6/2019

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
3/31/2010	982,945,453	972,240,970	963,438,520	955,956,591	952,175,864
3/31/2011	954,400,784	940,345,959	923,276,056	912,557,856	910,902,348
3/31/2012	892,889,513	866,747,447	848,884,830	842,465,974	837,021,423
3/31/2013	944,392,093	911,572,181	894,831,115	888,733,764	874,559,099
3/31/2014	908,134,205	911,948,559	901,855,023	893,652,665	889,824,440
3/31/2015	844,245,019	821,495,022	812,059,752	805,073,657	803,557,550
3/31/2016	797,545,059	771,710,178	763,544,068	755,149,830	
3/31/2017	910,562,040	880,000,782	868,201,150		
3/31/2018	1,048,029,500	1,036,893,353			
3/31/2019	955,711,208				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
3/31/2010	0.989	0.991	0.992	0.996
3/31/2011	0.985	0.982	0.988	0.998
3/31/2012	0.971	0.979	0.992	0.994
3/31/2013	0.965	0.982	0.993	0.984
3/31/2014	1.004	0.989	0.991	0.996
3/31/2015	0.973	0.989	0.991	0.998
3/31/2016	0.968	0.989	0.989	
3/31/2017	0.966	0.987		
3/31/2018	0.989			
5 POINT AVERAGE	0.980	0.987	0.991	0.994

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE =	0.953
27 MONTHS TO ULTIMATE =	0.972
39 MONTHS TO ULTIMATE =	0.985
51 MONTHS TO ULTIMATE =	0.994

BASIC GROUP II
INCURRED LOSSES
LOSS YEARS 2010-2019
EVALUATED AS OF 6/2019

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
3/31/2010	504,921,146	514,029,157	513,647,186	516,124,317	519,139,894
3/31/2011	660,216,332	690,034,373	697,320,985	701,763,650	706,166,203
3/31/2012	1,324,833,886	1,341,892,272	1,355,229,099	1,368,917,624	1,379,447,143
3/31/2013	919,276,455	949,536,301	962,719,405	972,855,815	979,725,611
3/31/2014	588,484,755	596,292,863	600,572,988	605,820,242	611,498,950
3/31/2015	537,425,878	555,934,645	572,751,361	577,644,239	582,184,151
3/31/2016	529,215,824	550,729,674	563,717,057	569,267,432	
3/31/2017	787,218,588	826,128,903	838,606,582		
3/31/2018	632,930,785	669,456,397			
3/31/2019	639,320,104				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
3/31/2010	1.018	0.999	1.005	1.006
3/31/2011	1.045	1.011	1.006	1.006
3/31/2012	1.013	1.010	1.010	1.008
3/31/2013	1.033	1.014	1.011	1.007
3/31/2014	1.013	1.007	1.009	1.009
3/31/2015	1.034	1.030	1.009	1.008
3/31/2016	1.041	1.024	1.010	
3/31/2017	1.049	1.015		
3/31/2018	1.058			
5 POINT AVERAGE	1.039	1.018	1.010	1.008

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE =	1.077
27 MONTHS TO ULTIMATE =	1.036
39 MONTHS TO ULTIMATE =	1.018
51 MONTHS TO ULTIMATE =	1.008

SPECIAL CAUSES OF LOSS
INCURRED LOSSES
LOSS YEARS 2010-2019
EVALUATED AS OF 6/2019

LOSSES AS OF					
YEAR ENDING	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS
3/31/2010	644,873,941	635,368,381	630,837,221	631,514,785	630,934,861
3/31/2011	701,248,974	684,190,432	688,901,365	686,196,662	684,427,020
3/31/2012	500,280,585	500,551,516	497,752,379	498,614,281	498,297,621
3/31/2013	423,462,203	417,213,401	407,724,146	409,767,727	409,967,125
3/31/2014	693,043,927	677,155,901	669,958,609	670,201,850	668,352,265
3/31/2015	568,862,320	575,937,905	572,992,179	572,238,006	574,625,611
3/31/2016	402,318,993	401,793,105	398,906,500	404,326,743	
3/31/2017	386,248,292	402,373,019	398,950,155		
3/31/2018	540,261,957	533,856,515			
3/31/2019	491,745,403				

RATIOS				
YEAR ENDING	27:15 MONTHS	39:27 MONTHS	51:39 MONTHS	63:51 MONTHS
3/31/2010	0.985	0.993	1.001	0.999
3/31/2011	0.976	1.007	0.996	0.997
3/31/2012	1.001	0.994	1.002	0.999
3/31/2013	0.985	0.977	1.005	1.000
3/31/2014	0.977	0.989	1.000	0.997
3/31/2015	1.012	0.995	0.999	1.004
3/31/2016	0.999	0.993	1.014	
3/31/2017	1.042	0.991		
3/31/2018	0.988			
5 POINT AVERAGE	1.004	0.989	1.004	0.999

DEVELOPMENT FACTORS TO ULTIMATE

15 MONTHS TO ULTIMATE =	0.996
27 MONTHS TO ULTIMATE =	0.992
39 MONTHS TO ULTIMATE =	1.003
51 MONTHS TO ULTIMATE =	0.999

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	1.064	1.133	1.206	1.284	1.366	1.454	1.548	1.648	1.754	1.867
	Prot. 5-7	1.000	1.082	1.170	1.266	1.369	1.482	1.603	1.734	1.876	2.029	2.195
	Prot. 8-10	1.000	1.063	1.130	1.202	1.277	1.358	1.444	1.535	1.632	1.735	1.844

		Amount of Insurance *										
		1	2	3	4	5	6	7	8	9	10	11
Const. 4-6	Prot. 1-4	1.000	1.052	1.107	1.164	1.225	1.289	1.356	1.427	1.501	1.579	1.661
	Prot. 5-7	1.000	1.069	1.143	1.222	1.307	1.397	1.494	1.598	1.708	1.827	1.953
	Prot. 8-10	1.000	1.051	1.104	1.160	1.219	1.281	1.346	1.414	1.486	1.562	1.641

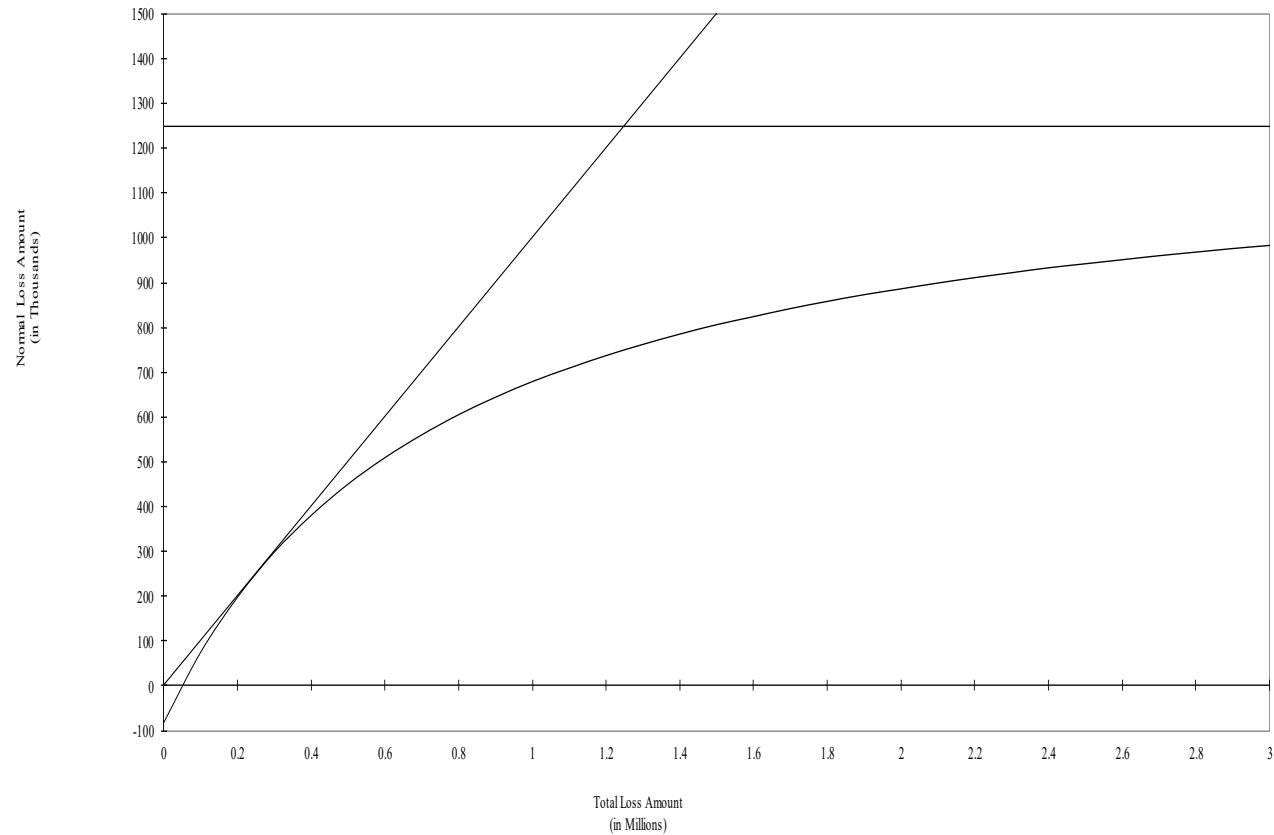
* Amount of
Insurance

Intervals

1	0-450,000
2	450,001-500,000
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

Countrywide Basic Group I
Normal vs. Total Loss Amount

Normal Loss = \$1,250,000 × (1 - (\$800,000 ÷ (Total Loss + \$750,000)))



MONTANA

BASIC GROUP I
ADDITIONAL EXCESS LOSS INFORMATION

	(1)	(2)	(3)	(4)	(5)	(6)
				MULTI-		STATE
	TRENDED	TRENDED	STATE	STATE	ADJUSTED	AVERAGE
	INCURRED	NORMAL	NORMAL %	NORMAL	INCURRED	EXCESS
YEAR	LOSSES	LOSSES	(2)/(1)	%	LOSSES	FACTOR
						(5)/(2)
2015	9,329,282	7,756,884	83.1%	75.2%	12,245,959	1.579
2016	7,025,549	6,581,465	93.7%	72.8%	8,809,504	1.339
2017	6,022,983	5,206,898	86.5%	70.6%	7,691,731	1.477
2018	5,749,214	3,944,743	68.6%	66.7%	5,168,921	1.310
2019	11,459,053	7,700,795	67.2%	70.5%	11,120,588	1.444

MONTANA
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	342,282	88,645	88,645	0.259		-
1951	407,575	141,780	141,780	0.348		-
1952	450,109	101,684	101,684	0.226		-
1953	451,149	383,161	325,730	0.722	0.120	0.007
1954	462,478	208,031	208,031	0.450		-
1955	472,628	971,442	341,237	0.722	0.830	0.503
1956	482,126	367,166	348,095	0.722	0.039	0.001
1957	523,170	298,429	298,429	0.570		-
1958	582,681	1,519,537	420,696	0.722	1.015	0.871
1959	721,024	330,073	330,073	0.458		-
1960	868,675	295,146	295,146	0.340		-
1961	946,282	597,931	597,931	0.632		-
1962	959,652	1,560,154	692,869	0.722	0.641	0.263
1963	962,693	451,031	451,031	0.469		-
1964	945,377	221,228	221,228	0.234		-
1965	855,980	365,660	365,660	0.427		-
1966	801,761	370,894	370,894	0.463		-
1967	890,024	256,042	256,042	0.288		-
1968	952,499	149,413	149,413	0.157		-
1969	1,043,715	257,556	257,556	0.247		-
1970	1,457,027	293,050	293,050	0.201		-
1971	1,538,482	312,270	312,270	0.203		-
1972	1,603,173	327,711	327,711	0.204		-
1973	1,751,782	321,973	321,973	0.184		-
1974	1,946,529	421,676	421,676	0.217		-
1975	2,142,490	1,536,535	1,536,535	0.717		-
1976	2,607,277	1,589,733	1,589,733	0.610		-
1977	2,995,595	823,230	823,230	0.275		-
1978	3,391,815	3,311,117	2,448,890	0.722	0.228	0.026
1979	3,317,474	1,005,630	1,005,630	0.303		-
1980	3,154,059	1,472,196	1,453,476	0.461	0.006	-
1981	2,742,670	1,134,893	1,134,893	0.414		-
1982	2,420,976	6,326,986	1,660,682	0.686	0.922	1.005
1983	2,609,196	1,623,230	1,500,343	0.575	0.046	0.001
1984	2,728,164	769,768	769,768	0.282		-
1985	3,162,408	1,334,447	1,334,447	0.422		-
1986	3,823,968	521,762	521,762	0.136		-
1987	3,269,352	236,407	236,407	0.072		-
1988	3,907,938	594,664	594,664	0.152		-

MONTANA
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
1989	3,408,966	659,161	659,161	0.193		-
1990	2,878,527	1,846,914	1,195,438	0.415	0.199	0.028
1991	2,422,914	9,805,936	1,781,728	0.735	1.144	2.168
1992	2,177,577	1,431,424	1,220,938	0.561	0.091	0.005
1993	2,261,532	1,275,174	1,165,130	0.515	0.047	0.002
1994	2,843,409	876,236	876,236	0.308		-
1995	2,985,414	1,705,567	1,683,837	0.564	0.007	-
1996	2,766,603	2,151,158	1,884,788	0.681	0.091	0.006
1997	2,636,562	3,434,050	1,992,957	0.756	0.429	0.117
1998	2,407,155	1,168,195	1,168,195	0.485		-
1999	2,220,051	3,150,977	2,542,961	1.145	0.250	0.024
2000	2,324,727	1,272,386	1,240,548	0.534	0.014	-
2001	2,539,896	1,650,150	1,025,930	0.404	0.216	0.030
2002	3,306,471	1,589,032	1,370,392	0.414	0.064	0.003
2003	4,029,753	1,225,046	1,135,115	0.282	0.022	-
2004	4,344,642	369,132	369,132	0.085		-
2005	4,582,287	834,700	834,700	0.182		-
2006	5,106,984	453,567	453,567	0.089		-
2007	5,459,913	5,498,121	2,905,095	0.532	0.369	0.106
2009	2,846,940	2,519,162	582,353	0.205		0.680
2010	6,161,305	5,321,883	2,841,726	0.461	0.324	0.079
2011	6,119,576	21,955,242	4,164,108	0.680	1.072	1.836
2012	5,998,912	3,330,488	3,330,488	0.555		-
2013	6,457,409	2,002,960	2,002,960	0.310		-
2014	7,058,516	7,631,102	5,301,435	0.751	0.298	0.032
2015	7,553,139	19,181,394	2,962,980	0.392	0.925	1.223
2016	7,981,280	8,254,790	4,918,129	0.616	0.334	0.084
2017	8,183,371	19,640,623	7,310,462	0.893	1.036	0.471
2018	7,847,215	1,128,872	1,128,872	0.144		-
2019	8,036,352	6,227,681	5,898,838	0.734	0.040	0.001
TOTALS	199,639,653	170,483,404	90,497,509	30.635	10.819	9.572

(7) STATE EXCESS COMPONENT = (SELR / NLR) = 0.353

(8) REGIONAL EXCESS COMPONENT = 0.131

(9) STATE EXCESS MULTIPLIER = (1+SEC) * (1+REC) = 1.530

NOTE: FOR YEARS PRIOR TO 2008, THE DISPLAYED YEAR INCLUDES DATA FOR ACCIDENT YEAR ENDING 12/31. FOR YEARS 2010 TO 2019, THE DISPLAYED YEAR INCLUDES DATA FOR ACCIDENT YEAR ENDING 03/31. THE DISPLAYED YEAR 2009 INCLUDES DATA FOR FIRST QUARTER 2008 THROUGH FIRST QUARTER 2009.

MONTANA

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	1,208,739	515,551	515,551	0.427	
1987	1,347,192	447,863	447,863	0.332	
1988	1,374,906	560,300	560,300	0.408	
1989	1,347,954	1,019,534	932,934	0.692	0.064
1990	1,500,324	1,012,455	965,410	0.643	0.032
1991	1,809,117	1,689,297	1,331,953	0.736	0.198
1992	1,775,526	1,518,424	1,266,194	0.713	0.142
1993	1,463,448	626,104	626,104	0.428	
1994	1,720,047	783,991	783,991	0.456	
1995	2,089,107	1,329,502	1,018,959	0.488	0.148
1996	2,276,196	1,169,893	1,169,893	0.514	
1997	2,383,857	3,452,927	1,678,994	0.704	0.744
1998	2,164,677	1,401,670	1,325,155	0.612	0.036
1999	1,880,475	1,802,131	1,453,943	0.773	0.185
2000	1,856,226	1,002,361	1,002,361	0.540	
2001	1,982,571	1,716,825	1,599,077	0.807	0.059
2002	2,385,993	1,276,269	1,276,269	0.535	
2003	3,190,419	1,294,665	1,294,665	0.406	
2004	3,743,286	1,173,115	1,173,115	0.313	
2005	3,841,185	1,104,505	1,104,505	0.288	
2006	3,614,058	1,052,382	1,052,382	0.291	
2007	3,456,168	940,049	940,049	0.272	
2008	3,456,807	1,742,213	1,691,008	0.489	0.015
2009	3,676,344	2,624,666	2,461,962	0.670	0.044
2010	3,772,704	2,507,045	2,507,045	0.665	
2011	3,713,787	2,442,764	2,442,764	0.658	
2012	3,663,234	1,599,103	1,599,103	0.437	
2013	3,830,259	1,459,714	1,459,714	0.381	
2014	4,148,514	3,761,348	2,775,766	0.669	0.238
2015	4,558,958	2,004,219	2,004,219	0.440	
2016	4,908,906	1,217,331	1,217,331	0.248	
2017	5,068,206	5,223,657	3,633,625	0.717	0.314
2018	4,987,355	3,472,947	3,050,915	0.612	0.084
2019	5,115,565	3,427,584	2,861,590	0.559	0.111
TOTALS		58,372,404	51,224,709	17.923	2.414

$$(6) \text{ STATE EXCESS COMPONENT} = (\text{SELR} / \text{NLR}) = 0.135$$

$$(7) \text{ STATE EXCESS MULTIPLIER} = (\text{SELR} / \text{NLR}) = 1.135$$

MONTANA
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	8.856
(1c) FULL CREDIBILITY CLAIMS STANDARD ADJUSTED FOR SEVERITY ((1a) X (1b))	13,612
(2) MULTISTATE FIVE YEAR RATIO OF EARNED RISKS TO CLAIMS	346.025
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1c)X(2)	4,710,092
(4) FIVE YEAR STATEWIDE EARNED RISKS	166,478
(5) FIVE YEAR AGGREGATE LOSS COSTS	46,142,831
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5)/(4)	277.171
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	1,305,500,910
(8) STATEWIDE CREDIBILITY ((5)/(7))**(.5)	18.8%
(9) MINIMUM CREDIBILITY	25.0%

MONTANA
BASIC GROUP II STATEWIDE CREDIBILITY CALCULATION

(1) FULL CREDIBILITY CLAIMS STANDARD	30,000
(2) MULTISTATE TEN YEAR RATIO OF EARNED RISKS TO CLAIMS	147.120
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1)X(2)	4,413,600
(4) TEN YEAR STATEWIDE EARNED RISKS	322,306
(5) TEN YEAR AGGREGATE LOSS COSTS	55,929,636
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5)/(4)	173.530
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	765,892,008
(8) STATEWIDE CREDIBILITY $((5)/(7))^{**}(.5)$	27.0%

MONTANA
SPECIAL CAUSES OF LOSS STATEWIDE CREDIBILITY CALCULATION

(1) FULL CREDIBILITY CLAIMS STANDARD	25,000
(2) MULTISTATE FIVE YEAR RATIO OF EARNED RISKS TO CLAIMS	200.037
(3) FULL CREDIBILITY EARNED RISKS STANDARD (1)X(2)	5,000,925
(4) FIVE YEAR STATEWIDE EARNED RISKS	169,854
(5) FIVE YEAR AGGREGATE LOSS COSTS	17,787,500
(6) AGGREGATE LOSS COSTS PER EARNED RISK (5)/(4)	104.722
(7) AGGREGATE LOSS COSTS FOR 100% CREDIBILITY (3) X (6)	523,706,868
(8) STATEWIDE CREDIBILITY ((5)/(7))*(.5)	18.4%
(9) MINIMUM CREDIBILITY	25.0%

MONTANA
CALCULATION OF INDICATED BASIC GROUP II LOSS COSTS

			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			ACCIDENT YEAR		CURRENT NON-HURR LOSS COST	STATEWIDE MONOLINE NON-HURR. CHANGE	INDICATED NON-HURR. LOSS COST (3) * (4)	HURRICANE MODELED LOSS COST	INDICATED TOTAL LOSS COST (5) + (6)	INDICATED PERCENT CHANGE (7)/(2) - 1
TERRITORY	COVERAGE	SYMBOL	BG II AGG. LOSS COSTS	CURRENT LOSS COST						
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EXHIBIT C25 DOES NOT EXIST FOR NON-HURRICANE STATES

BASIC GROUP I RATING GROUP DEFINITIONSTHE FOLLOWING CSP CLASSES COMPRISE THE BASIC GROUP I RATING GROUPS01 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

BASIC GROUP I RATING GROUP DEFINITIONS04 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

BASIC GROUP I RATING GROUP DEFINITIONS08 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

BASIC GROUP I RATING GROUP DEFINITIONS11 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

BASIC GROUP I RATING GROUP DEFINITIONS15 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

BASIC GROUP I RATING GROUP DEFINITIONS18 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

SPECIAL CAUSES OF LOSS CATEGORY DEFINITIONSCATEGORY 01 - BUILDING AND TIME ELEMENT COVERAGECATEGORY 02 - APARTMENT AND CONDOMINIUM CONTENTS COVERAGECATEGORY 03 - OFFICE CONTENTS COVERAGECATEGORIES 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.

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

SPECIAL CAUSES OF LOSS CATEGORY DEFINITIONSCATEGORY 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

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.

MONTANA

BASIC GROUP I

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
_____	_____	_____	_____
2015	5,326,783	7,119,967	1.337
2016	5,610,106	5,632,238	1.004
2017	5,708,847	4,895,597	0.858
2018	5,360,186	4,927,375	0.919
2019	5,367,158	10,179,453	1.897

MONTANA

BASIC GROUP II

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
<hr/>	<hr/>	<hr/>	<hr/>
2010	3,425,827	5,321,883	1.553
2011	3,402,736	21,955,242	6.452
2012	3,335,898	3,330,488	0.998
2013	3,591,345	2,002,960	0.558
2014	3,925,910	7,631,102	1.944
2015	4,201,087	19,181,394	4.566
2016	4,439,308	8,254,790	1.859
2017	4,551,932	19,640,623	4.315
2018	4,365,088	1,128,872	0.259
2019	4,470,441	6,227,681	1.393

MONTANA

SPECIAL CAUSES OF LOSS

UNADJUSTED AGGREGATE LOSS COSTS, LOSSES, AND EXPERIENCE RATIOS

YEAR	TOTAL UNADJUSTED LOSS COSTS	TOTAL UNADJUSTED INCURRED LOSSES	EXPERIENCE RATIO
_____	_____	_____	_____
2015	2,533,444	2,004,219	0.791
2016	2,728,111	1,217,331	0.446
2017	2,816,791	5,223,657	1.854
2018	2,772,179	3,472,947	1.253
2019	2,843,679	3,427,584	1.205

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Selected</u>
(1) Fire						
(a) Direct Losses Incurred	5,449,566	5,303,941	5,626,602	7,720,282	8,543,200	
(b) Direct Loss Adjustment Expense Incurred	540,067	520,392	540,922	688,647	665,515	
(2) Allied Lines						
(a) Direct Losses Incurred	4,486,897	4,725,289	6,319,875	17,490,979	10,232,771	
(b) Direct Loss Adjustment Expense Incurred	617,569	650,048	707,895	1,112,736	993,263	
(3) Loss Adjustment Expense as a Ratio to Losses						
(a) Fire (1b) / (1a)	9.9%	9.8%	9.6%	8.9%	7.8%	9.5%
(b) Allied Lines (2b) / (2a)	13.8%	13.8%	11.2%	6.4%	9.7%	11.5%

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.

MONTANA
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

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) Determine where the property is located based on information in Paragraph **(5)**.
- (3) For Symbols **A**, **AB** and **B** use the applicable rate.
- (4) For symbols with numerical prefixes, multiply the applicable rate by the prefix shown in Rule **70.E.2.a**.

Symbol/Loss Cost

	A	AB	B
Divisions A and B			
Building	<u>-.064.064</u>	<u>-.078.081</u>	<u>-.092.096</u>
Contents	<u>-.049.051</u>	<u>-.058.060</u>	<u>-.065.068</u>
Division C			
Building	<u>-.105.109</u>	<u>-.135.141</u>	<u>-.160.167</u>
Contents	<u>-.082.085</u>	<u>-.100.104</u>	<u>-.114.116</u>

(5) Montana Divisions**Division A:**

Counties of Beaverhead, Broadwater, Deer Lodge, Flathead, Gallatin, Granite, Jefferson, Lake, Lewis and Clark, Lincoln, Madison, Mineral, Missoula, Powell, Ravalli, Sanders and Silver Bow.

Division B:

Counties of Cascade, Glacier, Liberty, Meagher, Park, Pondera, Teton and Toole.

Division C:

All remaining Montana counties.

72. CAUSES OF LOSS – SPECIAL FORM

E.2. Rating Procedure – Property Damage – Other than Builders' Risk**b.(1) Building Coverage – Loss Cost:** ~~052,055~~**c.(2) Personal Property Coverage – Loss Costs**

Occupancy Category	Loss Cost
Residential Apartments and Condominiums	247,254
Offices	104,109
Mercantile – High	152,158
Mercantile – Medium	123,129
Mercantile – Low	094,099
Motels and Hotels	072,075
Institutional – High	069,072
Institutional – Low	047,049
Industrial and Processing – High	136,143
Industrial and Processing – Low	102,107
Service – High	113,118
Service – Low	086,090
Contractors	158,166
Territory (County)	Territorial Multiplier
Entire State	1.000

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85. BASIC GROUP I CLASS LOSS COSTS

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
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	1 Family Dwellings (Lessor's Risk)					
0197	2 Family Dwellings (Lessor's Risk)					
0198	3 or 4 Family Dwellings (Lessor's Risk)					
0311	Apartments without Mercantile Occupancies – Up to 10 Units					
0312	Apartments without Mercantile Occupancies – 11 to 30 Units					
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)
0074	Building (1)	0.108	0.098	0.087	0.070	0.065
	Contents (2)	0.110	0.098	0.093	0.081	0.076
0075	Building (1)	0.108	0.098	0.087	0.070	0.065
	Contents (2)	0.110	0.098	0.093	0.081	0.076
0076	Building (1)	0.108	0.098	0.087	0.070	0.065
	Contents (2)	0.110	0.098	0.093	0.081	0.076
0077	Building (1)	0.099	0.088	0.079	0.064	0.061
	Contents (2)	0.102	0.093	0.087	0.078	0.072
0078	Building (1)	0.099	0.088	0.079	0.064	0.061
	Contents (2)	0.102	0.093	0.087	0.078	0.072
0079	Building (1)	0.099	0.088	0.079	0.064	0.061
	Contents (2)	0.102	0.093	0.087	0.078	0.072
0196	Building (1)	0.066	0.061	0.053	0.045	0.040
	Contents (2)	0.074	0.066	0.063	0.056	0.052
0197	Building (1)	0.066	0.061	0.053	0.045	0.040
	Contents (2)	0.074	0.066	0.063	0.056	0.052
0198	Building (1)	0.066	0.061	0.053	0.045	0.040
	Contents (2)	0.074	0.066	0.063	0.056	0.052
0311	Building (1)	0.179	0.161	0.143	0.116	0.108
	Contents (2)	0.202	0.183	0.172	0.152	0.141
0312	Building (1)	0.179	0.161	0.143	0.116	0.108
	Contents (2)	0.202	0.183	0.172	0.152	0.141
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

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

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
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					
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)
0313	Building (1)	0.179	0.161	0.143	0.116	0.108
	Contents (2)	0.202	0.183	0.172	0.152	0.141
0321	Building (1)	0.274	0.248	0.219	0.179	0.165
	Contents (2)					
	A	0.409	0.366	0.349	0.307	0.287
	B&C	0.479	0.429	0.406	0.359	0.336
0322	Building (1)	0.274	0.248	0.219	0.179	0.165
	Contents (2)					
	A	0.409	0.366	0.349	0.307	0.287
	B&C	0.479	0.429	0.406	0.359	0.336
0323	Building (1)	0.274	0.248	0.219	0.179	0.165
	Contents (2)					
	A	0.409	0.366	0.349	0.307	0.287
	B&C	0.479	0.429	0.406	0.359	0.336
0331	Building (1)	0.099	0.090	0.080	0.064	0.061
	Contents (2)	0.088	0.079	0.073	0.065	0.061
0332	Building (1)	0.099	0.090	0.080	0.064	0.061
	Contents (2)	0.088	0.079	0.073	0.065	0.061
0333	Building (1)	0.099	0.090	0.080	0.064	0.061
	Contents (2)	0.088	0.079	0.073	0.065	0.061
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

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

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
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					
0511	Mercantile – Sole Occupancy Only – Not Otherwise Classified – Low Susceptibility					
0512	Mercantile – Sole Occupancy Only – Tire, Battery and Accessory Dealers without Tire Recapping and Vulcanizing					
0520	Mercantile – Sole Occupancy Only – Wearing Apparel, Textiles, Shoes					
0531	Mercantile – Sole Occupancy Only – Alcoholic Beverages other than Bars					
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)
0341	Building (1)	0.155	0.140	0.124	0.100	0.092
	Contents (2)					
	A	0.178	0.158	0.149	0.131	0.122
	B&C	0.208	0.187	0.178	0.155	0.144
0342	Building (1)	0.155	0.140	0.124	0.100	0.092
	Contents (2)					
	A	0.178	0.158	0.149	0.131	0.122
	B&C	0.208	0.187	0.178	0.155	0.144
0343	Building (1)	0.155	0.140	0.124	0.100	0.092
	Contents (2)					
	A	0.178	0.158	0.149	0.131	0.122
	B&C	0.208	0.187	0.178	0.155	0.144
0511	Building (1)	0.192	0.172	0.152	0.123	0.114
	Contents (2)	0.315	0.285	0.268	0.236	0.223
0512	Building (1)	0.183	0.163	0.144	0.118	0.109
	Contents (2)	0.283	0.254	0.238	0.211	0.195
0520	Building (1)	0.227	0.204	0.183	0.146	0.135
	Contents (2)	0.409	0.369	0.349	0.307	0.288
0531	Building (1)	0.192	0.173	0.154	0.125	0.114
	Contents (2)	0.334	0.299	0.283	0.249	0.234
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

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

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
0532	Merc – Sole Occy Only – Food Products Inc. Retail Bakeries; Non-Alcoholic Beverages (Sales Only – No Baking or Cooking)					
0533	Mercantile – Sole Occupancy Only – Baking on Premises, No Delivery to Outlets					
0534	Mercantile – Sole Occupancy Only – Food Products with Limited Cooking, Excluding Bakeries					
0541	Mercantile – Sole Occupancy Only – Bars and Taverns					
0545	Mercantile – Sole Occupancy Only – Restaurants with Limited Cooking					
0550	Mercantile – Sole Occupancy Only – Motor Vehicles, No Repair					
0561	Mercantile – Sole Occupancy Only – Boat and Marine Supply Dealers					
0562	Mercantile – Sole Occupancy Only – Drugs					
0563	Mercantile – Sole Occupancy Only – Electrical Goods, Hardware and Machinery					
0564	Mercantile – Sole Occupancy Only – Furniture and Home Furnishings other than Appliances					
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)
0532	Building (1)	0.294	0.264	0.236	0.192	0.177
	Contents (2)	0.409	0.369	0.349	0.307	0.288
0533	Building (1)	0.232	0.207	0.187	0.149	0.139
	Contents (2)	0.329	0.296	0.279	0.248	0.232
0534	Building (1)	0.324	0.289	0.257	0.210	0.193
	Contents (2)	0.346	0.310	0.294	0.258	0.244
0541	Building (1)	0.347	0.314	0.279	0.226	0.211
	Contents (2)	0.374	0.335	0.316	0.279	0.260
0545	Building (1)	0.409	0.371	0.330	0.266	0.247
	Contents (2)	0.464	0.418	0.394	0.347	0.324
0550	Building (1)	0.173	0.155	0.139	0.112	0.104
	Contents (2)	0.340	0.307	0.289	0.256	0.238
0561	Building (1)	0.184	0.166	0.145	0.118	0.110
	Contents (2)	0.340	0.307	0.289	0.256	0.238
0562	Building (1)	0.207	0.188	0.167	0.135	0.125
	Contents (2)	0.378	0.340	0.323	0.285	0.264
0563	Building (1)	0.206	0.187	0.166	0.134	0.123
	Contents (2)	0.283	0.254	0.238	0.211	0.195
0564	Building (1)	0.285	0.256	0.227	0.187	0.171
	Contents (2)	0.495	0.447	0.421	0.372	0.347
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

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

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
0565	Mercantile – Sole Occupancy Only – Jewelry					
0566	Mercantile – Sole Occupancy Only – Sporting Goods					
0567	Mercantile – Sole Occupancy Only – Not Otherwise Classified – Moderate Susceptibility					
0570	Mercantile – Sole Occupancy Only – Not Otherwise Classified – High Susceptibility					
0580	Greenhouses – Sole Occupancy Only					
0581	Mercantile – Multiple Occupancy without 0564 Occupant					
0582	Mercantile – Multiple Occupancy with 0564 Occupant					
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)
0565	Building (1)	0.189	0.171	0.150	0.123	0.112
	Contents (2)	0.276	0.248	0.234	0.207	0.193
0566	Building (1)	0.213	0.192	0.172	0.139	0.130
	Contents (2)	0.372	0.336	0.315	0.279	0.262
0567	Building (1)	0.192	0.172	0.152	0.123	0.114
	Contents (2)	0.315	0.285	0.268	0.236	0.223
0570	Building (1)	0.192	0.172	0.152	0.123	0.114
	Contents (2)	0.334	0.299	0.283	0.249	0.234
0580	Building (1)	0.192	0.172	0.152	0.123	0.114
	Contents (2)	0.347	0.313	0.296	0.262	0.246
0581	Building (1)	0.203	0.183	0.162	0.132	0.122
	Contents (2)					
	A	0.334	0.299	0.283	0.249	0.234
	B	0.404	0.364	0.346	0.305	0.285
0582	Building (1)	0.224	0.202	0.179	0.145	0.134
	Contents (2)					
	A	0.296	0.268	0.254	0.223	0.207
	B	0.364	0.327	0.310	0.273	0.254
	C	0.329	0.296	0.279	0.248	0.232
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

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

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
0701	Government Offices					
0702	Banks and Offices other than Governmental					
0742	Motels and Hotels with Limited Cooking Restaurant – Up to 10 Units					
0743	Motels and Hotels with Limited Cooking Restaurant – 11 to 30 Units					
0744	Motels and Hotels with Limited Cooking 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					
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)
0701	Building (1)	0.076	0.067	0.061	0.048	0.045
	Contents (2)					
	A	0.083	0.076	0.069	0.063	0.058
	B	0.121	0.110	0.103	0.093	0.085
0702	Building (1)	0.104	0.093	0.084	0.067	0.063
	Contents (2)					
	A	0.125	0.111	0.105	0.092	0.086
	B	0.170	0.155	0.146	0.128	0.120
0742	Building (1)	0.311	0.280	0.247	0.201	0.186
	Contents (2)	0.341	0.309	0.291	0.254	0.240
0743	Building (1)	0.311	0.280	0.247	0.201	0.186
	Contents (2)	0.341	0.309	0.291	0.254	0.240
0744	Building (1)	0.311	0.280	0.247	0.201	0.186
	Contents (2)	0.341	0.309	0.291	0.254	0.240
0745	Building (1)	0.135	0.120	0.110	0.087	0.080
	Contents (2)	0.147	0.132	0.127	0.112	0.103
0746	Building (1)	0.135	0.120	0.110	0.087	0.080
	Contents (2)	0.147	0.132	0.127	0.112	0.103
0747	Building (1)	0.135	0.120	0.110	0.087	0.080
	Contents (2)	0.147	0.132	0.127	0.112	0.103
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

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

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
0755	Golf, Tennis and Similar Sport Facilities with Limited Cooking					
0756	Golf, Tennis and Similar Sport Facilities without Cooking					
0757	Clubs, Not Otherwise Classified, Including Fraternal and Union Halls					
0831	Motion Picture Studios					
0832	Theaters Excluding Drive-in Theaters					
0833	Drive-in Theaters					
0834	Skating Rinks – Roller Rinks					
0841	Bowling Alleys without Cooking					
0843	Halls and Auditoriums					
0844	Recreational Facilities, Not Otherwise Classified					
0845	Boys' and Girls' Camps					
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)
0755	Building (1)	0.346	0.310	0.275	0.224	0.207
	Contents (2)	0.396	0.355	0.337	0.297	0.276
0756	Building (1)	0.141	0.126	0.112	0.090	0.084
	Contents (2)	0.159	0.144	0.137	0.120	0.112
0757	Building (1)	0.152	0.137	0.120	0.098	0.090
	Contents (2)	0.159	0.144	0.137	0.120	0.112
0831	Building (1)	0.117	0.107	0.092	0.076	0.070
	Contents (2)	0.137	0.121	0.115	0.102	0.093
0832	Building (1)	0.150	0.135	0.120	0.098	0.089
	Contents (2)	0.159	0.144	0.137	0.120	0.112
0833	Building (1)	0.127	0.115	0.102	0.083	0.076
	Contents (2)	0.149	0.133	0.126	0.112	0.103
0834	Building (1)	0.205	0.185	0.163	0.133	0.122
	Contents (2)	0.208	0.188	0.178	0.157	0.146
0841	Building (1)	0.208	0.188	0.166	0.137	0.124
	Contents (2)	0.217	0.196	0.186	0.162	0.153
0843	Building (1)	0.103	0.092	0.083	0.068	0.063
	Contents (2)	0.110	0.099	0.092	0.083	0.076
0844	Building (1)	0.141	0.126	0.112	0.090	0.084
	Contents (2)	0.154	0.139	0.131	0.116	0.108
0845	Building (1)	0.091	0.083	0.074	0.061	0.057
	Contents (2)	0.107	0.093	0.090	0.080	0.074
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

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

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
0846	Dance Halls, Ballrooms and Discotheques					
0851	Hospitals					
0852	Nursing and Convalescent Homes					
0900	Churches and Synagogues					
0911	Dry Cleaners 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	Service Occupancies, other than Light Hazard					
0923	Funeral Homes					
0931	Auto Parking Garages, Car Washes					
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)
0846	Building (1)	0.194	0.175	0.154	0.126	0.116
	Contents (2)	0.191	0.172	0.162	0.143	0.133
0851	Building (1)	0.056	0.051	0.047	0.036	0.035
	Contents (2)	0.066	0.059	0.056	0.050	0.047
0852	Building (1)	0.059	0.054	0.048	0.038	0.035
	Contents (2)	0.068	0.062	0.057	0.051	0.049
0900	Building (1)	0.107	0.097	0.085	0.070	0.066
	Contents (2)	0.116	0.104	0.097	0.084	0.080
0911	Building (1)	0.374	0.338	0.301	0.244	0.224
	Contents (2)	0.443	0.399	0.375	0.332	0.309
0912	Building (1)	0.494	0.447	0.398	0.322	0.296
	Contents (2)	0.612	0.549	0.520	0.457	0.427
0913	Building (1)	0.326	0.293	0.259	0.213	0.196
	Contents (2)	0.382	0.344	0.324	0.287	0.266
0921	Building (1)	0.196	0.175	0.156	0.127	0.119
	Contents (2)	0.231	0.209	0.197	0.174	0.163
0922	Building (1)	0.217	0.196	0.174	0.142	0.130
	Contents (2)	0.264	0.237	0.224	0.199	0.183
0923	Building (1)	0.144	0.130	0.115	0.093	0.085
	Contents (2)	0.155	0.140	0.132	0.115	0.108
0931	Building (1)	0.125	0.112	0.099	0.082	0.074
	Contents (2)	0.145	0.130	0.125	0.110	0.101
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

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

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
0932	Gasoline Service Stations					
0933	Motor Vehicle and Aircraft Repair, with or without Sales					
0934	Tire Recapping and Vulcanizing, with or without Sales					
0940	Aircraft Hangars without Repair					
0951	Gambling Casinos with Limited Cooking Restaurants					
0952	Gambling Casinos without Restaurants					
1000	Penal Institutions					
1051	Museums, Libraries, Art Galleries (Non-Profit)					
1052	Schools, Academic					
1070	Fire Departments, Police, Sewage, Water Works and Other Public Buildings					
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)
0932	Building (1)	0.178	0.159	0.142	0.114	0.108
	Contents (2)	0.216	0.196	0.183	0.162	0.150
0933	Building (1)	0.149	0.135	0.119	0.095	0.090
	Contents (2)	0.188	0.172	0.161	0.142	0.131
0934	Building (1)	0.196	0.177	0.156	0.127	0.117
	Contents (2)	0.231	0.208	0.197	0.174	0.162
0940	Building (1)	0.093	0.086	0.076	0.062	0.058
	Contents (2)	0.117	0.107	0.099	0.088	0.083
0951	Building (1)	0.401	0.361	0.321	0.262	0.240
	Contents (2)	0.444	0.399	0.378	0.334	0.312
0952	Building (1)	0.137	0.121	0.109	0.087	0.081
	Contents (2)	0.195	0.176	0.164	0.146	0.137
1000	Building (1)	0.073	0.065	0.058	0.047	0.043
	Contents (2)	0.064	0.058	0.054	0.047	0.045
1051	Building (1)	0.046	0.039	0.036	0.029	0.027
	Contents (2)	0.059	0.053	0.049	0.045	0.039
1052	Building (1)	0.063	0.054	0.048	0.039	0.036
	Contents (2)	0.070	0.064	0.059	0.052	0.048
1070	Building (1)	0.069	0.064	0.056	0.046	0.042
	Contents (2)	0.083	0.076	0.072	0.064	0.059
Territory					Territorial Multiplier	
Entire State (Montana)					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						
1150	Builders' Risk					
1180	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.					
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					
1400	Waste and Reclaimed Materials Including Yards					
1650	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)
1150	Building (1)	0.051	0.047	0.040	0.031	0.029
1211	Building (1)	0.235	0.211	0.187	0.153	0.142
	Contents (2)	0.276	0.248	0.235	0.206	0.192
1212	Building (1)	0.186	0.168	0.150	0.122	0.114
	Contents (2)	0.229	0.205	0.192	0.172	0.159
1213	Building (1)	0.164	0.149	0.131	0.109	0.099
	Contents (2)	0.218	0.197	0.186	0.164	0.153
1220	Building (1)	0.197	0.177	0.156	0.128	0.119
	Contents (2)	0.238	0.214	0.203	0.180	0.168
1230	Building (1)	0.171	0.153	0.137	0.112	0.103
	Contents (2)	0.232	0.208	0.197	0.174	0.161
1400	Building (1)	0.508	0.456	0.407	0.330	0.305
	Contents (2)	0.616	0.555	0.524	0.464	0.431
	Yard	0.765		0.079		
1650	Building (1)	0.303	0.271	0.241	0.197	0.181
	Contents (2)	0.384	0.345	0.327	0.288	0.268
	Yard	0.211		0.026		
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

COMMERCIAL LINES MANUAL
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LOSS COST PAGES

MONTANA (25)

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

All rates are subject to protection class and territorial multipliers.

CSP Class Codes And Description						
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					
2200	Baking on Premises, Delivery to Outlets					
2350	Beverage Bottlers Excluding Alcoholic Beverages					
2459	Distilleries and Wineries					
2800	Textile Mill Products					
3409	Leather and Leather Products					
4809	Printing					
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)
1700	Building (1)	0.246	0.222	0.199	0.161	0.149
	Contents (2)	0.377	0.338	0.320	0.282	0.263
	Yard	0.206		0.025		
1751	Building (1)	0.158	0.144	0.128	0.103	0.096
	Contents (2)	0.206	0.186	0.177	0.156	0.146
1752	Building (1)	0.150	0.134	0.121	0.098	0.088
	Contents (2)	0.149	0.133	0.127	0.112	0.103
2200	Building (1)	0.580	0.525	0.469	0.381	0.351
	Contents (2)	0.692	0.625	0.586	0.518	0.488
2350	Building (1)	0.374	0.338	0.299	0.246	0.225
	Contents (2)	0.444	0.400	0.374	0.331	0.312
2459	Building (1)	0.246	0.217	0.193	0.156	0.143
	Contents (2)	0.312	0.281	0.269	0.236	0.217
2800	Building (1)	0.389	0.352	0.316	0.254	0.236
	Contents (2)	0.514	0.465	0.436	0.385	0.361
3409	Building (1)	0.445	0.399	0.355	0.288	0.266
	Contents (2)	0.516	0.465	0.437	0.386	0.357
4809	Building (1)	0.340	0.307	0.273	0.220	0.205
	Contents (2)	0.415	0.373	0.351	0.310	0.292
Territory					Territorial Multiplier	
Entire State (Montana)					1.000	

MONTANA
COMMERCIAL PROPERTY
LOSS COST LEVEL REVIEW
ACTUARIAL ANALYSIS SUPPLEMENT

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

MONOLINE
INDICATIONS

The indicated statewide monoline changes are:

<u>Subline</u>	<u>Current Review</u>	<u>Prior Review</u>
Basic Group I	+2.1%	+1.2%
Basic Group II	+4.2%	+2.9%
Special Causes of Loss	+5.2%	+5.8%
All Coverages Combined	+3.4%	+2.7%

The prior review's indications were not filed. There has not been a 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.

IMPACT OF LIMIT
OF INSURANCE
(LOI) FACTOR
IMPLEMENTEN-
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	+5.5%
02 Apartment and Condominium Contents	+2.7%
03 Office Contents	+4.8%
04 Mercantile, Motel-Hotel, and Institutional Contents	+4.6%
05 Service, Industrial-Processing and Contractors Contents	+4.5%
Personal Property (Contents) Excluding Theft	+4.4%

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 Const.
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 changed since the previous review, from 1.100 in the prior review to 1.095 in the current review for BG I and from 1.125 to 1.115 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%	+2.9%	+0.2%
Contents	+2.0%	+1.7%	+0.3%
Time Element	+0.7%	+1.1%	-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	0.0%	+0.6%	+2.6%	-0.3%	+0.7%	+2.8%
Basic Group II	0.0%	+0.6%	+2.7%	+0.2%	+0.6%	+2.6%
Special Causes of Loss	+0.3%	-0.6%	+2.6%	+0.2%	0.0%	+2.8%

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	+3.1%	+2.6%	+3.3%	+2.6%	+2.4%	+3.9%
Basic Group II	+3.1%	+2.6%	+3.4%	+3.1%	+2.3%	+3.7%
Special Causes of Loss	+3.4%	+1.4%	+3.3%	+3.1%	+1.7%	+3.9%

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	+1.3%
Basic Group II	+0.2%
Special Causes of Loss	-0.05%

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	+2.5%	+1.8%	+0.9%	+2.1%	+1.6%	+0.6%
Basic Group II	+2.3%	+1.7%	+0.9%	+1.9%	+1.4%	+0.6%
Special Causes of Loss	+2.4%	+1.4%	+0.9%	+2.0%	+1.2%	+0.6%

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	+0.6%	+0.7%	+2.4%	+0.5%	+0.8%	+3.3%
Basic Group II	+0.8%	+0.8%	+2.5%	+1.2%	+0.9%	+3.1%
Special Causes of Loss	+1.0%	-0.1%	+2.4%	+1.1%	+0.5%	+3.3%

BASIC GROUP I

The statewide five year weighted average experience ratio, before credibility weighting, increased by 13.4%, from 0.858 in the prior review to 0.973 in the current review. The increase is due to a lower-than-average experience ratio of 0.250 for 2014 exiting the experience period, and a higher-than-average experience ratio of 1.260 for 2019 entering the experience period.

Statewide Loss Cost Level Review

	<u>Current Review</u>	<u>Prior Review</u>	<u>Ratio</u>
Weighted Experience			
Ratio	0.973	0.858	1.134
Credibility	0.250	0.250	1.000
Expected Experience			
Ratio	1.008	1.005	1.003
Coverage Change	0.999	0.968	1.032
Monoline Relativity	1.024	1.045	0.980
Monoline Change	1.023	1.012	1.011

BASIC GROUP II

The statewide ten year weighted average experience ratio, before credibility weighting, increased by 9.2%, from 1.395 in the prior review to 1.523 in the current review. The increase is due to a lower-than-average experience ratio of 0.842 for 2009 exiting the experience period, and a higher-than-average experience ratio of 2.100 for 2019 entering the experience period.

Statewide Loss Cost Level Review

	<u>Current Review</u>	<u>Prior Review</u>	<u>Ratio</u>
Weighted Experience Ratio	1.523	1.395	1.092
Credibility	0.270	0.278	0.971
Expected Experience Ratio	1.009	1.007	1.002
Coverage Change	1.148	1.115	1.030
Monoline Relativity	0.907	0.923	0.983
Monoline Change	1.042	1.029	1.013

SPECIAL CAUSES OF LOSS

The statewide five year weighted average experience ratio, before credibility weighting, decreased by 1.7%, from 1.126 in the prior review to 1.107 in the current review. The decrease is due to a higher-than-average experience ratio of 1.303 for 2014 exiting the experience period, and a lower-than-average experience ratio of 1.102 for 2019 entering the experience period.

Statewide Loss Cost Level Review

	<u>Current Review</u>	<u>Prior Review</u>	<u>Ratio</u>
Weighted Experience Ratio	1.107	1.126	0.983
Credibility	0.250	0.250	1.000
Expected Experience Ratio	1.006	1.005	1.001
Coverage Change	1.031	1.035	0.996
Monoline Relativity	1.020	1.022	0.998
Monoline Change	1.052	1.058	0.994

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>
12/18/90	12/25/90	Wind, Hail, Tornadoes, Flooding, Snow, Freezing
6/24/91	6/26/91	Wind, Hail
7/17/93	7/18/93	Wind, Hail
6/17/10	6/20/10	Flooding, Hail, Tornadoes, Wind
6/30/10	7/1/10	Hail, Wind
5/18/14	5/23/14	Flooding, Hail, Wind
5/21/16	5/28/16	Flooding, Hail, Tornadoes, Wind
7/26/18	7/29/18	Flooding, Hail, Tornadoes, Wind
8/10/19	8/11/19	Flooding, Hail, Tornadoes, Wind

PROPERTY
CLAIMS SERVICES
INFORMATION
(cont'd)

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

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

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

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

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