

LOSS COSTS – IMPLEMENTATION

FEBRUARY 7, 2022

BUSINESSOWNERS

LI-BP-2022-022

NEVADA BUSINESSOWNERS ADVISORY PROSPECTIVE LOSS COST REVISION TO BE IMPLEMENTED; EXHIBITS PRESENTED IN EXCEL

KEY MESSAGE

Revised loss costs representing a combined -4.8% statewide change to be implemented.

BACKGROUND

In circular [LI-BP-2021-124](#), we provided you with information about the Businessowners loss cost experience review.

CONSIDERATION OF COVID-19

In anticipation of 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 a modest but material impact on prospective loss costs for certain risks. In this filing, we have accounted for the impact that the COVID-19 pandemic had on the data from March 2020 and beyond by adjusting the yearly weights used in the calculation of the statewide loss cost level indications for all Liability risks so that experience year 2020 receives less weight.

While there is still great uncertainty around COVID-19, the above referenced adjustment does not contemplate the possibility of widespread viral resurgence or the renewal of stay-at-home orders during the period in which the newly filed loss costs will be in effect. We have assumed that any recurrence of such extreme and unpredictable circumstances would generally be addressed, as appropriate, by individual carriers.

ISO ACTION

We are implementing BP-2021-RLA1, which presents a review of Businessowners loss cost experience. Refer to the attachment(s) for complete details.

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.

SUPPLEMENTARY INFORMATION

We are including a Nevada Supplement, which provides additional information on the loss cost level experience review.

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.

EFFECTIVE DATE

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

COMPANY ACTION

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

You must document your files in case the Insurance Department wishes to review the information at a later date. In all correspondence on this revision, you should refer to ISO Filing Number BP-2021-RLA1, NOT this circular number.

RATING SOFTWARE IMPACT

No new attributes are being introduced with this revision.

POLICYHOLDER NOTIFICATION

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2021-004](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

REVISION DISTRIBUTION

We will issue a Notice to Manualholders with an edition date of 6-22 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

RELATED RULES REVISION

We are announcing in a separate circular the implementation of a corresponding rules revision. Please refer to the Reference(s) block for identification of that circular.

REFERENCE(S)

- [LI-BP-2022-023](#) (02/07/2022) Nevada Businessowners Rule 23. Revision To Be Implemented
- [LI-BP-2021-124](#) (11/09/2021) Businessowners Policy Experience Reviewed By Staff
- [LI-CL-2021-004](#) (02/17/2021) Revised Lead Time Requirements Listing

ATTACHMENT(S)

- Filing [BP-2021-RLA1](#)
- Nevada Supplement

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 this loss cost document a Statement of Actuarial Opinion; therefore, we are including the following acknowledgment:

I, Nancy A. Narisi, am a Senior Actuarial Associate of Strategic Actuarial Operations for ISO, and I, Michael Doyle, am an Actuarial Product Director for Specialty Lines 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.

ISO RISK ANALYZER®

The loss cost analysis in this circular is reflected in ISO Risk Analyzer®, a suite of predictive models that help with granular pricing of insurance risks. Risk Analyzer can provide loss costs for refined territories and classes, as well as feed custom modeling efforts. For more information, please visit www.verisk.com/riskanalyzer.

CONTACT INFORMATION

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

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ADVISORY LOSS COST LEVEL REVIEW - BUSINESSOWNERS
FILING BP-2021-RLA1

EXECUTIVE SUMMARY

PURPOSE

This document:

- revises advisory prospective loss costs for the major Businessowners coverages. These loss costs represent a combined - 4.8% statewide change from the current loss costs for all classes.
 - provides the analyses used to derive these advisory loss costs.
-

DEFINITION OF
THE ISO
ADVISORY
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 through development to their ultimate value (for liability) and projected through trending to a future point in time.

CONSIDERATION
OF COVID-19

In anticipation of 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 a modest but material impact on prospective loss costs for certain risks. In this filing, we have adjusted the yearly weights used in the calculation of the statewide loss cost level indications for all Liability risks so that experience year 2020 receives less weight. This adjustment was made because the data from March 2020 and beyond was particularly impacted by the COVID-19 pandemic, causing the experience year to be less representative of the loss exposure that can be expected in the prospective period.

While there is still great uncertainty around COVID-19, the above referenced adjustment does not contemplate the possibility of widespread viral resurgence or the renewal of stay-at-home orders during the period in which the newly filed loss costs will be in effect. We have assumed that any recurrence of such extreme and unpredictable circumstances would generally be addressed, as appropriate, by individual carriers.

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ADVISORY LOSS COST LEVEL REVIEW - BUSINESSOWNERS
FILING BP-2021-RLA1

EXECUTIVE SUMMARY

LOSS COST
LEVEL CHANGES

The statewide indicated and filed loss cost level changes are:

| | <u>Indicated</u> | <u>Filed</u> |
|---------------------|------------------|--------------|
| Lessors/Occupants | + 1.9% | 0.0% |
| Sales | - 6.3% | - 6.3% |
| Payroll | + 4.9% | - 1.9% |
| Liability Sub-Total | + 0.4% | - 1.2% |
| | | |
| Property Sub-Total | - 6.0% | - 6.0% |
| | | |
| TOTAL | - 4.4% | - 4.8% |

Indicated and filed loss cost level changes are changes from the current loss costs.

INDICATED VS
FILED

Indicated and filed statewide changes may differ due to the rounding of the filed territory loss costs and the territory weights used to calculate the statewide loss cost level changes. The filed Payroll change includes an adjustment factor of 0.935 to introduce the change in payroll amount for executive officers, individual insureds or copartners from companion filing BP-2021-RPAY on a revenue neutral basis. A selection of 0.0% was made for Lessors/Occupants due to minimal indications.

REVISION OF
EXECUTIVE OFFICERS,
INDIVIDUAL INSUREDS
AND CO-PARTNERS
PAYROLL AMOUNTS
(RULE 23)

This filing reflects revisions being made to Rule 23 in the companion rule filing BP-2021-RPAY. In determining the exposure amounts for payroll-based risks, the payroll amounts to be used for executive officers, individual insureds and copartners are subject to Rule 23.B.8.a.(2)(c). In the companion rule filing, the current payroll amounts are being increased by 25% relative to the current amounts for Nevada. An offset of 0.935 has been applied to the loss costs for payroll-based classes to introduce the change on a revenue neutral basis.

HISTORICAL SOURCE
DATA

The data used in this review is based on accident year experience through 9/30/2020 (evaluated as of 12/31/2020) of ISO reporting companies.

WINDSTORM OR HAIL
EXCLUSION CREDITS

The windstorm or hail exclusion credits shown on Table 29.A.39.d.(LC) in Section D are calculated by taking a percentage of the base loss cost. This percentage is based on the ratio of adjusted wind and hail losses to adjusted total property losses.

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ADVISORY LOSS COST LEVEL REVIEW - BUSINESSOWNERS
FILING BP-2021-RLA1

EXECUTIVE SUMMARY

PRIOR ISO
REVISIONS

The latest loss cost revisions in this state are:

| <u>Filing</u> | BP-2020-RLA1 | BP-2019-RLA1 | BP-2017-RLA1 |
|-------------------|--------------|--------------|--------------|
| <u>Dates</u> | | | |
| Distribution Date | 4-2021 | 5-2020 | 4-2018 |
| <u>Changes</u> | | | |
| Indicated | - 3.6% | - 7.0% | + 4.3% |
| Filed | - 3.4% | - 5.8% | + 4.2% |
| Implemented | - 3.4% | - 5.8% | + 4.2% |

FORMAT

In this document, all explanatory material appears first, followed by all exhibits and the revised prospective loss cost pages. Explanatory pages are numbered BP-1 through BP-40, and exhibits are labeled Exhibit A1 through D1. The revised loss cost pages are numbered BP-41-42.

ADJUSTMENTS
TO REPORTED
EXPERIENCE

To adjust the loss and exposure data to levels expected to prevail during the period when the revised loss costs will be in effect, historical losses and exposures have been multiplied by trend factors. These trend factors are based on the changes in claim cost, claim frequency and inflation sensitive exposure base that are expected to arise between the historical experience period and prospective period during which the revised loss costs will be in effect.

Standard actuarial procedures have been used in calculating the loss costs including adjusting the liability losses to ultimate settlement level and for all coverages, reflecting all loss adjustment expenses. In addition, smoothing procedures have been applied to recognize the potential for large or excess losses.

To trend losses and exposures to a future level, a prospective effective date must be assumed. In this review, the assumed effective date is March 1, 2022.

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ADVISORY LOSS COST LEVEL REVIEW - BUSINESSOWNERS
FILING BP-2021-RLA1

EXECUTIVE SUMMARY

TEN LARGEST
GROUPS IN ISO
DATABASE

Insurers are listed in descending order based on the percent of statewide Businessowners written premium volume from ISO's 2019 Premium Reporting Form. The Premium Reporting Form is submitted by all companies affiliated to report statistics to ISO. This list does not necessarily correspond to the ten largest groups included in the calculation of the statewide advisory loss cost level changes shown on Exhibits B1-1 and B1-2.

1. The Travelers Companies, Inc.
2. Mid-Century Insurance Company
3. AMCO Insurance Company
4. Capital Insurance Group
5. Truck Insurance Exchange
6. Commercial Insurance-Business Insurance
7. Farmers Insurance Exchange
8. Acuity, A Mutual Insurance Company
9. CNA Insurance Companies
10. Country Casualty Insurance Company

SIZE OF ISO
DATABASE

The market share of ISO participating insurers cannot be measured by Annual Statement Page 15 written premium because Businessowners data is combined with Commercial Package Policy data. The market share of ISO participating insurers as measured by the Premium Reporting Form written premium for the year ending 12/31/2019 is:

Businessowners: 58.1%

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ADVISORY LOSS COST LEVEL REVIEW - BUSINESSOWNERS
FILING BP-2021-RLA1

EXECUTIVE SUMMARY

COMPANY
DECISION

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the 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 a comparison of its own experience to the aggregate ISO experience, and may reach valid conclusions with respect to the manner in which its own costs can be expected to differ from ISO's 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 advisory loss costs are appropriate for its use.

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

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TABLE OF CONTENTS

| | Explanatory Pages | Corresponding Exhibits |
|---|----------------------|---------------------------|
| <u>SECTION A - SCOPE OF REVISION</u> | | |
| Loss Cost Level Changes | BP-7 | Exhibits A1-A2 |
| Present and Revised Loss Costs | BP-7 | Exhibit A3 |
| <u>SECTION B - CALCULATION OF CHANGES</u> | | |
| Overview of Actuarial Procedures | BP-8 | |
| Calculation of Statewide Advisory Loss Cost Level Changes | BP-9-12 | Exhibit B1 |
| Relative Change Analysis | BP-13-17 | Exhibit B2 |
| Calculation of Expected Experience Ratios | | Exhibit B3 |
| <u>SECTION C - SUPPORTING MATERIAL</u> | | |
| <u>Calculation of Adjusted Property Losses</u> | | |
| Overview of Property Loss Adjustments | BP-18 | |
| Property Loss Trend | | |
| Summary of Loss Trend Factors - | | |
| Fire, Extended Coverage and All Other Property | BP-19 | Exhibit C1 |
| Current Cost Factors and Loss Projection Factors | BP-19-21 | Exhibit C2 |
| Loss Trend Adjustment Factors | BP-22-23 | Exhibit C3 |
| Internal Loss Trend Analysis | BP-24 | Exhibit C4 |
| Large Loss and Excess Procedures | | |
| Fire Large Loss Procedure | BP-25-26 | |
| Burglary and Theft Large Loss Procedure | BP-26 | |
| Extended Coverage Large Loss Procedure | BP-27 | |
| All Other Property Large Loss Procedure | BP-27 | |
| Development of Extended Coverage and All Other Property Excess Multipliers | BP-28-32 | Exhibits C5-C6 |
| <u>Calculation of Adjusted Liability Losses</u> | | |
| Overview of Liability Loss Adjustments | BP-33 | |
| Liability Loss Trend | BP-33 | Exhibit C7 |
| Loss Development | BP-34 | Exhibit C8 |
| Exposure Trend | BP-35-36 | Exhibit C9 |
| Credibility | BP-37-38 | Exhibit C10 |
| Loss Adjustment Expenses | BP-39 | Exhibit C11 |
| <u>SECTION D - REVISED STATE LOSS COSTS</u> | | |
| Windstorm or Hail Exclusion Credits | BP-40 | Exhibit D1 |
| Revised State Loss Costs | BP-41-42 | |

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SECTION A: SCOPE OF REVISION

EXHIBIT A1

LOSS COST LEVEL CHANGE SUMMARY

Please refer to **Exhibit A1** for a summary of Aggregate Loss Costs at Current Level and Filed Loss Cost Level Changes.

Aggregate loss costs at current level are for year ending 9/30/2020 and based on ISO staff developed loss costs contained in the latest implemented filing.

EXHIBIT A2

LOSS COST LEVEL CHANGES

Please refer to **Exhibit A2** for a comparison of Aggregate Loss Costs at Current Level and Filed Loss Cost Level Changes by Territory for Property and Liability, and on a multistate basis for Sales and Payroll.

Aggregate loss costs at current level are for year ending 9/30/2020 and based on ISO staff developed loss costs contained in the latest implemented filing.

EXHIBIT A3

PRESENT AND REVISED LOSS COSTS

Please refer to **Exhibit A3** for the Present and Revised Base Loss Costs.

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SECTION B: CALCULATION OF CHANGES

OVERVIEW OF ISO ACTUARIAL PROCEDURES

| | |
|--|--|
| INTRODUCTION | Businessowners advisory prospective loss costs are determined by evaluating the adequacy of the current 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. |
| STEP 1: CALCULATION OF STATEWIDE LOSS COST INDICATION | The first step in this process is the calculation of the statewide loss cost indication. In other words, what percentage change on average must be made to the current loss costs in order to achieve adequacy for the prospective conditions? The percentage changes are presented in Exhibits B1-1 through B1-4 . For Liability, separate calculations are done for classes with amount of insurance, sales, and payroll exposure bases. For sales and payroll classes, the loss cost indication is based on multistate data due to the paucity of data on a statewide basis. |
| STEP 2: RELATIVE CHANGE ANALYSIS OF STATEWIDE LOSS COST INDICATION | For Property, ISO calculates relative changes by territory and coverage using a minimum bias iterative technique. For Liability, an equivalent technique is used to calculate relative changes by territory and by lessors vs. occupants. For further explanation of this minimum bias technique, refer to the "Explanatory Notes To Relative Change Analysis" in Section B. |
| STEP 3: APPLICATION OF PERCENTAGE CHANGES | The last step is the calculation of the advisory prospective loss costs. For Liability sales and payroll, this is achieved by simply applying the indicated changes to the current loss costs. For Property and Liability lessors/occupants, this is achieved by applying the product of the indicated changes and the combined relativity changes to the current loss costs. Percent changes for individual loss costs may be capped to mitigate loss cost swings. (See footnotes for Exhibit A2 for a description of the capping, if any, for individual loss costs.) If capping is applied, a "build-back" factor is utilized to ensure that the selected overall changes for property and liability are achieved. After the build-back procedure is completed, the resulting loss costs are displayed in Section D. |

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SECTION B: CALCULATION OF CHANGES
OVERVIEW OF ACTUARIAL PROCEDURES

STEP 1 - CALCULATION OF STATEWIDE ADVISORY
LOSS COST LEVEL CHANGES

| | |
|---------------------|---|
| OBJECTIVE | The objective of this procedure is to determine the indicated statewide advisory loss cost level change. This procedure answers the question: what percentage change must be made on average to the current loss costs in order for them to be adequate to cover indemnity losses and all associated loss adjustment expenses incurred in the prospective period in which the revised loss costs will be used? |
| DESCRIPTION | This procedure compares the developed (for liability) and trended incurred losses and loss adjustment expenses with the aggregate loss costs at current loss cost level, which is the aggregate amount that would have been collected if the current loss costs were used during the experience period. This experience ratio (losses and all loss adjustment expenses divided by aggregate loss costs) is calculated for five years and a weighted average is calculated. The average experience ratio is then credibility-weighted with an expected experience ratio in order to minimize the impact of random variation in the observed losses. This credibility-weighted experience ratio is the indicated statewide advisory loss cost level change in decimal form. |
| EXPERIENCE INCLUDED | The review of the statewide loss cost level is based on the latest available experience on Businessowners policies reported to ISO under the Commercial Statistical Plan (CSP) and the Commercial Minimum Statistical Plan (CMSP). In this review we have used accident year data through September 30, 2020 evaluated as of December 31, 2020. |
| EXPERIENCE EXCLUDED | Experience reported on miscellaneous coverages such as Employee Dishonesty, Outdoor Signs, Glass, Money and Securities and Hired and Non-Owned Auto Liability is not part of this review. Liability indemnity loss experience in excess of the \$300,000 basic coverage has also been excluded from the review. |

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BUSINESSOWNERS
SECTION B: CALCULATION OF CHANGES

CALCULATION OF STATEWIDE ADVISORY
LOSS COST LEVEL CHANGES

Exhibit B1

CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL
CHANGE

Please refer to **Exhibits B1-1** through **B1-4** for the calculations of the prospective loss cost level changes for Property, Liability Lessors/Occupants, Liability Sales, and Liability Payroll, respectively. Explanatory notes for **Exhibit B1** follow.

COLUMN (1)

AGGREGATE LOSS COSTS AT CURRENT LEVEL

In this analysis, aggregate loss costs at current level are calculated by re-rating each policy premium transaction using the current manual loss costs and applicable rating variables such as territory, occupancy and building construction, and the number of exposures (buildings or contents amount of insurance in hundreds of dollars, sales and payroll in thousands of dollars). Where appropriate, certain reported data elements have been adjusted prior to being used in the calculations. In addition, exposures are trended using exposure trend factors developed from Commercial Property and General Liability data as shown in Section C.

COLUMN (2)

INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

The incurred losses displayed are losses including all loss adjustment expenses and trend, and for liability are developed to an ultimate settlement basis. Where appropriate, certain reported data elements have been adjusted prior to being used in the calculations. In this review, the assumed effective date for trending purposes is March 1, 2022.

Businessowners losses are adjusted separately by type of loss, descriptions of which are provided in Section C. Adjustment procedures are summarized below, and details regarding the loss adjustment procedures by type of loss group can be found in Section C.

Property losses are trended and loaded for all loss adjustment expenses. Large losses are smoothed using the method appropriate for the type of loss.

Liability losses are trended, loaded for unallocated loss adjustment expenses, and adjusted to their ultimate settlement value by application of loss development factors. Businessowners basic limits coverage includes \$300,000 for liability. Therefore, liability losses greater than \$300,000 are excluded from this analysis. Losses between \$50,000 and \$300,000 are smoothed by replacing actual excess losses with expected excess losses.

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BUSINESSOWNERS
SECTION B: CALCULATION OF CHANGES

CALCULATION OF STATEWIDE ADVISORY
LOSS COST LEVEL CHANGES

COLUMN (3) EXPERIENCE RATIO

The experience ratios in this column are calculated by dividing the incurred losses and loss adjustment expenses in column (2) by the aggregate loss costs at current level in column (1).

COLUMNS (3a)-(3d) PARTIAL EXPERIENCE RATIOS

Partial experience ratios are displayed for each of the four Property type of loss groups. These partial experience ratios are calculated by taking the ratio of the incurred losses and loss adjustment expenses in each of the groups to the indivisible aggregate loss costs at current level in column (1). Because all these ratios are rounded, the sum of the partial experience ratios in columns (3a) to (3d) may not exactly equal the total experience ratio in column (3).

Line (4) WEIGHTED EXPERIENCE RATIO

For Property, the experience ratios shown in column (3) are weighted using weights of .10, .15, .20, .25 and .30 from earliest to most recent accident year.

For Liability Lessors/Occupants, Sales and Payroll, the experience ratios shown in column (3) are weighted using the weights of .10, .15, .20, .275 and .275 from earliest to most recent accident year. The weights have been adjusted for Liability risks to account for the impact of the COVID-19 pandemic on the data from March 2020 and beyond, so that experience year 2020 receives less weight.

Line (5) CREDIBILITY

Credibility is based on the five-year number of earned risks. See "Explanatory Notes to Relative Change Analysis" in Section B.

Line (6) EXPECTED EXPERIENCE RATIO

The expected experience ratio is our best prediction of the experience ratio if the most recent data was 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 to the extent of the net trend. The net trend is calculated as the combined trend factor (loss trend/premium trend) projected for the number of years between the last revision (or review) and this revision. See **Exhibit B3**.

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BUSINESSOWNERS
SECTION B: CALCULATION OF CHANGES

CALCULATION OF STATEWIDE ADVISORY
LOSS COST LEVEL CHANGES

Line (7) CREDIBILITY WEIGHTED EXPERIENCE RATIO

The credibility weighted experience ratio is calculated using the formula:

$$(WER)(Z) + (EER)(1 - Z)$$

where WER = Weighted Experience Ratio
Z = Credibility Factor
EER = Expected Experience Ratio

Line (8) INDICATED LOSS COST LEVEL CHANGE

The indicated statewide loss cost level change is equal to the credibility weighted experience ratio. The indication is converted to a percentage by subtracting one, and multiplying by 100.

Line (9) SELECTED LOSS COST LEVEL CHANGE

The selected loss cost level change is equal to the indicated loss cost level change.

The selected loss cost level change for Payroll includes an offset factor of 0.935 to introduce the changes in payroll amount for executive offices, individual insureds or co-partners on a revenue neutral basis.

For Liability Lessors/Occupants, a selection of 0.0% was made due to minimal indications.

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BUSINESSOWNERS
SECTION B: CALCULATION OF CHANGES

OVERVIEW OF ACTUARIAL PROCEDURES

STEP 2 - RELATIVE CHANGE ANALYSIS

OBJECTIVE The objective of this procedure is to determine the indicated changes to the Businessowners' territory and coverage relativities for property as well as the indicated changes to the territory and lessors/occupant relativities for liability.

EXPERIENCE BASE The review is based on Businessowners state data for five policy years ending 9/30/2020. Losses were trended and developed to an ultimate settlement basis.

SIMULTANEOUS DETERMINATION OF RATING VARIABLE RELATIVE CHANGES Once the aggregate loss costs at current level and incurred losses used in the analysis have been appropriately adjusted, experience ratios are calculated by dividing the trended and developed losses by the aggregate loss costs at current level for each rating variable. A Bailey's minimum bias iterative procedure, the two-dimensional balance principle multiplicative model, is used to calculate the relative changes for each rating variable. The purpose of the simultaneous review procedure is to arrive at a set of relative changes for each rating variable that best represent the experience by minimizing the errors between actual and estimated relativity changes.

RATING VARIABLES USED The rating variables used in the relative change analysis are as follows:

- Property - territory and coverage
- Liability - territory and lessors/occupant

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

For Property:

$$TERR_i = \frac{\sum_j W_{ij} R_{ij}}{\sum_j W_{ij} COV_j}$$

$$COV_j = \frac{\sum_i W_{ij} R_{ij}}{\sum_i W_{ij} TERR_i}$$

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BUSINESSOWNERS
SECTION B: CALCULATION OF CHANGES

OVERVIEW OF ACTUARIAL PROCEDURES

STEP 2 - RELATIVE CHANGE ANALYSIS (cont'd)

ITERATIVE
PROCEDURE (Cont'd)

Where:

$$1 \leq i \leq m \quad \text{And} \quad 1 \leq j \leq 2,$$

TERR_i = the relative change for the ith territory,

COV_j = the relative change for the jth coverage,
where j=1 is buildings and j=2 is contents.

W_{ij} = the aggregate loss cost at current level (ALCCL),

R_{ij} = the loss ratio relativities for the ith territory and
jth coverage,

m = the number of territories in the analysis.

For Liability:

$$\text{TERR}_i = \frac{\sum_j W_{ij} R_{ij}}{\sum_j W_{ij} \text{EIND}_j}$$

$$\text{EIND}_j = \frac{\sum_i W_{ij} R_{ij}}{\sum_i W_{ij} \text{TERR}_i}$$

Where:

$$1 \leq i \leq m \quad \text{And} \quad 1 \leq j \leq 2,$$

TERR_i = the relative change for the ith territory,

EIND_j = the relative change for the jth exposure indicator,
where j=1 is lessors and j=2 is occupant.

W_{ij} = the aggregate loss cost at current level (ALCCL),

R_{ij} = the loss ratio relativities for the ith territory and jth
exposure indicator,

m = the number of territories in the analysis.

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BUSINESSOWNERS
SECTION B: CALCULATION OF CHANGES

OVERVIEW OF ACTUARIAL PROCEDURES

STEP 2 - RELATIVE CHANGE ANALYSIS (cont'd)

ITERATIVE
PROCEDURE
(Cont'd)

For example, for property the procedure starts by inserting the actual relative changes for territory into the second formula to get a coverage relative change. This result is then entered into the first formula to get a new territory relative change. The process continues on until there is no appreciable difference from one iteration to the next. After completion of all iterations, the relative changes are balanced to assure that the average relativity change across all rating variables remains at unity.

APPLICATION OF
CREDIBILITY

Consideration is then given to the credibility of experience for each rating variable using the following classic credibility formula:

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

Where:

P is the five-year aggregate earned risks;
K is the full standard credibility.

The partial credibility standards for property and liability respectively are:

$$Z = \sqrt{P/455,800} \quad \& \quad Z = \sqrt{P/651,890}$$

Credibility-weighted relative changes are then calculated as follows:

$$W = R^z \text{ where:}$$

Z is the credibility,

R is the minimum bias relative change,

W is the credibility-weighted relative change for a given rating variable

CALCULATION OF
FINAL RELATIVE
CHANGES

Once again rebalancing is used to assure the credibility-weighted relativity changes remain at unity across all rating variables. This process results in the indicated relative changes for both territory and coverage within property, and for both territory and lessors/occupant within liability.

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SECTION B: CALCULATION OF CHANGES

RELATIVE CHANGE ANALYSIS (cont'd)

Exhibit B2

Calculation of Relative Changes

Please refer to **Exhibits B2-1** and **B2-2** for the calculations of the relative changes for Property and Liability, respectively. Explanatory notes for **Exhibit B2** follow below.

COLUMN (1)

AGGREGATE LOSS COSTS AT CURRENT LEVEL

Aggregate loss costs at current level are calculated in the same way as described in the explanatory notes to **Exhibit B1**.

COLUMN (2)

INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

The incurred losses and loss adjustment expenses are the same as those described in the explanatory notes to **Exhibit B1**.

COLUMN (3)

EXPERIENCE RATIO

The experience ratios in this column are calculated by dividing the incurred losses and loss adjustment expenses in column (2) by the aggregate loss costs at current level in column (1).

COLUMNS (4)

EXPERIENCE RELATIVITY

The experience relativities in this column are calculated by dividing each experience ratio in column (3) by the total experience ratio in column (3).

COLUMNS (5)

MINIMUM BIAS RELATIVE CHANGE

The relative changes in this column are the final balanced results of the relative change iterative process as described in the "Explanatory Notes to Relative Change Analysis" in Section B.

COLUMNS (6)

EARNED RISKS

This is the number of earned risks in the state for the five-year period ending September 30, 2020.

COLUMNS (7)

CREDIBILITY

Credibility is based on the five-year number of earned risks. See "Explanatory Notes to Relative Change Analysis" in Section B.

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SECTION B: CALCULATION OF CHANGES

RELATIVE CHANGE ANALYSIS (cont'd)

COLUMNS (8)

CREDIBILITY WEIGHTED CHANGE

The credibility change is calculated using the formula:

$$W = R^z$$

Where:

Z is the credibility,

R is the minimum bias relative change,

W is the credibility-weighted relative change for a given rating variable.

COLUMNS (9)

BALANCED CHANGE

The balanced change is the rebalancing of the credibility weighted changes to assure that the average relative change for each rating variable remains at unity.

COLUMNS (10)

FINAL BALANCED INDICATED CHANGES

The final balanced indicated changes are the result of multiple rebalancing iterations.

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SECTION C: SUPPORTING MATERIAL

CALCULATION OF ADJUSTED PROPERTY LOSSES

DEFINITIONS OF TYPE
OF LOSS GROUPS

Each Businessowners property loss is assigned to one of the following type of loss groups: fire, extended coverage, all other property or burglary and theft.

Fire losses are defined as losses due to fire, lightning and removal that cause property damage to buildings, property damage to contents and time element losses.

Extended coverage (EC) losses are losses causing property damage to buildings, property damage to contents and time element losses due to wind and hail, explosion, riot, riot attending a strike and civil commotion, and vandalism and malicious mischief.

All other property (AOP) losses are losses due to sprinkler leakage and all other insurable perils which cause property damage to the building, property damage to the contents or time element losses. Included in this type of loss group are losses due to water damage, freezing, vehicles, aircraft and smoke.

Burglary and theft losses are losses due to burglary, theft and robbery of property other than money and securities. This includes time element losses and losses resulting from property damage to contents.

Businessowners property losses are adjusted separately by type of loss group.

ADJUSTMENT
OF PROPERTY
LOSSES

All property losses are trended, and large losses are smoothed based on the procedure appropriate for the type of loss. Trended and smoothed losses are loaded for all loss adjustment expenses.

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CALCULATION OF ADJUSTED PROPERTY LOSSES

LOSS TREND

CALCULATION
OF TRENDED
PROPERTY
INCURRED
LOSSES

For the fire, extended coverage and all other property type of loss groups, building and contents losses are trended separately using the Current Cost Factors, Loss Projection Factors and Loss Trend Adjustments. These factors are summarized in **Exhibit C1**. Burglary and theft losses are trended using the internal annual rates of change. The calculations of all loss trend factors are detailed below.

Since cost changes affect the whole loss (loss to the insured) and not just the loss net of the deductible, the deductible must be included in the trend calculation. Since this review tests aggregate loss costs and incurred losses at the standard \$500 deductible level, this calculation varies based on the reported deductible amount.

CALCULATION
OF LOSS TREND
FACTORS

For the fire, extended coverage and all other property type of loss groups, the loss trend factors are referred to as Current Cost Factors (CCFs) and Loss Projection Factors (LPFs). These factors are based on the following external economic indices:

1. Xactware Commercial Index (XCI) for buildings loss projection factors and current cost factors beginning 1/1/08
2. Producer Price Index (PPI) published by the US Department of Labor (Finished Goods Less Energy, Not Seasonally Adjusted) for contents factors

The CCFs adjust losses for inflationary changes, as measured by the external indices, which have taken place between the actual accident date and the midpoint of the latest period of external trend information. The LPF adjusts losses for projected inflationary changes from the midpoint of the latest period of external trend information to the anticipated average accident date for policies written under the proposed loss costs (assumed to be 12.0 months after the assumed revision date). For external trend purposes, the CCF's and LPF's in **Exhibit C3** are calculated annually to correspond with other components of the external trend that are calculated annually.

The most recent CCFs and LPFs are calculated in **Exhibit C2**. Due to the historical volatility of the PPI index, the CCFs for contents were calculated as ratios of the weighted average of the latest two PPI points to the average annual indexes. The weights assigned to the latest PPI points for the purpose of this calculation are 67% to the latest point and 33% to the earliest point. This procedure should enhance stability of the contents CCFs.

Since the CCFs and LPFs are calculated separately for buildings and contents coverages and the losses reported under CSP and CMSP are adjusted on an individual occurrence basis, the building trend factors are applied to building losses and the contents trend factors to business personal property losses.

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CALCULATION OF ADJUSTED PROPERTY LOSSES

EXTERNAL LOSS TREND

CURRENT COST FACTORS AND LOSS PROJECTION FACTORS

Exhibit C2

Development of Current Cost Factors and Loss Projection Factors

Please refer to **Exhibit C2** for the development of the current cost factors and loss projection factors. Explanatory notes for **Exhibit C2** follow below.

PART A: QUARTERLY XACTWARE AND PRODUCER PRICE INDICES

XCI

The Xactware Commercial Index, based on Xactware's XactAnalysis reports, measures the costs of building material and repairs for commercial properties. The index, which has been available since 2nd Quarter 2005, is being used by ISO to calculate trends in building costs. The Xactware index is based on regular surveys of nearly 25,000 material and equipment suppliers and 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 in determining the loss projection factor.

PPI

The Producer Price Index is a time series which measures the price level for a predetermined group of goods produced in all stages of processing relative to the price level for an earlier point in time (which is denoted the base and is currently 2008). There are many sub-indices which comprise the PPI, however the composite index based on the weights assigned by the U.S. government is used.

PART B: CALCULATION OF CURRENT COST FACTORS (CCFs)

FISCAL YEAR
AVERAGES

The fiscal year averages are simply the means of the appropriate quarterly indices for the given fiscal years ending September 30. These measure the average cost level of the year relative to the base year.

CURRENT COST
FACTORS

The current cost factors are the ratios of the indices for the latest period of cost information divided by the fiscal year average indices for each 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.

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CALCULATION OF ADJUSTED PROPERTY LOSSES

EXTERNAL LOSS TREND

CURRENT COST FACTORS AND LOSS PROJECTION FACTORS (cont'd)

PART C: COMPUTATION OF LOSS PROJECTION FACTORS

LOSS PROJECTION
FACTORS

This part of the table shows the calculation of the Loss Projection Factors. This is done by fitting a least squares exponential curve to the quarterly points. For this review, 12 points are used for buildings, and 12 points are used for contents.

The indices for the points used in fitting the curve are displayed in Part A. The annual rates of change in the indices based on the exponential fit are displayed in Part C. These annual rates of change are projected over the period which extends from the latest period of cost information to the average accident date in order to calculate the respective Loss Projection Factors.

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BUSINESSOWNERS
CALCULATION OF ADJUSTED PROPERTY LOSSES
EXTERNAL LOSS TREND

DEVELOPMENT OF LOSS TREND ADJUSTMENTS

Exhibit C3

Development of Loss Trend Adjustments

Please refer to **Exhibit C3** for the development of the loss trend adjustments. Explanatory notes for **Exhibit C3** follow below.

I. EXTERNAL RATE OF CHANGE

COLUMN (1)

WEIGHTS

The selected weights are the same for each type of loss group.

COLUMN (2)

CURRENT COST FACTORS (CCF)

The CCFs are shown here for buildings and contents.

LINE (3)

AVERAGE CCFs

The average CCFs for the experience period are calculated based on the weights shown in column (1).

LINE (4)

LOSS PROJECTION FACTORS

The annual rate of change, projection period in years (Exponent), and LPF are shown here.

LINE (5)

TOTAL TREND

The total trend is the product of the average CCF and LPF. 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 assumed average accident date. For Fire, EC and AOP the weighted midpoint of the experience period is 4/1/2018. Accordingly, there are 53 months to the assumed average accident date of 9/1/2022.

II. INTERNAL ANNUAL RATES OF CHANGE

COLUMN (6)

SELECTED BOP

The displayed annual rates of change in the average claim costs for Fire, EC, and AOP were selected based on several least squares exponential fits of the annual claim costs for each type of loss group. This was done to the most recent nine years of Businessowners data. Refer to **Exhibits C4-1** through **C4-6** for the least squares exponential fits.

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CALCULATION OF ADJUSTED PROPERTY LOSSES
EXTERNAL LOSS TREND

DEVELOPMENT OF LOSS TREND ADJUSTMENTS (cont'd)

III. LTA CALCULATION

COLUMN (7)

ANNUAL EXTERNAL

The annual external rates of change from line (5c) are shown here.

COLUMN (8)

ANNUAL INTERNAL

The annual internal rates of change in average loss from column (6) are shown here.

COLUMN (9)

INDICATED LTA

The indicated severity LTAs are calculated by dividing the annual internal rates of change by the annual external rates of change.

COLUMN (10)

FORMULA LTA

The severity LTAs in column (10) were 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 (11)

FREQUENCY EFFECT

The displayed annual rates of change in claim frequency for Fire, EC and AOP were selected based on several least squares exponential fits of the claim frequency by type of loss group.

COLUMN (12)

FINAL LTA

The final LTA is the combination of the severity and frequency trend adjustments, calculated as column (10) times column (11).

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CALCULATION OF ADJUSTED PROPERTY LOSSES

INTERNAL LOSS TREND

CALCULATION
OF LOSS TREND
ADJUSTMENTS

An evaluation of the latest Businessowners insurance data shows that the cost and frequency levels inherent in these coverages are changing at a different rate than those measured by the external indices. Therefore, to insure adequate loss cost levels during the period for which loss costs are to be determined, Loss Trend Adjustments (LTAs) have been applied. These factors were developed by comparing the annual rates of change in the internal and external indices. (Refer to **Exhibit C3** for the underlying data and calculations). The LTAs vary by coverage (building vs. contents) and type of loss.

The method of internal trend determination utilized in this review makes use of the Least Squares Method fitted to the reported time series data; specifically, an exponential curve represented by the equation $Y = Ae^{BX}$ is fitted to the occurrence cost and occurrence frequency data. The parameters A and B are calculated constants; x is the unit of time; e is the natural logarithm base with a numerical value of 2.7182818...; and Y is the fitted value on the curve. The occurrence cost and occurrence frequency curves are determined from the latest 10 year-ended experience periods. The historical data and the selected internal annual rates of change are shown in **Exhibits C4-1** through **C4-7**.

The method used to determine internal trend is applied to all property losses.

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CALCULATION OF ADJUSTED PROPERTY LOSSES

PROPERTY LARGE LOSS AND EXCESS PROCEDURES

LARGE LOSS
SMOOTHING
PROCEDURE

If left untreated, the presence or absence of large losses during the review period can produce significant fluctuations in loss cost levels. Consequently, to develop a more stable body of experience, the property loss experience has been smoothed. The smoothing procedure differs based on type of loss group.

FIRE LARGE
LOSS
PROCEDURE

For the fire type of loss group, this smoothing is accomplished by removing the excess portion of every loss occurrence from the unadjusted experience and applying multistate excess loss factors to the resultant aggregate state normal losses. The adjusted incurred losses developed in this manner replace the unadjusted incurred losses in the loss cost level evaluation.

The first step in the smoothing procedure is the extraction of the large fire loss experience from the trended loss experience. Individual occurrence amounts that result from the same occurrence are grouped together, and when the sum of these occurrences exceeds \$50,000 at average 1985 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 a variable normal loss cutoff; that is, the procedure employs a minimum normal breakpoint of \$50,000, which increases, with the size of loss (for losses greater than \$50,000) up to a maximum normal amount (approached asymptotically) of \$250,000.

Specifically, the formula used to calculate the normal losses is:

$$y = b[1 - [(b-c)^2/b] / [x - (2c-b)]]$$

where:

b = the maximum normal amount = \$250,000

c = the normal break point = \$50,000

y = normal loss

x = total loss

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CALCULATION OF ADJUSTED PROPERTY LOSSES

PROPERTY LARGE LOSS AND EXCESS PROCEDURES (cont'd)

FIRE LARGE LOSS
PROCEDURE (cont'd)

As noted above, the excess loss procedure is performed on trended loss experience (i.e., loss experience adjusted to prospective cost levels by the CCFs, LPFs and severity LTAs). Since the normal breakpoint of \$50,000 and the other parameters in the normal loss formula are at 2008 cost levels, they have been similarly adjusted to prospective cost levels.

For each adjusted large loss, the portion exceeding the cutoff is considered excess and the portion up to the cutoff is considered normal.

Each individual normal loss is adjusted by a multistate excess loss factor, which is equal to the ratio of multistate 5-year trended incurred losses to multistate 5-year trended normal losses. Multiplying the normal losses by the excess loss factor yields smoothed incurred losses (actual normal losses plus expected excess losses). The formula for trended incurred losses adjusted for large losses is thus:

$$SL = (TL - E) \times F$$

where: SL = trended incurred losses smoothed for excess occurrences

TL = trended incurred losses

E = trended excess losses

F = multistate excess loss factor

In this analysis, F is calculated to be 1.374.

BURGLARY AND THEFT
LARGE LOSS
PROCEDURE

To stabilize the burglary and theft experience, large loss factors have been applied to normal losses. In the large loss procedure, the portion of a loss over \$20,000 at the 1989 cost level is defined as an excess loss, and the portion of a loss under \$20,000 at the 1989 cost level is defined as a normal loss. The state's loss amounts adjusted for excess occurrences are derived by multiplying the normal losses by the multistate ratio of total losses to normal losses.

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CALCULATION OF ADJUSTED PROPERTY LOSSES

PROPERTY LARGE LOSS AND EXCESS PROCEDURES (cont'd)

EC EXCESS
LOSS
PROCEDURE

The EC data has been adjusted for abnormal frequencies and severities so that it reflects long term excess potential exhibited on a state and regional basis. Normal losses by state and year are defined to be equal to the total Businessowners EC losses multiplied by the ratio of normal losses to incurred losses calculated using the long term Businessowners experience database. The potential for catastrophes is recognized by applying the state excess multiplier to the normal losses. The calculation of the EC excess multiplier is shown in **Exhibit C5**.

ALL OTHER PROPERTY
LARGE LOSS
PROCEDURE

The AOP data has been adjusted for abnormal frequencies and severities so that it reflects long term excess potential exhibited on a statewide basis. Normal losses by state and year are defined to be equal to the total Businessowners AOP losses multiplied by the ratio of normal losses to incurred losses calculated using the long term Businessowners experience database. The potential for catastrophes is recognized by applying the state excess multiplier to the normal losses. The calculation of the AOP excess multiplier is shown in **Exhibit C6**.

Explanatory notes For **Exhibits C5** and **C6** follow below.

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CALCULATION OF ADJUSTED PROPERTY LOSSES
PROPERTY LARGE LOSS AND EXCESS PROCEDURES

DEVELOPMENT OF EXTENDED COVERAGE EXCESS MULTIPLIER

Exhibit C5 Development of the Extended Coverage Excess Multiplier
Please refer to **Exhibit C5** for the development of the excess multiplier for the
Extended Coverage type of loss group.

OBJECTIVE Due to the absence or presence of catastrophic wind losses, EC experience can
be extremely volatile; in recognition of this, an excess loss procedure is used to
smooth the losses incurred during the experience period. Under this approach a
given year's aggregate losses are split into normal and excess components
(defined below). The excess loss experience of the long-term review period
(1991-present) is used to develop a state excess multiplier which is applied to
the normal losses for each accident year. The state excess multiplier is derived
in such a manner as to provide an estimate, based on the long-term experience,
of the expected volume of excess loss dollars per normal loss dollar in the review
period. Therefore, by applying the state excess multiplier to each year's normal
incurred losses, a normal review period ratemaking database is generated which
reflects both normal loss experience and the expected, average annual excess
loss experience (averaged over the long-term review period). The calculation
of the state excess multiplier gives consideration to three layers of losses:
normal, state excess, and regional excess.

COLUMN (1) EARNED PREMIUMS

The earned premiums for EC are a portion of the total earned premium obtained
by multiplying each individual year's statewide unadjusted earned premium by
its long-term ratio of unadjusted EC losses to total losses.

COLUMN (2) INCURRED LOSSES

The unadjusted incurred losses are shown for each year.

COLUMN (3) NORMAL INCURRED LOSSES

Normal losses are defined as that portion of each month's losses which does not
exceed the normal loss ratio cutoff, aggregated by fiscal year.

Note: 2.0 times the monthly earned premiums are defined to be the normal loss
ratio cutoff.

COLUMN (4) NORMAL LOSS RATIO

Normal loss ratios (NLR) are calculated by dividing the normal losses in
Column (3) by the earned premiums in Column (1).

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CALCULATION OF ADJUSTED PROPERTY LOSSES
PROPERTY LARGE LOSS AND EXCESS PROCEDURES

DEVELOPMENT OF EXTENDED COVERAGE EXCESS MULTIPLIER (cont'd)

COLUMN (5)

STATE EXCESS LOSS RATIO

Excess losses are the portion of incurred losses exceeding the normal. Excess losses allocated to the state are determined on a monthly basis by the following formula:

Excess Loss = Excess Loss Ratio x Earned Premium, where

$$\text{Excess Loss Ratio} = \frac{20(\text{LR}-2.0)}{(\text{LR}-2.0)+20} \quad (\text{if LR} > 2.0), \text{ and}$$

LR = the monthly loss ratio.

State excess losses are the sum of the monthly excess losses calculated above, aggregated by fiscal year. The state excess loss ratio (SELR) is simply the state excess losses divided by the earned premiums in Column (1).

COLUMN (6)

REGIONAL EXCESS LOSS RATIO

If the unadjusted loss ratio (ULR) is greater than the normal loss ratio (NLR) then the regional excess loss ratio is:

$$\text{Regional Excess Loss Ratio} = \text{ULR} - \text{SELR} - \text{NLR}$$

where SELR = the State Excess Loss Ratio, Column (5),

NLR = the Normal Loss Ratio, Column (4), and

ULR = the Unadjusted Loss Ratio, Column(2) / Column(1).

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).

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CALCULATION OF ADJUSTED PROPERTY LOSSES
PROPERTY LARGE LOSS AND EXCESS PROCEDURES

DEVELOPMENT OF EXTENDED COVERAGE EXCESS MULTIPLIER (cont'd)

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 earned 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.

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.

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CALCULATION OF ADJUSTED PROPERTY LOSSES
PROPERTY LARGE LOSS AND EXCESS PROCEDURES

DEVELOPMENT OF ALL OTHER PROPERTY EXCESS MULTIPLIER

| | |
|------------|--|
| Exhibit C6 | <p><u>Development of All Other Property Excess Multiplier</u> Please refer to Exhibit C6 for the development of the excess multiplier for the All Other Property type of loss group.</p> |
| OBJECTIVE | <p>Similar to Extended Coverage, the All Other Property smoothing procedure uses a loss ratio approach to reflect both the frequency and severity of unusual loss events. The excess procedure uses longer term statewide AOP experience (1991 - 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 causes of large AOP 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.</p> |
| COLUMN (1) | <p><u>EARNED PREMIUMS</u></p> <p>The unadjusted earned premiums for AOP each year and are a portion of the total earned premium obtained by multiplying each individual state's ratio of AOP losses to total losses.</p> |
| COLUMN (2) | <p><u>INCURRED LOSSES</u></p> <p>These are the unadjusted incurred losses for each year.</p> |
| COLUMN (3) | <p><u>NORMAL INCURRED LOSSES</u></p> <p>The normal incurred losses are shown for each year and are defined to be that portion of each month's losses which does not exceed 2.0 times the monthly earned premiums.</p> |
| COLUMN (4) | <p><u>NORMAL LOSS RATIO</u></p> <p>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)</p> |
| COLUMN (5) | <p><u>EXCESS LOSS RATIO</u></p> <p>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.</p> |

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CALCULATION OF ADJUSTED PROPERTY LOSSES
PROPERTY LARGE LOSS AND EXCESS PROCEDURES

DEVELOPMENT OF ALL OTHER PROPERTY EXCESS MULTIPLIER (cont'd)

LINE (6)

EXCESS COMPONENT

The excess component is determined by dividing the sum of all excess loss ratios by the sum of all normal loss ratios where the sum is 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.

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CALCULATION OF ADJUSTED LIABILITY LOSSES

DEFINITION OF
LIABILITY TYPE
OF LOSS GROUP

Liability losses and allocated loss adjustment expenses include the data reported as premises/operations liability, products liability, medical payments and all other liability.

EXCESS LOSS
PROCEDURE

The liability coverage included with the basic Businessowners coverage is subject to a limit on loss payments equal to \$300,000. This limit is applied to all indemnity losses resulting from an occurrence. When the total of indemnity losses on an occurrence exceeds \$300,000, the portion over \$300,000 has been excluded from this review.

For smoothing purposes, we considered the impact of all losses from an occurrence. This was accomplished by combining the capped indemnity losses and defense costs. The procedure sums losses by occurrence, calculates the normal portion of the occurrence (defined as that part of loss and ALAE less than \$50,000), and replaces the actual excess with an expected excess amount based on the yearly multistate experience. This excess loss factor is equal to the ratio of the total multistate capped indemnity losses plus all allocated loss adjustment expense to the total multistate normal losses.

CALCULATION
OF LOSS TREND
FACTORS

The method used to determine internal property trend is also applied to liability losses.

Loss Trend Factors for Businessowners liability lessors, liability occupants, and liability sales and payroll losses are based on \$300,000 limit Businessowners occurrence cost and frequency rates of change.

These combined rates of change are projected to an assumed average loss date of March 1, 2023 based on an assumed effective date for trending of March 1, 2022.

The historical data underlying the selected annual rates of change are shown in **Exhibits C7-1** through **C7-4** for liability lessors, liability occupants, liability sales, and liability payroll risks.

In this review, multistate dollars of losses and number of occurrences contained in the trend exhibits are based on reported paid amounts developed to ultimate using paid development factors. This has been done in the interest of stability of ultimate loss and occurrence estimates from one review to another.

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CALCULATION OF ADJUSTED LIABILITY LOSSES (cont'd)

LOSS
DEVELOPMENT
PROCEDURE

Loss development factors are applied to recognize the important ratemaking concept that not all of the liability losses for a particular accident year have been finally determined at the time the experience is compiled.

The incurred losses and loss adjustment expenses underlying the statewide loss cost level indications were evaluated as of December 31, 2020.

Fiscal accident year ending September 30, 2020 includes all losses and loss adjustment expenses paid on accidents from October 1, 2019 to September 30, 2020 and all losses and loss adjustment expenses outstanding on those accidents as of December 31, 2020, 15 months after the inception of the accident year.

Similarly, fiscal accident years ending September 30, 2019, 2018, 2017, and 2016 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, 51 or 63 months must be adjusted to an ultimate settlement basis. For liability sales and liability payroll, this adjustment is accomplished through the use of multistate loss development factors. For liability lessors/occupants, statewide loss development factors are credibility weighted with multistate factors. A Bayesian credibility study was done on multistate 15 to 27 and 27 to 39 months link ratios. The study concluded that there is significant statewide variation through 39 months. For these two link ratios, statewide credibility is determined by the formula $Z=L/(L+K)$, where Z is the credibility, and L is the 3-year total losses for the particular state (at the earliest of the two evaluations). K is a constant that varies as follows:

| | |
|-----------------|-----------------|
| 15 to 27 Months | 27 to 39 Months |
| \$ 5,000,000 | \$ 65,000,000 |

The complement of credibility is assigned to multistate link ratios. Three-year averages are calculated for each link ratio using a “best three of five” approach. Specifically, for the latest five years, the highest and lowest factors were removed from the calculations and the three-year average was calculated using the remaining factors. Development after 123 months is assumed to be unity.

Loss development factors and their derivation are shown on **Exhibits C8-1** through **C8-4**.

UNALLOCATED
LOSS ADJUSTMENT
EXPENSE

The final adjustment to the liability losses is to include unallocated loss adjustment expenses using the factor selected based on the data displayed in **Exhibit C11-3**.

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BUSINESSOWNERS

EXPOSURE TREND

OBJECTIVE

Cost changes over time to both real and personal property result in insureds purchasing increased amounts of insurance. In addition, certain Businessowners classes have sales and payroll exposure bases for liability, which are inflation sensitive. To reflect the impact of this phenomenon, exposure trend factors are applied to reported sales and payroll amounts of insurance to bring them to prospective exposure levels. The development of exposure trend factors is shown in **Exhibit C9**. In this analysis, exposure trend factors for Businessowners data with amount of insurance exposure bases have been developed from Commercial Property data for buildings and contents (see columns 1 through 10). Exposure trend factors for Businessowners data with sales and payroll exposure bases have been developed from General Liability data (see columns 11 through 14).

Explanatory notes to **Exhibit C9** follow.

DEVELOPMENT OF BUILDINGS AND CONTENTS EXPOSURE TREND FACTORS

ANNUAL WRITTEN INCREASE (COLUMNS 1 AND 6)

The annual written increases for 2015 through 2020 for buildings and contents amount of insurance were developed from the actual changes in amount of insurance from one year to the next for a sample of renewal policies (based on BGI building and contents experience). Specifically, the change in amount of insurance for each policy in the sample was weighted with its prior year's aggregate loss costs to obtain a weighted change for each year. A sample of renewal policies was used because not all companies code their data so that identification of renewal policies is possible.

CALENDAR YEAR WRITTEN FACTORS (COLUMNS 2 AND 7)

The written factors for a given year are the product of the written annual changes for all years subsequent to that year.

FISCAL YEAR WRITTEN FACTORS (COLUMNS 3 AND 8)

Fiscal year written factors are calculated using a weighted average of current and prior Calendar year written factors based on the following:

| <u>Fiscal Year Ending</u> | <u>Current Year Weight</u> | <u>Prior Year Weight</u> |
|---------------------------|----------------------------|--------------------------|
| March 31st | 25% | 75% |
| June 30th | 50% | 50% |
| September 30th | 75% | 25% |
| December 31st | 100% | 0% |

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BUSINESSOWNERS

EXPOSURE TREND

EXPLANATORY NOTES TO EXHIBIT C9 (Cont'd)

DEVELOPMENT OF
BUILDINGS AND
CONTENTS
EXPOSURE TREND
FACTORS (cont'd)

PROJECTION FACTORS (COLUMNS 4 AND 9)

The projection factors are used to bring the fiscal year written factors at a 4/1/2020 level to the 9/1/2022 level (a time period of 29 months). This date is the average date of writing for policies written at the revised loss costs (i.e., 6 months beyond an assumed revision date of 3/1/2022). Based on selected average annual changes of 2.4% for buildings and 2.1% for contents, the projection factors are calculated as follows:

$$\text{Buildings: } (1.024)^{29/12} = 1.059$$

$$\text{Contents: } (1.021)^{29/12} = 1.052$$

EXPOSURE TREND FACTORS (COLUMNS 5 AND 10)

The exposure trend factors are calculated as the product of the fiscal year written factors and the projection factors.

DEVELOPMENT
OF SALES AND
PAYROLL EXPOSURE
TREND FACTORS

SELECTED AVERAGE ANNUAL TREND (COLUMNS 11 AND 13)

The selected average annual trend for sales was based upon the average annual growth rates in consumption components. The selected average annual trend for payroll was based on average hourly earnings of contracting workers. These econometric models were supplied by Moody's Analytics.

EXPOSURE TREND FACTORS (COLUMNS 12 AND 14)

The exposure trend factors were derived to project the reported sales and payroll exposures from the midpoint of each accident year to 9/1/2022, which is the average date of writing for policies written at the revised loss costs (i.e., 6 months beyond an assumed revision date of 3/1/2022). The trend factors for accident year ending 9/30/2020 were calculated as follows:

$$\text{Sales: } (1.021)^{29/12} = 1.052$$

$$\text{Payroll: } (1.016)^{29/12} = 1.039$$

where 29 is the number of months between the midpoint of accident year ending 9/30/2020 (4/1/2020) and the average date of writing (9/1/2022).

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BUSINESSOWNERS

CREDIBILITY

Exhibit C10

STATEWIDE CREDIBILITY CALCULATION

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

C = final estimate

Z = credibility

R = estimate based on the most recent data

E = expected experience ratio

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. See **Exhibit C10** for the derivation of credibility standards. Explanations of the calculation components shown in the table are detailed below.

LINE (1)

FULL CREDIBILITY OCCURRENCE STANDARD FOR FREQUENCY

Based on a Poisson distribution, the expected number of occurrences is determined such that the probability that the actual number of occurrences will be within 5.0% of the expected number of occurrences is greater than 95%.

LINE (2)

SEVERITY MODIFICATION FACTOR

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

LINE (3)

FULL CREDIBILITY OCCURRENCE STANDARD ADJUSTED FOR SEVERITY

This standard is the product of the frequency standard in line (1) and the severity modification factor in line (2).

LINE (4)

SELECTED CREDIBILITY OCCURRENCE STANDARD ADJUSTED FOR SEVERITY

This standard is selected based on the calculated credibility occurrence standard in line (3).

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BUSINESSOWNERS

CREDIBILITY (cont'd)

LINE (5) MULTISTATE FIVE-YEAR RATIO OF EARNED RISKS TO OCCURRENCE

This ratio was determined based on Commercial Statistical Plan data.

LINE (6) FULL CREDIBILITY EARNED RISKS STANDARD

To translate the severity-adjusted occurrence standard to an equivalent standard based on earned risks the selected severity adjusted occurrence standard in line (4) is multiplied by the multistate five-year ratio of earned risks to occurrences in line (5).

LINE (7) FIVE-YEAR STATEWIDE EARNED RISKS

This is the number of earned risks in the state for the five-year period ending September 30, 2020.

LINE (8) CREDIBILITY

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

$$Z = (R/C)^{1/2}$$

where Z = Credibility
 R = Statewide earned risks (line (6))
 C = Full Credibility Earned Risks Standard (line (5))

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LOSS ADJUSTMENT EXPENSE FACTORS

Exhibit C11

DEVELOPMENT OF THE LOSS ADJUSTMENT EXPENSE FACTORS

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 **Exhibits C11-1** and **C11-2** for the underlying data).

LIABILITY
COVERAGE

For liability coverage, allocated loss adjustment expenses are reported in detail to ISO under the Commercial Statistical Plan. Unallocated loss adjustment expenses must be loaded into the losses. A factor representing the ratio of the sum of the incurred indemnity losses plus all LAE to the sum of the incurred indemnity losses plus allocated LAE was selected based on multistate financial data (see **Exhibit C11-3** for the underlying data).

SELECTED
FACTORS

The following factors have been used in this review to load incurred losses for all loss adjustment expenses:

| | |
|--------------------|-------|
| Fire | 1.090 |
| Extended Coverage | 1.110 |
| All Other Property | 1.110 |
| Burglary and Theft | 1.190 |
| Liability | 1.080 |

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BUSINESSOWNERS

SECTION D: REVISED STATE LOSS COSTS

WINDSTORM OR HAIL EXCLUSION CREDITS

WINDSTORM OR HAIL
EXCLUSION CREDITS

The windstorm or hail exclusion credits shown on Table 29.A.39.d.(LC) are calculated using losses for the five accident years ending September 30, 2020. The five-year losses attributable to the wind and hail causes of loss were compared to the five-year losses attributable to all causes of loss for property to determine the portion of the property base loss cost that covers wind and hail. This was done on a statewide basis, separately for building and business personal property (BPP). The resulting percentages were rounded to the nearest 5% and capped at a minimum of 10% and a maximum of 50% for buildings, and a minimum of 5% and a maximum of 50% for BPP. The calculations are shown on **Exhibit D1**.

The resulting percentages were applied to the proposed base building and BPP loss costs, respectively, to determine the loss cost credits (i.e., the loss costs to be subtracted from the base loss costs when the new Windstorm or Hail Exclusion endorsement is applicable.)

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BUSINESSOWNERS

EXHIBIT A1

LOSS COST LEVEL CHANGE SUMMARY

| | Statewide Aggregate Loss Costs at Current Level | Loss Cost Level Change | |
|------------------------|---|------------------------|-------|
| | | Ind. | Filed |
| <u>Property Total</u> | \$ 17,648,308 | -6.0% | -6.0% |
| Lessors/Occupants | \$ 4,752,909 | +1.9% | 0.0% |
| Sales | 1,139,031 | -6.3% | -6.3% |
| Payroll | 133,428 | +4.9% | -1.9% |
| <u>Liability Total</u> | \$ 6,025,368 | +0.4% | -1.2% |
| GRAND TOTAL | \$ 23,673,676 | -4.4% | -4.8% |

NEVADA

BUSINESSOWNERS

EXHIBIT A2-1

LOSS COST LEVEL CHANGES

| <u>PROPERTY</u> | | |
|-----------------------------|--|------------------------------------|
| <u>Buildings</u> | | |
| <u>Territory</u> | <u>Aggregate Loss Costs at Current Level</u> | <u>Loss Cost Level Changes</u> |
| 701 | \$ 12,944,665 | -5.7% |
| Statewide Total | \$ 12,944,665 | -5.7% |
| <u>Business Pers. Prop.</u> | | |
| <u>Territory</u> | <u>Aggregate Loss Costs at Current Level</u> | <u>Loss Cost Level Changes</u> |
| 701 | \$ 4,703,643 | -7.0% |
| Statewide Total | \$ 4,703,643 | -7.0% |
| <u>All Property</u> | | |
| <u>Territory</u> | <u>Aggregate Loss Costs at Current Level</u> | <u>Loss Cost Level Changes</u> |
| 701 | \$ 17,648,308 | -6.0% |
| Statewide Total | \$ 17,648,308 | -6.0% |

BUSINESSOWNERS

EXHIBIT A2-2

LOSS COST LEVEL CHANGES*

LIABILITY

| <u>Lessors</u> | | |
|--------------------------|--|------------------------------------|
| <u>Territory</u> | <u>Aggregate Loss Costs at Current Level</u> | <u>Loss Cost Level Changes</u> |
| 701 | \$ 3,573,212 | 0.0% |
| Statewide Total | \$ 3,573,212 | 0.0% |
| <u>Occupants</u> | | |
| <u>Territory</u> | <u>Aggregate Loss Costs at Current Level</u> | <u>Loss Cost Level Changes</u> |
| 701 | \$ 1,179,697 | +3.8% |
| Statewide Total | \$ 1,179,697 | +3.8% |
| <u>Lessors/Occupants</u> | | |
| <u>Territory</u> | <u>Aggregate Loss Costs at Current Level</u> | <u>Loss Cost Level Changes</u> |
| 701 | \$ 4,752,909 | +0.9% |
| Statewide Total | \$ 4,752,909 | +0.9% # |

* The loss cost level changes shown in this table are indicated changes from the current loss costs. All selected Lessors and Occupants loss cost level changes are 0.0%.

Due to rounding of the loss costs to three decimal places, this change varies from the overall statewide change on Exhibit B1-2.

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BUSINESSOWNERS

EXHIBIT A2-3

LOSS COST LEVEL CHANGES

LIABILITY-SALES

| | Statewide Aggregate Loss Costs at <u>Current Level</u> | Loss Cost Level Changes |
|-----------------|--|----------------------------|
| Statewide Total | \$ 1,139,031 | -6.3% |

LIABILITY-PAYROLL

| | Statewide Aggregate Loss Costs at <u>Current Level</u> | Indicated Loss Cost Level Changes | Selected Loss Cost Level Changes (a) |
|-----------------|--|--------------------------------------|---|
| Statewide Total | \$ 133,428 | 4.9% | -1.9% |

(a) The Payroll Selected Loss Cost Level Change includes the 0.935 offset to introduce the change in payroll amount for executive officers, individual insureds or copartners on a revenue neutral basis.

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BUSINESSOWNERS

EXHIBIT A3

PRESENT AND REVISED LOSS COSTS

| <u>PRESENT LOSS COSTS</u> | | | <u>REVISED LOSS COSTS</u> | | | | |
|---------------------------|------------------|---|---------------------------|------------------|---|---------------------------------|--|
| PROPERTY | | | PROPERTY | | | | |
| <u>Territory</u> | <u>Buildings</u> | <u>Business Personal Property</u> | <u>Territory</u> | <u>Buildings</u> | <u>Business Personal Property</u> | | |
| 701 | 0.192 | 0.355 | 701 | 0.181 | 0.330 | | |
| LIABILITY | | | LIABILITY | | | | |
| <u>Territory</u> | <u>Lessors</u> | <u>Occupants</u> | <u>Territory</u> | <u>Lessors</u> | <u>Occupants</u> | | |
| 701 | 0.021 | 0.052 | 701 | 0.021 | 0.052 | | |
| <u>Territory</u> | <u>Sales</u> | <u>Payroll</u> | <u>Territory</u> | <u>Sales</u> | <u>Payroll Indicated</u> | <u>Payroll Selected (a)</u> | |
| 701 | 1.275 | 11.022 | 701 | 1.195 | 11.562 | 10.811 | |

(a) The offset factor of 0.935 has been applied to the selected Payroll revised loss costs to introduce the change in payroll amount for executive officers, individual insureds or copartners on a revenue neutral basis.

NEVADA

BUSINESSOWNERS - PROPERTY

EXHIBIT B1-1

CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGE

| Fiscal Year Ending | (1) Aggregate Loss Costs at Current Level | (2) Incurred Losses and Loss Adjustment Expenses | (3) Experience Ratio | (3a) Fire | (3b) (3c) (3d) Partial Experience Ratios | | | (3d) AOP |
|--------------------------|--|--|----------------------------|--------------|---|-------|-------|-------------|
| | | | | | EC | Burg | AOP | |
| 9/30/2016 | \$ 13,639,780 | \$ 15,861,757 | 1.163 | 0.619 | 0.097 | 0.058 | 0.388 | |
| 9/30/2017 | 15,951,963 | 13,277,915 | 0.832 | 0.342 | 0.122 | 0.028 | 0.341 | |
| 9/30/2018 | 17,121,440 | 14,849,304 | 0.867 | 0.490 | 0.067 | 0.027 | 0.284 | |
| 9/30/2019 | 17,199,907 | 16,083,439 | 0.935 | 0.446 | 0.087 | 0.048 | 0.354 | |
| 9/30/2020 | 17,648,308 | 12,542,074 | 0.711 | 0.304 | 0.047 | 0.038 | 0.322 | |

| | | | | |
|---------------------------------------|---|-------|----|-------|
| (4) Weighted Experience Ratio | = | 0.862 | | |
| (5) Credibility | = | 0.455 | | |
| (6) Expected Experience Ratio | = | 1.005 | | |
| (7) Credibility-Wtd. Experience Ratio | = | 0.940 | | |
| (8) Indicated Loss Cost Level Change | = | 0.940 | or | -6.0% |
| (9) Selected Loss Cost Level Change | = | -6.0% | | |

NOTE: The assumed effective date for trending is 3/1/2022.

NEVADA

BUSINESSOWNERS - LIABILITY LESSORS & OCCUPANTS

EXHIBIT B1-2

CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGE

| Fiscal Year Ending | (1) Aggregate Loss Costs at Current Level | (2) Incurred Losses and Loss Adjustment Expenses | (3) Experience Ratio |
|---------------------------------------|--|--|----------------------------|
| 9/30/2016 | \$ 3,590,281 | \$ 3,153,190 | 0.878 |
| 9/30/2017 | 4,161,362 | 3,532,340 | 0.849 |
| 9/30/2018 | 4,547,610 | 4,145,485 | 0.912 |
| 9/30/2019 | 4,524,285 | 5,092,248 | 1.126 |
| 9/30/2020 | 4,752,909 | 6,901,958 | 1.452 |
| (4) Weighted Experience Ratio | | = 1.107 | |
| (5) Credibility | | = 0.292 | |
| (6) Expected Experience Ratio | | = 0.983 | |
| (7) Credibility-Wtd. Experience Ratio | | = 1.019 | |
| (8) Indicated Loss Cost Level Change | | = 1.019 | or +1.9% |
| (9) Selected Loss Cost Level Change | | = 0.0% | |

NOTE: The assumed effective date for trending is 3/1/2022.

NEVADA

BUSINESSOWNERS - LIABILITY SALES

EXHIBIT B1-3

CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGE

| Fiscal Year Ending | (1) Multistate Aggregate Loss Costs at Current Level | (2) Multistate Incurred Losses and Loss Adjustment Expenses | (3) Experience Ratio |
|---------------------------------------|--|--|----------------------------|
| 9/30/2016 | \$ 100,042,830 | \$ 80,413,452 | 0.804 |
| 9/30/2017 | 106,860,580 | 88,617,229 | 0.829 |
| 9/30/2018 | 101,718,280 | 97,362,261 | 0.957 |
| 9/30/2019 | 89,611,933 | 94,757,960 | 1.057 |
| 9/30/2020 | 80,564,061 | 73,385,683 | 0.911 |
| (4) Weighted Experience Ratio | | = 0.937 | |
| (5) Credibility | | = 1.000 | |
| (6) Expected Experience Ratio | | = 1.028 | |
| (7) Credibility-Wtd. Experience Ratio | | = 0.937 | |
| (8) Indicated Loss Cost Level Change | | = 0.937 | or |
| (9) Selected Loss Cost Level Change | | = -6.3% | -6.3% |

NOTE: The assumed effective date for trending is 3/1/2022.

NEVADA

BUSINESSOWNERS - LIABILITY PAYROLL

EXHIBIT B1-4

CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGE

| Fiscal Year Ending | (1) Multistate Aggregate Loss Costs at Current Level | (2) Multistate Incurred Losses and Loss Adjustment Expenses | (3) Experience Ratio |
|---------------------------------------|--|--|----------------------------|
| 9/30/2016 | \$ 55,957,254 | \$ 56,373,072 | 1.007 |
| 9/30/2017 | 58,320,097 | 58,041,016 | 0.995 |
| 9/30/2018 | 55,523,269 | 58,769,516 | 1.058 |
| 9/30/2019 | 52,304,690 | 55,018,780 | 1.052 |
| 9/30/2020 | 46,833,569 | 50,768,716 | 1.084 |
| (4) Weighted Experience Ratio | | = 1.049 | |
| (5) Credibility | | = 1.000 | |
| (6) Expected Experience Ratio | | = 0.999 | |
| (7) Credibility-Wtd. Experience Ratio | | = 1.049 | |
| (8) Indicated Loss Cost Level Change | | = 1.049 | or +4.9% |
| (9) Selected Loss Cost Level Change | | = -1.9% | |

NOTE: The assumed effective date for trending is 3/1/2022.

NEVADA

BUSINESSOWNERS - PROPERTY

EXHIBIT B2-1

CALCULATION OF RELATIVE CHANGES

| <u>TERRITORY</u> | (1) 5-YEAR AGGREGATE LOSS COST AT CURRENT LEVEL | (2) 5-YEAR ADJUSTED LOSSES | (3) 5-YEAR EXPERIENCE RATIO (2)/(1) | (4) EXPERIENCE RELATIVITY (3)/ToT(3) | (5) BALANCED MINIMUM BIAS RELATIVE CHANGE | (6) EARNED RISKS | (7) CREDI- BILITY | (8) CREDI- BILITY WEIGHTED CHANGE | (9) BALANCED CHANGE | (10) FINAL BALANCED INDICATED CHANGE |
|------------------|--|-------------------------------------|---|---|--|------------------------|-------------------------|---|---------------------------|--|
| 701 | \$81,561,397 | \$72,614,486 | 0.890 | 1.000 | 1.000 | 94,179 | 0.455 | 1.000 | 1.000 | 1.000 |
| TOTAL | 81,561,397 | 72,614,486 | 0.890 | 1.000 | | 94,179 | | | 1.000 | 1.000 |
| Buildings | \$58,820,276 | \$53,173,465 | 0.904 | 1.016 | 1.015 | 43,538 | 0.309 | 1.005 | 1.005 | 1.005 |
| Bus. Pers. Prop. | 22,741,122 | 19,441,022 | 0.855 | 0.961 | 0.960 | 50,641 | 0.333 | 0.986 | 0.986 | 0.986 |
| TOTAL | 81,561,397 | 72,614,486 | 0.890 | 1.000 | | 94,179 | | | 1.000 | 1.000 |

NEVADA

BUSINESSOWNERS - LIABILITY

EXHIBIT B2-2

CALCULATION OF RELATIVE CHANGES

| <u>TERRITORY</u> | (1) 5-YEAR AGGREGATE LOSS COST AT CURRENT LEVEL | (2) 5-YEAR ADJUSTED LOSSES | (3) 5-YEAR EXPERIENCE RATIO (2) / (1) | (4) EXPERIENCE RELATIVITY (3) / ToT(3) | (5) BALANCED MINIMUM BIAS RELATIVE CHANGE | (6) EARNED RISKS | (7) CREDI- BILITY | (8) CREDI- BILITY WEIGHTED CHANGE | (9) BALANCED CHANGE | (10) FINAL BALANCED INDICATED CHANGE |
|------------------|--|-------------------------------------|---|---|--|------------------------|-------------------------|---|---------------------------|--|
| 701 | \$21,452,087 | \$22,730,561 | 1.060 | 1.000 | 1.000 | 54,875 | 0.290 | 1.000 | 1.000 | 1.000 |
| TOTAL | 21,452,087 | 22,730,561 | 1.060 | 1.000 | | 54,875 | | | 1.000 | 1.000 |
| Lessors | \$16,177,393 | \$17,190,637 | 1.063 | 1.003 | 1.003 | 28,876 | 0.210 | 1.001 | 1.001 | 1.001 |
| Occupants | 5,274,694 | 5,539,925 | 1.050 | 0.991 | 0.991 | 25,999 | 0.200 | 0.998 | 0.998 | 0.998 |
| TOTAL | 21,452,087 | 22,730,561 | 1.060 | 1.000 | | 54,875 | | | 1.000 | 1.000 |

BUSINESSOWNERS

EXHIBIT B3

CALCULATION OF EXPECTED EXPERIENCE RATIOS

LOSS TREND

| PROPERTY | <u>Buildings Adjusted Losses</u> | <u>Trend Factor</u> | <u>Business Pers. Prop. Adjusted Losses</u> | <u>Trend Factor</u> | |
|----------|--------------------------------------|-------------------------|---|-------------------------|---------------------|
| Fire | 30,892,605 | 1.002 | 4,431,286 | 0.981 | |
| EC | 5,679,957 | 1.081 | 1,045,783 | 1.045 | |
| AOP | 16,319,063 | 1.054 | 11,045,509 | 1.049 | All Property |
| Burglary | | | 3,200,283 | 1.024 | <u>Trend Factor</u> |
| | 52,891,625 | 1.027 | 19,722,861 | 1.029 | 1.028 |

LIABILITY

| | <u>Adjusted Losses</u> | <u>Trend Factor</u> |
|-------------------------|------------------------|-------------------------|
| Lessors | 17,190,638 | 1.005 |
| Occupants | 5,539,924 | 0.997 |
| | | <u>Trend Factor</u> |
| AOI Lessors & Occupants | | 1.003 |
| Sales | | 1.053 |
| Payroll | | 1.015 |

PREMIUM TREND

| PROPERTY | <u>Buildings Adjusted Losses</u> | <u>Trend Factor</u> | <u>Business Pers. Prop. Adjusted Losses</u> | <u>Trend Factor</u> | <u>All Property Trend Factor</u> |
|-------------------------|--------------------------------------|-------------------------|---|-------------------------|--------------------------------------|
| | 52,891,625 | 1.024 | 19,722,861 | 1.021 | 1.023 |
| | | <u>Trend Factor</u> | | | |
| AOI Lessors & Occupants | | 1.021 | | | |
| Sales | | 1.021 | | | |
| Payroll | | 1.016 | | | |

ANNUAL NET TRENDS (LOSS TREND/PREMIUM TREND)

| | <u>Annual Net Trend Factor</u> | <u>Expected Experience Ratio (a)</u> |
|---------------------------------------|------------------------------------|--|
| ALL PROPERTY | 1.005 | 1.005 |
| LIABILITY - AOI LESSORS AND OCCUPANTS | 0.982 | 0.983 |
| LIABILITY - SALES | 1.031 | 1.028 |
| LIABILITY - PAYROLL | 0.999 | 0.999 |

(a) The projection period is from the date of the last approval, 4/1/2021, to the assumed effective trend date of 3/1/2022. For ALL PROPERTY, $1.005 = 1.005^{(11/12)}$.

BUSINESSOWNERS

EXHIBIT C1

SUMMARY OF LOSS TREND FACTORS
FIRE, EXTENDED COVERAGE, AND ALL OTHER PROPERTY

| <u>Year</u> | <u>Current Cost Factors *</u> | |
|--|-------------------------------|-----------------|
| | <u>Buildings</u> | <u>Contents</u> |
| 9/30/2016 | 1.229 | 1.100 |
| 9/30/2017 | 1.198 | 1.086 |
| 9/30/2018 | 1.162 | 1.067 |
| 9/30/2019 | 1.130 | 1.044 |
| 9/30/2020 | 1.083 | 1.030 |
| <u>Loss Projection Factor**</u> | | |
| | <u>Buildings</u> | <u>Contents</u> |
| | 1.088 | 1.033 |
| <u>Annual Loss Trend Adjustments</u> | | |
| | <u>Buildings</u> | <u>Contents</u> |
| Fire | -3.6% | -3.5% |
| Extended Coverage | +3.9% | +2.9% |
| All Other Property | +1.3% | +3.2% |

* Adjusts losses for inflationary changes which have taken place between the actual accident date and the midpoint of the latest period of external trend information.

** Adjusts losses for the projected inflationary changes from the midpoint of the latest period of external trend information to the anticipated average accident date for policies written under the proposed loss costs.

BUSINESSOWNERS

EXHIBIT C2

DEVELOPMENT OF CURRENT COST FACTORS AND LOSS PROJECTION FACTORS

Period Ending June 30, 2021

Part A: Quarterly Indices for Buildings and Contents

Buildings - Xactware Commercial Index (XCI) (Base: 2008 = 100.0)
 Contents - Producer Price Index (PPI) - U.S. Dept. of Labor,
 (Finished Goods Less Energy) (Base: 2008 = 100.0)

| <u>Quarter</u> <u>Ending</u> | <u>XCI</u> | <u>PPI</u> |
|---------------------------------|------------|------------|
| 9/30/2018 | 122.1 | 120.1 |
| 12/31/2018 | 122.5 | 121.4 |
| 3/31/2019 | 123.5 | 122.2 |
| 6/30/2019 | 124.8 | 122.6 |
| 9/30/2019 | 125.7 | 122.6 |
| 12/31/2019 | 126.8 | 123.6 |
| 3/31/2020 | 128.5 | 123.7 |
| 6/30/2020 | 129.9 | 124.5 |
| 9/30/2020 | 132.4 | 123.9 |
| 12/31/2020 | 133.9 | 124.8 |
| 3/31/2021 | 134.8 | 125.8 |
| 6/30/2021 | 140.2 | 128.5 |

Part B: Calculation of Current Cost Factors (CCF)

| <u>Fiscal</u> <u>Year Ending</u> | <u>Year Ending Averages</u> | | <u>Current Cost Factors to</u> <u>Period Ending June 30, 2021</u> | |
|-------------------------------------|-----------------------------|------------|--|--------------------|
| | <u>XCI</u> | <u>PPI</u> | <u>Buildings*</u> | <u>Contents*</u> |
| 9/30/2016 | 114.1 | 116.0 | 140.2/114.1= 1.229 | 127.6/116.0= 1.100 |
| 9/30/2017 | 117.0 | 117.5 | 140.2/117.0= 1.198 | 127.6/117.5= 1.086 |
| 9/30/2018 | 120.7 | 119.6 | 140.2/120.7= 1.162 | 127.6/119.6= 1.067 |
| 9/30/2019 | 124.1 | 122.2 | 140.2/124.1= 1.130 | 127.6/122.2= 1.044 |
| 9/30/2020 | 129.4 | 123.9 | 140.2/129.4= 1.083 | 127.6/123.9= 1.030 |

*The CCF's for Buildings are calculated using the latest point. The CCF's for Contents are calculated using a 67% / 33% weighted average of the latest two quarter ending points.

Part C: Computation of Loss Projection Factors

| | <u>Buildings</u> | <u>Contents</u> |
|--------------------------|------------------|-----------------|
| Annual Rate of Change | +4.80% | +1.84% |
| Loss Projection Factor** | 1.088 | 1.033 |

**To project losses from the midpoint of the latest quarter, 5/15/2021, to the average accident date of 3/1/2023. (21.5/12)

BUSINESSOWNERS

EXHIBIT C3

DEVELOPMENT OF LOSS TREND ADJUSTMENT (LTA)
BOP SEVERITY AND FREQUENCY USING EXPOSURES**I. EXTERNAL RATE OF CHANGE**

| | | BUILDINGS | CONTENTS |
|------|---|---------------------------------|---------------------------------|
| Year | (1) Fire, EC and AOP Weights | (2a) Current Cost Factors | (2b) Current Cost Factors |
| 2016 | 0.10 | 1.183 | 1.077 |
| 2017 | 0.15 | 1.162 | 1.070 |
| 2018 | 0.20 | 1.126 | 1.051 |
| 2019 | 0.25 | 1.095 | 1.031 |
| 2020 | 0.30 | 1.058 | 1.013 |
| (3) | Average CCF for Fire, EC and AOP | 1.109 | 1.040 |
| (4a) | Annual Rate of Change | 0.039 | 0.0167 |
| (4b) | Projection Period (a) | 21.50 | 21.50 |
| (4c) | Loss Projection Factor (LPF) $(1 + (4a))^{((4b) / 12)}$ | 1.071 | 1.030 |
| (5a) | Total Trend (3) x (4c) | 1.188 | 1.071 |
| (5b) | Projection Period (b) | 53.00 | 53.00 |
| (5c) | Annualized Total Trend for Fire, EC and AOP $(5a)^{(12 / (5b))}$ | 1.040 | 1.016 |

II. INTERNAL ANNUAL RATE OF CHANGE

| | (6) Selected BOP | BUILDINGS | CONTENTS |
|------|---------------------|-----------|----------|
| Fire | | 1.080 | 1.090 |
| EC | | 1.100 | 1.060 |
| AOP | | 1.060 | 1.065 |

- (a) The number of months from the midpoint of the latest quarter of external trend used, 11/15/2020, to the assumed average accident date of 9/1/2022.
- (b) The number of months from the weighted midpoint of the experience period, 4/1/2018, to the assumed average accident date of 9/1/2022.

BUSINESSOWNERS

EXHIBIT C3 (Cont'd)

DEVELOPMENT OF LOSS TREND ADJUSTMENT (LTA)
BOP SEVERITY AND FREQUENCY USING EXPOSURES**III. LTA CALCULATION**

| | (7) | (8) | (9) | (10) | (11) | (12) |
|------------------|-----------------|-----------------|-----------|----------|---------------|-------------|
| | Annual | Annual | Indicated | Formula | Frequency | Final |
| | <u>External</u> | <u>Internal</u> | Severity | Severity | <u>Effect</u> | LTA |
| | | | LTA | LTA (c) | | (10) x (11) |
| | | | (8) / (7) | | | |
| BUILDINGS | | | | | | |
| Fire | 1.040 | 1.080 | 1.038 | 1.025 | 0.940 | 0.964 |
| EC | 1.040 | 1.100 | 1.058 | 1.039 | 1.000 | 1.039 |
| AOP | 1.040 | 1.060 | 1.019 | 1.013 | 1.000 | 1.013 |
| CONTENTS | | | | | | |
| Fire | 1.016 | 1.090 | 1.073 | 1.049 | 0.920 | 0.965 |
| EC | 1.016 | 1.060 | 1.043 | 1.029 | 1.000 | 1.029 |
| AOP | 1.016 | 1.065 | 1.048 | 1.032 | 1.000 | 1.032 |

(c) The formula LTA is calculated as two-thirds of the indicated LTA. This is equivalent to calculating the overall severity trend giving 33% weight to the external trend and 67% weight to the selected internal trend.

BUSINESSOWNERS

EXHIBIT C4-1

FIRE - BUILDINGS

MULTISTATE SEVERITY AND FREQUENCY TREND

| Accident Year | Trended Exposures | Total Losses | Normal Losses | Incurred Occurrences | Occurrence Cost (Total) | Occurrence Cost (Normal) | Occurrence Frequency* |
|------------------|----------------------|-----------------|------------------|-------------------------|-------------------------------|--------------------------------|--------------------------|
| 2011 | 7,454,763,983 | 221,604,970 | 192,373,421 | 3,740 | 59,253 | 51,437 | 0.0502 |
| 2012 | 7,368,669,403 | 256,949,635 | 218,627,942 | 3,635 | 70,688 | 60,145 | 0.0493 |
| 2013 | 7,072,320,307 | 263,046,967 | 216,228,508 | 3,201 | 82,176 | 67,550 | 0.0453 |
| 2014 | 6,881,112,634 | 252,116,686 | 207,869,545 | 2,682 | 94,003 | 77,505 | 0.0390 |
| 2015 | 6,608,062,884 | 228,871,720 | 184,251,008 | 2,496 | 91,695 | 73,819 | 0.0378 |
| 2016 | 6,534,224,412 | 244,573,605 | 194,200,965 | 2,381 | 102,719 | 81,563 | 0.0364 |
| 2017 | 7,059,543,166 | 280,991,777 | 215,010,578 | 2,581 | 108,869 | 83,305 | 0.0366 |
| 2018 | 7,560,027,441 | 293,460,563 | 208,411,908 | 2,334 | 125,733 | 89,294 | 0.0309 |
| 2019 | 7,780,011,902 | 310,875,555 | 239,551,006 | 2,391 | 130,019 | 100,189 | 0.0307 |
| 2020 | 7,931,098,891 | 312,266,713 | 237,822,469 | 2,158 | 144,702 | 110,205 | 0.0272 |

Total Losses

| | Severity | Frequency | R-Squared Severity | Frequency |
|---|----------|-----------|-----------------------|-----------|
| Observed annual rate of change (10 years) = | 9.5% | -6.4% | 0.966 | 0.962 |
| Observed annual rate of change (8 years) = | 8.2% | -6.2% | 0.970 | 0.932 |
| Observed annual rate of change (6 years) = | 9.4% | -6.4% | 0.984 | 0.902 |

Normal Losses

| | Severity | Frequency | R-Squared Severity | Frequency |
|---|----------|-----------|-----------------------|-----------|
| Observed annual rate of change (10 years) = | 7.6% | -6.4% | 0.948 | 0.962 |
| Observed annual rate of change (8 years) = | 6.5% | -6.2% | 0.930 | 0.932 |
| Observed annual rate of change (6 years) = | 8.0% | -6.4% | 0.969 | 0.902 |
| Selected annual rate of change = | 8.0% | -6.0% | | |

* in 100,000's

NEVADA

BUSINESSOWNERS

EXHIBIT C4-2

FIRE - CONTENTS

MULTISTATE SEVERITY AND FREQUENCY TREND

| Accident Year | Trended Exposures | Total Losses | Normal Losses | Incurred Occurrences | Occurrence Cost (Total) | Occurrence Cost (Normal) | Occurrence Frequency* |
|------------------|----------------------|-----------------|------------------|-------------------------|-------------------------------|--------------------------------|--------------------------|
| 2011 | 1,164,310,645 | 87,299,176 | 75,653,935 | 2,806 | 31,112 | 26,961 | 0.2410 |
| 2012 | 1,136,911,546 | 88,194,796 | 78,018,727 | 2,814 | 31,341 | 27,725 | 0.2475 |
| 2013 | 1,077,067,215 | 78,013,779 | 68,347,443 | 2,279 | 34,232 | 29,990 | 0.2116 |
| 2014 | 1,079,651,342 | 80,879,406 | 73,227,178 | 2,158 | 37,479 | 33,933 | 0.1999 |
| 2015 | 1,089,471,974 | 81,428,287 | 73,674,396 | 2,003 | 40,653 | 36,782 | 0.1839 |
| 2016 | 1,096,779,359 | 75,107,636 | 66,749,975 | 1,923 | 39,058 | 34,711 | 0.1753 |
| 2017 | 1,196,975,526 | 88,070,913 | 79,019,536 | 1,915 | 45,990 | 41,263 | 0.1600 |
| 2018 | 1,331,912,335 | 105,547,253 | 79,676,462 | 1,790 | 58,965 | 44,512 | 0.1344 |
| 2019 | 1,351,100,960 | 117,610,911 | 95,522,311 | 1,829 | 64,303 | 52,227 | 0.1354 |
| 2020 | 1,343,258,714 | 111,281,705 | 91,797,623 | 1,633 | 68,146 | 56,214 | 0.1216 |

Total Losses

| | Severity | Frequency | R-Squared Severity | Frequency |
|---|----------|-----------|-----------------------|-----------|
| Observed annual rate of change (10 years) = | 9.8% | -7.8% | 0.936 | 0.976 |
| Observed annual rate of change (8 years) = | 11.0% | -7.8% | 0.930 | 0.974 |
| Observed annual rate of change (6 years) = | 13.2% | -8.3% | 0.918 | 0.952 |

Normal Losses

| | Severity | Frequency | R-Squared Severity | Frequency |
|---|----------|-----------|-----------------------|-----------|
| Observed annual rate of change (10 years) = | 8.6% | -7.8% | 0.962 | 0.976 |
| Observed annual rate of change (8 years) = | 9.1% | -7.8% | 0.944 | 0.974 |
| Observed annual rate of change (6 years) = | 10.3% | -8.3% | 0.922 | 0.952 |
| Selected annual rate of change = | 9.0% | -8.0% | | |

* in 100,000's

NEVADA

BUSINESSOWNERS

EXHIBIT C4-3

EXTENDED COVERAGE - BUILDINGS

MULTISTATE SEVERITY TREND

| Accident Year | Total Losses | Normal Losses | Incurred Occurrences | Occurrence Cost (Total) | Occurrence Cost (Normal) |
|------------------|-----------------|------------------|-------------------------|-------------------------------|--------------------------------|
| 2011 | 293,887,454 | 130,025,641 | 12,516 | 23,481 | 10,389 |
| 2012 | 394,064,987 | 188,497,191 | 19,894 | 19,808 | 9,475 |
| 2013 | 256,875,357 | 135,310,402 | 13,758 | 18,671 | 9,835 |
| 2014 | 138,215,638 | 93,480,125 | 7,334 | 18,846 | 12,746 |
| 2015 | 188,963,997 | 108,737,651 | 8,257 | 22,885 | 13,169 |
| 2016 | 147,919,068 | 115,920,696 | 7,278 | 20,324 | 15,928 |
| 2017 | 240,548,718 | 146,020,500 | 8,474 | 28,387 | 17,232 |
| 2018 | 245,845,074 | 135,637,101 | 8,063 | 30,491 | 16,822 |
| 2019 | 243,340,906 | 154,723,177 | 7,170 | 33,939 | 21,579 |
| 2020 | 285,714,732 | 159,028,302 | 6,734 | 42,429 | 23,616 |

Total LossesR-squared

| | | |
|---|-------|-------|
| Observed annual rate of change (10 years) = | 8.0% | 0.691 |
| Observed annual rate of change (8 years) = | 12.5% | 0.917 |
| Observed annual rate of change (6 years) = | 14.4% | 0.888 |

Normal LossesR-squared

| | | |
|---|-------|-------|
| Observed annual rate of change (10 years) = | 10.8% | 0.939 |
| Observed annual rate of change (8 years) = | 12.1% | 0.951 |
| Observed annual rate of change (6 years) = | 11.5% | 0.923 |
| Selected annual rate of change = | 10.0% | |

NEVADA

BUSINESSOWNERS

EXHIBIT C4-4

EXTENDED COVERAGE - CONTENTS

MULTISTATE SEVERITY TREND

| <u>Accident Year</u> | <u>Total Losses</u> | <u>Normal Losses</u> | <u>Incurred Occurrences</u> | <u>Occurrence Cost (Total)</u> | <u>Occurrence Cost (Normal)</u> |
|--------------------------|-------------------------|--------------------------|---------------------------------|--|---|
| 2011 | 14,822,707 | 11,582,025 | 1,908 | 7,769 | 6,070 |
| 2012 | 46,464,242 | 20,208,614 | 3,325 | 13,974 | 6,078 |
| 2013 | 17,892,099 | 10,885,576 | 2,468 | 7,250 | 4,411 |
| 2014 | 12,601,915 | 9,295,732 | 1,566 | 8,047 | 5,936 |
| 2015 | 14,683,095 | 10,411,064 | 1,447 | 10,147 | 7,195 |
| 2016 | 11,892,600 | 9,501,211 | 1,482 | 8,025 | 6,411 |
| 2017 | 12,779,857 | 9,474,083 | 1,632 | 7,831 | 5,805 |
| 2018 | 16,087,149 | 10,534,376 | 1,628 | 9,882 | 6,471 |
| 2019 | 14,279,681 | 11,095,357 | 1,462 | 9,767 | 7,589 |
| 2020 | 26,454,907 | 17,355,646 | 1,524 | 17,359 | 11,388 |

Total LossesR-squared

| | | |
|---|-------|-------|
| Observed annual rate of change (10 years) = | 3.7% | 0.149 |
| Observed annual rate of change (8 years) = | 8.7% | 0.541 |
| Observed annual rate of change (6 years) = | 10.5% | 0.426 |

Normal LossesR-squared

| | | |
|---|------|-------|
| Observed annual rate of change (10 years) = | 5.6% | 0.459 |
| Observed annual rate of change (8 years) = | 9.3% | 0.642 |
| Observed annual rate of change (6 years) = | 8.7% | 0.427 |
| Selected annual rate of change = | 6.0% | |

NEVADA

BUSINESSOWNERS

EXHIBIT C4-5

ALL OTHER PROPERTY - BUILDINGS

MULTISTATE SEVERITY TREND

| Accident Year | Total Losses | Normal Losses | Incurred Occurrences | Occurrence Cost (Total) | Occurrence Cost (Normal) |
|------------------|-----------------|------------------|-------------------------|-------------------------------|--------------------------------|
| 2011 | 240,187,363 | 192,899,642 | 17,660 | 13,601 | 10,923 |
| 2012 | 172,390,310 | 157,872,609 | 14,741 | 11,695 | 10,710 |
| 2013 | 160,381,696 | 150,639,164 | 13,126 | 12,219 | 11,476 |
| 2014 | 233,317,631 | 183,592,433 | 15,794 | 14,773 | 11,624 |
| 2015 | 253,885,731 | 183,742,467 | 15,764 | 16,105 | 11,656 |
| 2016 | 146,153,429 | 139,086,667 | 10,259 | 14,246 | 13,558 |
| 2017 | 151,751,539 | 142,493,921 | 10,073 | 15,065 | 14,146 |
| 2018 | 213,994,546 | 189,596,992 | 12,088 | 17,703 | 15,685 |
| 2019 | 247,475,330 | 229,267,678 | 12,144 | 20,378 | 18,879 |
| 2020 | 177,928,225 | 176,021,591 | 10,400 | 17,108 | 16,925 |

Total LossesR-squared

| | | |
|---|------|-------|
| Observed annual rate of change (10 years) = | 4.8% | 0.699 |
| Observed annual rate of change (8 years) = | 5.3% | 0.657 |
| Observed annual rate of change (6 years) = | 4.5% | 0.418 |

Normal LossesR-squared

| | | |
|---|------|-------|
| Observed annual rate of change (10 years) = | 6.4% | 0.890 |
| Observed annual rate of change (8 years) = | 7.5% | 0.890 |
| Observed annual rate of change (6 years) = | 8.8% | 0.854 |
| Selected annual rate of change = | 6.0% | |

NEVADA

BUSINESSOWNERS

EXHIBIT C4-6

ALL OTHER PROPERTY - CONTENTS

MULTISTATE SEVERITY TREND

| <u>Accident Year</u> | <u>Total Losses</u> | <u>Normal Losses</u> | <u>Incurred Occurrences</u> | <u>Occurrence Cost (Total)</u> | <u>Occurrence Cost (Normal)</u> |
|--------------------------|-------------------------|--------------------------|---------------------------------|--|---|
| 2011 | 107,927,842 | 96,190,648 | 10,177 | 10,605 | 9,452 |
| 2012 | 103,537,534 | 97,526,892 | 11,068 | 9,355 | 8,812 |
| 2013 | 106,035,660 | 100,236,696 | 9,927 | 10,682 | 10,097 |
| 2014 | 116,352,953 | 93,969,413 | 9,710 | 11,983 | 9,678 |
| 2015 | 101,167,038 | 89,273,725 | 8,214 | 12,316 | 10,868 |
| 2016 | 96,068,403 | 90,558,117 | 7,644 | 12,568 | 11,847 |
| 2017 | 105,814,735 | 101,150,579 | 7,583 | 13,954 | 13,339 |
| 2018 | 133,892,398 | 117,171,872 | 8,763 | 15,279 | 13,371 |
| 2019 | 141,674,700 | 133,832,914 | 8,434 | 16,798 | 15,868 |
| 2020 | 126,486,235 | 125,496,150 | 8,111 | 15,594 | 15,472 |

Total LossesR-squared

| | | |
|---|------|-------|
| Observed annual rate of change (10 years) = | 6.1% | 0.905 |
| Observed annual rate of change (8 years) = | 6.2% | 0.920 |
| Observed annual rate of change (6 years) = | 6.3% | 0.846 |

Normal LossesR-squared

| | | |
|---|------|-------|
| Observed annual rate of change (10 years) = | 6.9% | 0.929 |
| Observed annual rate of change (8 years) = | 7.7% | 0.938 |
| Observed annual rate of change (6 years) = | 7.9% | 0.924 |
| Selected annual rate of change = | 6.5% | |

NEVADA

BUSINESSOWNERS

EXHIBIT C4-7

BURGLARY

MULTISTATE SEVERITY AND FREQUENCY TREND

| Accident Year | Trended Exposures | Total Losses | Normal Losses | Incurred Occurrences | Occurrence Cost (Total) | Occurrence Cost (Normal) | Occurrence Frequency* |
|------------------|----------------------|-----------------|------------------|-------------------------|-------------------------------|--------------------------------|--------------------------|
| 2011 | 8,619,074,628 | 17,228,304 | 16,786,112 | 3,101 | 5,556 | 5,413 | 0.0360 |
| 2012 | 8,505,580,949 | 17,942,967 | 16,939,705 | 3,026 | 5,930 | 5,598 | 0.0356 |
| 2013 | 8,149,387,523 | 15,843,237 | 15,273,165 | 2,551 | 6,211 | 5,987 | 0.0313 |
| 2014 | 7,960,763,977 | 18,339,711 | 17,496,852 | 2,708 | 6,772 | 6,461 | 0.0340 |
| 2015 | 7,697,534,858 | 19,479,068 | 18,221,457 | 2,662 | 7,317 | 6,845 | 0.0346 |
| 2016 | 7,631,003,772 | 19,072,594 | 18,359,883 | 2,712 | 7,033 | 6,770 | 0.0355 |
| 2017 | 8,256,518,692 | 22,620,857 | 21,471,547 | 3,018 | 7,495 | 7,114 | 0.0366 |
| 2018 | 8,891,939,776 | 24,995,150 | 22,744,122 | 3,036 | 8,233 | 7,491 | 0.0341 |
| 2019 | 9,131,112,862 | 22,753,143 | 21,959,824 | 2,870 | 7,928 | 7,652 | 0.0314 |
| 2020 | 9,274,357,605 | 24,829,335 | 22,885,183 | 2,938 | 8,451 | 7,789 | 0.0317 |

Total Losses

| | Severity | Frequency | R-Squared Severity | Frequency |
|---|----------|-----------|-----------------------|-----------|
| Observed annual rate of change (10 years) = | 4.6% | -0.8% | 0.942 | 0.176 |
| Observed annual rate of change (8 years) = | 4.1% | -0.4% | 0.894 | 0.025 |
| Observed annual rate of change (6 years) = | 3.4% | -2.5% | 0.773 | 0.586 |

Normal Losses

| | Severity | Frequency | R-Squared Severity | Frequency |
|---|----------|-----------|-----------------------|-----------|
| Observed annual rate of change (10 years) = | 4.2% | -0.8% | 0.961 | 0.176 |
| Observed annual rate of change (8 years) = | 3.6% | -0.4% | 0.951 | 0.025 |
| Observed annual rate of change (6 years) = | 3.1% | -2.5% | 0.929 | 0.586 |
| Selected annual rate of change = | 4.0% | -1.5% | | |

* in 100,000's

NEVADA
BUSINESSOWNERS
EXHIBIT C5

DEVELOPMENT OF EXTENDED COVERAGE EXCESS MULTIPLIER

| <u>YEAR ENDING</u> | (1) <u>EARNED PREMIUMS</u> | (2) <u>INCURRED LOSSES</u> | (3) <u>NORMAL INCURRED LOSSES</u> | (4) <u>NORMAL LOSS RATIO</u> | (5) <u>STATE EXCESS LOSS RATIO</u> | (6) <u>REGIONAL EXCESS LOSS RATIO</u> |
|---|-----------------------------------|-----------------------------------|--|---|---|--|
| 9/30/1991 | 180,506 | 176,450 | 127,768 | 0.708 | 0.245 | 0.024 |
| 9/30/1992 | 179,073 | 276,846 | 91,232 | 0.509 | 0.633 | 0.404 |
| 9/30/1993 | 168,569 | 82,746 | 78,899 | 0.468 | 0.023 | |
| 9/30/1994 | 146,572 | 220,912 | 107,246 | 0.732 | 0.614 | 0.161 |
| 9/30/1995 | 169,179 | 76,704 | 73,725 | 0.436 | 0.017 | |
| 9/30/1996 | 205,950 | 175,299 | 111,672 | 0.542 | 0.260 | 0.049 |
| 9/30/1997 | 260,141 | 413,282 | 155,327 | 0.597 | 0.633 | 0.359 |
| 9/30/1998 | 351,541 | 432,768 | 308,592 | 0.878 | 0.300 | 0.053 |
| 9/30/1999 | 405,836 | 243,258 | 243,258 | 0.599 | | |
| 9/30/2000 | 481,517 | 691,372 | 377,157 | 0.783 | 0.509 | 0.143 |
| 9/30/2001 | 533,223 | 506,442 | 306,423 | 0.575 | 0.306 | 0.070 |
| 9/30/2002 | 586,615 | 513,968 | 432,916 | 0.738 | 0.127 | 0.011 |
| 9/30/2003 | 642,127 | 660,410 | 321,418 | 0.501 | 0.404 | 0.124 |
| 9/30/2004 | 692,554 | 116,737 | 116,737 | 0.169 | | |
| 9/30/2005 | 826,623 | 998,566 | 388,604 | 0.470 | 0.601 | 0.137 |
| 9/30/2006 | 850,372 | 282,639 | 268,028 | 0.315 | 0.017 | |
| 9/30/2007 | 913,896 | 244,985 | 244,984 | 0.268 | | |
| 9/30/2008 | 965,764 | 489,737 | 483,266 | 0.500 | 0.007 | |
| 9/30/2009 | 1,010,406 | 570,747 | 376,638 | 0.373 | 0.172 | 0.020 |
| 9/30/2010 | 1,008,762 | 752,765 | 487,535 | 0.483 | 0.227 | 0.036 |
| 9/30/2011 | 1,019,199 | 1,924,323 | 809,507 | 0.794 | 0.729 | 0.365 |
| 9/30/2012 | 1,051,813 | 549,771 | 508,528 | 0.483 | 0.038 | 0.001 |
| 9/30/2013 | 1,065,130 | 1,392,711 | 792,773 | 0.744 | 0.431 | 0.132 |
| 9/30/2014 | 1,238,847 | 707,791 | 652,697 | 0.527 | 0.043 | 0.001 |
| 9/30/2015 | 1,302,781 | 565,179 | 565,178 | 0.434 | | |
| 9/30/2016 | 1,292,972 | 371,208 | 371,207 | 0.287 | | |
| 9/30/2017 | 1,268,918 | 811,028 | 570,992 | 0.450 | 0.170 | 0.020 |
| 9/30/2018 | 1,323,314 | 365,508 | 365,508 | 0.276 | | |
| 9/30/2019 | 1,422,944 | 515,097 | 515,097 | 0.362 | | |
| 9/30/2020 | 1,537,718 | 328,350 | 328,351 | 0.214 | | |
| TOTALS | | | | 15.216 | 6.507 | 2.109 |
| (7) STATE EXCESS COMPONENT = (TOTAL (5) / TOTAL (4)) | | | | | 0.428 | |
| (8) REGIONAL EXCESS COMPONENT | | | | | 0.301 | |
| (9) STATE EXCESS MULTIPLIER = (1 + (7)) x (1 + (8)) | | | | | 1.858 | |

NEVADA
BUSINESSOWNERS
EXHIBIT C6

DEVELOPMENT OF ALL OTHER PROPERTY EXCESS MULTIPLIER

| YEAR ENDING | (1) EARNED PREMIUMS | (2) INCURRED LOSSES | (3) NORMAL INCURRED LOSSES | (4) NORMAL LOSS RATIO | (5) STATE EXCESS LOSS RATIO |
|--|---------------------------|---------------------------|-------------------------------------|--------------------------------|---|
| 9/30/1991 | 716,286 | 1,246,957 | 620,811 | 0.867 | 0.874 |
| 9/30/1992 | 710,599 | 1,092,859 | 633,680 | 0.892 | 0.646 |
| 9/30/1993 | 668,917 | 895,067 | 587,897 | 0.879 | 0.459 |
| 9/30/1994 | 581,628 | 347,256 | 347,256 | 0.597 | |
| 9/30/1995 | 671,339 | 824,504 | 544,007 | 0.810 | 0.418 |
| 9/30/1996 | 817,253 | 295,143 | 295,143 | 0.361 | |
| 9/30/1997 | 1,032,295 | 334,817 | 334,817 | 0.324 | |
| 9/30/1998 | 1,394,992 | 842,353 | 842,353 | 0.604 | |
| 9/30/1999 | 1,610,446 | 1,404,596 | 1,118,864 | 0.695 | 0.177 |
| 9/30/2000 | 1,910,763 | 2,839,859 | 1,713,105 | 0.897 | 0.590 |
| 9/30/2001 | 2,115,944 | 1,945,303 | 1,945,301 | 0.919 | |
| 9/30/2002 | 2,327,817 | 1,438,271 | 1,438,271 | 0.618 | |
| 9/30/2003 | 2,548,098 | 2,287,858 | 1,697,988 | 0.666 | 0.231 |
| 9/30/2004 | 2,748,204 | 1,083,653 | 1,083,652 | 0.394 | |
| 9/30/2005 | 3,280,219 | 2,871,208 | 1,621,285 | 0.494 | 0.381 |
| 9/30/2006 | 3,374,460 | 1,816,829 | 1,816,829 | 0.538 | |
| 9/30/2007 | 3,626,537 | 1,662,394 | 1,662,393 | 0.458 | |
| 9/30/2008 | 3,832,360 | 1,535,842 | 1,535,841 | 0.401 | |
| 9/30/2009 | 4,009,511 | 1,314,293 | 1,314,302 | 0.328 | |
| 9/30/2010 | 4,002,986 | 2,060,779 | 2,060,782 | 0.515 | |
| 9/30/2011 | 4,044,403 | 3,827,490 | 3,827,492 | 0.946 | |
| 9/30/2012 | 4,173,821 | 3,151,204 | 3,151,205 | 0.755 | |
| 9/30/2013 | 4,226,664 | 3,389,473 | 3,305,491 | 0.782 | 0.020 |
| 9/30/2014 | 4,916,015 | 3,443,115 | 3,294,982 | 0.670 | 0.030 |
| 9/30/2015 | 5,169,717 | 3,854,842 | 3,854,834 | 0.746 | |
| 9/30/2016 | 5,130,793 | 2,702,670 | 2,702,672 | 0.527 | |
| 9/30/2017 | 5,035,339 | 2,935,547 | 2,932,666 | 0.582 | 0.001 |
| 9/30/2018 | 5,251,196 | 2,730,156 | 2,730,154 | 0.520 | |
| 9/30/2019 | 5,646,549 | 3,662,202 | 3,546,176 | 0.628 | 0.021 |
| 9/30/2020 | 6,101,999 | 3,502,561 | 3,502,566 | 0.574 | |
| TOTALS | | | | 18.988 | 3.848 |
| (6) STATE EXCESS COMPONENT = (TOTAL (5) / TOTAL (4)) | | | | | 0.203 |
| (7) STATE EXCESS MULTIPLIER = (1 + (6)) | | | | | 1.203 |

NEVADA
BUSINESSOWNERS

EXHIBIT C7-1

LIABILITY - LESSORS
MULTISTATE SEVERITY AND FREQUENCY TREND

| Accident Year | Trended Exposures | Paid Total Losses | Paid Normal Losses* | Paid Occurrences** | Occurrence Cost (Total) | Occurrence Cost (Normal) | Occurrence Frequency*** |
|------------------|----------------------|-------------------------|---------------------------|-----------------------|-------------------------------|--------------------------------|----------------------------|
| 2011 | 4,099,794,321 | 124,892,081 | 57,893,480 | 5,109 | 24,446 | 11,332 | 0.1246 |
| 2012 | 4,506,624,976 | 103,722,592 | 45,571,826 | 3,804 | 27,268 | 11,981 | 0.0844 |
| 2013 | 4,437,805,156 | 116,920,217 | 52,042,231 | 3,761 | 31,092 | 13,839 | 0.0847 |
| 2014 | 4,368,966,708 | 193,128,898 | 84,306,880 | 5,366 | 35,989 | 15,710 | 0.1228 |
| 2015 | 4,070,042,018 | 176,848,250 | 73,654,744 | 4,584 | 38,581 | 16,068 | 0.1126 |
| 2016 | 3,958,126,587 | 143,301,005 | 62,315,580 | 3,793 | 37,784 | 16,431 | 0.0958 |
| 2017 | 4,376,700,914 | 143,257,458 | 69,924,051 | 3,811 | 37,593 | 18,349 | 0.0871 |
| 2018 | 4,625,505,126 | 142,574,249 | 79,745,376 | 4,123 | 34,581 | 19,342 | 0.0891 |
| 2019 | 4,740,842,412 | 127,118,294 | 79,532,344 | 3,253 | 39,081 | 24,452 | 0.0686 |
| 2020 | 4,804,788,607 | 105,804,440 | 76,934,890 | 2,475 | 42,758 | 31,091 | 0.0515 |

Total Losses

| | | Severity | Frequency | R-Squared | |
|---|---|----------|-----------|-----------|-----------|
| | | | | Severity | Frequency |
| Observed annual rate of change (10 years) | = | 5.1% | -6.1% | 0.736 | 0.498 |
| Observed annual rate of change (8 years) | = | 2.8% | -8.2% | 0.512 | 0.585 |
| Observed annual rate of change (6 years) | = | 1.5% | -13.0% | 0.172 | 0.891 |

Normal Losses

| | | Severity | Frequency | R-Squared | |
|---|---|----------|-----------|-----------|-----------|
| | | | | Severity | Frequency |
| Observed annual rate of change (10 years) | = | 10.3% | -6.1% | 0.931 | 0.498 |
| Observed annual rate of change (8 years) | = | 10.7% | -8.2% | 0.883 | 0.585 |
| Observed annual rate of change (6 years) | = | 13.9% | -13.0% | 0.899 | 0.891 |
| Selected annual rate of change | = | 7.5% | -6.5% | | |

* Includes basic indemnity and allocated loss adjustment expense developed separately to an ultimate settlement basis.

** Developed to an ultimate settlement basis.

*** in 100,000's

NEVADA
BUSINESSOWNERS

EXHIBIT C7-2

LIABILITY - OCCUPANTS
MULTISTATE SEVERITY AND FREQUENCY TREND

| Accident Year | Trended Exposures | Paid Total Losses | Paid Normal Losses* | Paid Occurrences** | Occurrence Cost (Total) | Occurrence Cost (Normal) | Occurrence Frequency*** |
|------------------|----------------------|-------------------------|---------------------------|-----------------------|-------------------------------|--------------------------------|----------------------------|
| 2011 | 808,888,069 | 178,628,268 | 81,607,771 | 10,033 | 17,804 | 8,134 | 1.2403 |
| 2012 | 765,226,618 | 141,368,056 | 58,844,959 | 7,335 | 19,272 | 8,022 | 0.9586 |
| 2013 | 724,221,217 | 118,874,162 | 54,331,006 | 5,512 | 21,566 | 9,857 | 0.7611 |
| 2014 | 954,264,275 | 167,076,982 | 71,332,518 | 6,892 | 24,241 | 10,349 | 0.7223 |
| 2015 | 1,084,900,161 | 167,584,245 | 67,914,138 | 6,135 | 27,318 | 11,071 | 0.5655 |
| 2016 | 977,910,040 | 137,724,980 | 60,943,124 | 5,192 | 26,528 | 11,739 | 0.5309 |
| 2017 | 1,020,093,607 | 139,285,721 | 66,364,449 | 4,742 | 29,372 | 13,995 | 0.4649 |
| 2018 | 1,131,890,294 | 165,408,298 | 79,639,576 | 4,570 | 36,198 | 17,428 | 0.4037 |
| 2019 | 1,129,662,148 | 159,230,472 | 98,616,638 | 4,373 | 36,408 | 22,549 | 0.3871 |
| 2020 | 1,222,619,419 | 179,796,393 | 128,197,150 | 4,132 | 43,516 | 31,027 | 0.3379 |

Total Losses

| | | Severity | Frequency | R-Squared | |
|---|---|----------|-----------|-----------|-----------|
| | | | | Severity | Frequency |
| Observed annual rate of change (10 years) | = | 9.9% | -12.8% | 0.975 | 0.971 |
| Observed annual rate of change (8 years) | = | 9.9% | -11.2% | 0.952 | 0.981 |
| Observed annual rate of change (6 years) | = | 10.5% | -9.9% | 0.909 | 0.984 |

Normal Losses

| | | Severity | Frequency | R-Squared | |
|---|---|----------|-----------|-----------|-----------|
| | | | | Severity | Frequency |
| Observed annual rate of change (10 years) | = | 15.0% | -12.8% | 0.914 | 0.971 |
| Observed annual rate of change (8 years) | = | 17.4% | -11.2% | 0.909 | 0.981 |
| Observed annual rate of change (6 years) | = | 23.3% | -9.9% | 0.959 | 0.984 |
| Selected annual rate of change | = | 12.0% | -11.0% | | |

* Includes basic indemnity and allocated loss adjustment expense developed separately to an ultimate settlement basis.

** Developed to an ultimate settlement basis.

*** in 100,000's

NEVADA
BUSINESSOWNERS

EXHIBIT C7-3

LIABILITY - SALES
MULTISTATE SEVERITY AND FREQUENCY TREND

| Accident Year | Trended Exposures | Paid Total Losses | Paid Normal Losses* | Paid Occurrences** | Occurrence Cost (Total) | Occurrence Cost (Normal) | Occurrence Frequency*** |
|------------------|----------------------|-------------------------|---------------------------|-----------------------|-------------------------------|--------------------------------|----------------------------|
| 2011 | 17,130,241 | 20,561,171 | 11,053,861 | 2,597 | 7,917 | 4,256 | 0.0152 |
| 2012 | 17,358,237 | 25,340,867 | 12,217,629 | 2,398 | 10,568 | 5,095 | 0.0138 |
| 2013 | 19,347,775 | 31,077,870 | 14,880,156 | 2,393 | 12,987 | 6,218 | 0.0124 |
| 2014 | 27,778,148 | 40,127,801 | 20,654,559 | 3,165 | 12,679 | 6,526 | 0.0114 |
| 2015 | 34,037,483 | 53,670,423 | 25,749,704 | 3,983 | 13,475 | 6,465 | 0.0117 |
| 2016 | 38,535,232 | 61,713,141 | 29,345,530 | 4,090 | 15,088 | 7,175 | 0.0106 |
| 2017 | 41,260,041 | 64,922,148 | 36,175,307 | 3,746 | 17,333 | 9,658 | 0.0091 |
| 2018 | 39,408,425 | 79,973,701 | 47,355,821 | 3,480 | 22,979 | 13,607 | 0.0088 |
| 2019 | 34,616,329 | 86,779,419 | 50,752,807 | 2,801 | 30,981 | 18,119 | 0.0081 |
| 2020 | 31,317,631 | 77,166,136 | 55,353,384 | 2,250 | 34,291 | 24,598 | 0.0072 |

Total Losses

| | | | Severity | Frequency | R-Squared Severity | R-Squared Frequency |
|---|---|--|----------|-----------|-----------------------|------------------------|
| Observed annual rate of change (10 years) | = | | 16.1% | -7.5% | 0.941 | 0.977 |
| Observed annual rate of change (8 years) | = | | 16.7% | -7.5% | 0.909 | 0.956 |
| Observed annual rate of change (6 years) | = | | 22.5% | -8.9% | 0.972 | 0.977 |

Normal Losses

| | | | Severity | Frequency | R-Squared Severity | R-Squared Frequency |
|---|---|--|----------|-----------|-----------------------|------------------------|
| Observed annual rate of change (10 years) | = | | 19.8% | -7.5% | 0.917 | 0.977 |
| Observed annual rate of change (8 years) | = | | 22.8% | -7.5% | 0.902 | 0.956 |
| Observed annual rate of change (6 years) | = | | 32.3% | -8.9% | 0.985 | 0.977 |
| Selected annual rate of change | = | | 14.5% | -8.0% | | |

* Includes basic indemnity and allocated loss adjustment expense developed separately to an ultimate settlement basis.

** Developed to an ultimate settlement basis.

*** in 100,000's

NEVADA
BUSINESSOWNERS

EXHIBIT C7-4

LIABILITY - PAYROLL
MULTISTATE SEVERITY AND FREQUENCY TREND

| Accident Year | Trended Exposures | Paid Total Losses | Paid Normal Losses* | Paid Occurrences** | Occurrence Cost (Total) | Occurrence Cost (Normal) | Occurrence Frequency*** |
|------------------|----------------------|-------------------------|---------------------------|-----------------------|-------------------------------|--------------------------------|----------------------------|
| 2011 | 3,316,098 | 53,443,553 | 23,396,498 | 2,360 | 22,646 | 9,914 | 0.0712 |
| 2012 | 3,220,962 | 51,373,011 | 22,051,311 | 2,867 | 17,918 | 7,691 | 0.0890 |
| 2013 | 3,412,145 | 68,346,622 | 25,611,171 | 2,705 | 25,266 | 9,468 | 0.0793 |
| 2014 | 3,515,181 | 68,275,285 | 26,537,619 | 2,804 | 24,352 | 9,465 | 0.0798 |
| 2015 | 3,643,374 | 61,992,512 | 27,844,575 | 2,484 | 24,957 | 11,210 | 0.0682 |
| 2016 | 3,884,502 | 75,094,069 | 26,859,621 | 2,290 | 32,792 | 11,729 | 0.0590 |
| 2017 | 4,036,209 | 73,384,015 | 27,491,149 | 2,319 | 31,647 | 11,856 | 0.0575 |
| 2018 | 3,829,030 | 60,683,138 | 30,452,057 | 2,292 | 26,479 | 13,288 | 0.0599 |
| 2019 | 3,617,819 | 54,000,727 | 33,802,707 | 2,032 | 26,573 | 16,634 | 0.0562 |
| 2020 | 3,281,915 | 45,479,237 | 32,527,175 | 1,577 | 28,836 | 20,624 | 0.0481 |

Total Losses

| | | Severity | Frequency | R-Squared | |
|---|---|----------|-----------|-----------|-----------|
| | | | | Severity | Frequency |
| Observed annual rate of change (10 years) | = | 3.8% | -5.5% | 0.439 | 0.784 |
| Observed annual rate of change (8 years) | = | 1.8% | -6.5% | 0.155 | 0.886 |
| Observed annual rate of change (6 years) | = | -0.2% | -5.2% | 0.002 | 0.769 |

Normal Losses

| | | Severity | Frequency | R-Squared | |
|---|---|----------|-----------|-----------|-----------|
| | | | | Severity | Frequency |
| Observed annual rate of change (10 years) | = | 9.1% | -5.5% | 0.832 | 0.784 |
| Observed annual rate of change (8 years) | = | 11.0% | -6.5% | 0.904 | 0.886 |
| Observed annual rate of change (6 years) | = | 12.8% | -5.2% | 0.872 | 0.769 |
| Selected annual rate of change | = | 8.0% | -6.0% | | |

* Includes basic indemnity and allocated loss adjustment expense developed separately to an ultimate settlement basis.

** Developed to an ultimate settlement basis.

*** in 100,000's

NEVADA

BUSINESSOWNERS

EXHIBIT C8-1

LOSS DEVELOPMENT
LIABILITY - LESSORS/OCCUPANTS\$ 300,000 LIMIT INCURRED LOSSES AS OF:

| <u>YEAR</u> | <u>LINK RATIOS</u> | | | | | |
|-------------|--------------------|------------------|------------------|--------------|--------------|--|
| | <u>15 MONTHS</u> | <u>27 MONTHS</u> | <u>39 MONTHS</u> | <u>27:15</u> | <u>39:27</u> | |
| 2006 | 802,162 | 1,223,051 | 2,172,015 | 1.525 | 1.776 | |
| 2007 | 562,754 | 1,271,354 | 1,472,997 | 2.259 | 1.159 | |
| 2008 | 1,517,961 | 1,695,267 | 2,612,816 | 1.117 | 1.541 | |
| 2009 | 937,650 | 1,475,688 | 2,405,793 | 1.574 | 1.630 | |
| 2010 | 1,475,578 | 1,921,503 | 2,329,717 | 1.302 | 1.212 | |
| 2011 | 1,745,874 | 2,184,953 | 2,226,381 | 1.251 | 1.019 | |
| 2012 | 1,501,852 | 2,235,714 | 3,499,047 | 1.489 | 1.565 | |
| 2013 | 1,335,657 | 3,393,500 | 4,258,597 | 2.541 | 1.255 | |
| 2014 | 2,251,545 | 3,910,383 | 5,454,681 | 1.737 | 1.395 | |
| 2015 | 1,369,042 | 3,035,256 | 3,852,121 | 2.217 | 1.269 | |
| 2016 | 3,083,604 | 5,026,870 | 7,019,503 | 1.630 | 1.396 | |
| 2017 | 3,038,312 | 4,246,578 | 6,234,027 | 1.398 | 1.468 | |
| 2018 | 3,573,451 | 6,080,633 | 8,087,444 | 1.702 | 1.330 | |
| 2019 | 3,175,234 | 5,284,228 | | 1.664 | | |
| 2020 | 1,564,898 | | | | | |

| | | | |
|----------------------------------|----------------|-------|-------|
| (1) Average Best 3 of 5 | (A) Statewide | 1.665 | 1.374 |
| | (B) Multistate | 1.557 | 1.291 |
| (2) Credibility | | 0.662 | 0.191 |
| (3) Credibility Weighted Average | | 1.628 | 1.307 |

Summary of Factors

| | <u>Factor</u> |
|------------------|---------------|
| 63 to Ultimate** | 1.023 |
| 51 to Ultimate** | 1.057 |
| 39 to Ultimate** | 1.174 |
| 27 to Ultimate | 1.534 |
| 15 to Ultimate | 2.497 |

**Multistate

BUSINESSOWNERS
EXHIBIT C8-2
MULTISTATE LOSS DEVELOPMENT
LIABILITY - LESSORS/OCCUPANTS
\$ 300,000 LIMIT INCURRED LOSSES AS OF:

| <u>YEAR</u> | <u>15 MONTHS</u> | <u>27 MONTHS</u> | <u>39 MONTHS</u> | <u>51 MONTHS</u> | <u>63 MONTHS</u> | <u>75 MONTHS</u> | <u>87 MONTHS</u> | <u>99 MONTHS</u> | <u>111 MONTHS</u> | <u>123 MONTHS</u> |
|-------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| 2006 | 156,493,652 | 215,821,796 | 265,778,814 | 278,298,748 | 278,110,638 | 279,862,195 | 280,375,620 | 280,678,897 | 281,043,734 | 283,474,796 |
| 2007 | 159,777,772 | 228,428,382 | 270,704,456 | 284,244,740 | 288,193,733 | 288,912,142 | 290,574,063 | 293,075,059 | 293,618,123 | 292,270,130 |
| 2008 | 184,242,112 | 249,716,348 | 291,074,891 | 313,100,503 | 316,685,033 | 315,488,435 | 316,087,705 | 316,947,279 | 317,145,960 | 317,184,220 |
| 2009 | 177,855,314 | 247,220,527 | 299,426,913 | 317,340,402 | 324,437,532 | 325,409,245 | 320,238,829 | 321,617,084 | 321,834,000 | 321,446,832 |
| 2010 | 177,239,382 | 248,811,756 | 303,056,849 | 326,354,888 | 330,504,910 | 329,835,937 | 331,311,486 | 331,300,953 | 332,168,069 | 333,184,013 |
| 2011 | 182,665,953 | 262,060,822 | 328,585,620 | 357,515,821 | 366,449,217 | 370,785,321 | 372,284,067 | 377,564,487 | 379,296,571 | 379,807,058 |
| 2012 | 155,805,978 | 219,496,982 | 266,876,625 | 287,536,419 | 295,101,441 | 295,253,711 | 296,543,454 | 297,235,080 | 298,189,782 | |
| 2013 | 139,090,719 | 204,280,434 | 246,272,365 | 266,344,748 | 276,061,081 | 277,880,672 | 280,464,188 | 281,465,559 | | |
| 2014 | 159,641,004 | 239,439,463 | 314,100,429 | 354,075,687 | 364,564,904 | 370,274,830 | 373,800,102 | | | |
| 2015 | 153,595,792 | 246,589,790 | 323,915,048 | 358,577,375 | 370,159,136 | 378,839,055 | | | | |
| 2016 | 152,694,024 | 232,987,592 | 297,590,431 | 327,107,895 | 347,478,654 | | | | | |
| 2017 | 163,713,717 | 239,240,809 | 307,165,347 | 349,125,927 | | | | | | |
| 2018 | 164,480,028 | 263,743,757 | 335,946,779 | | | | | | | |
| 2019 | 165,845,224 | 255,470,695 | | | | | | | | |
| 2020 | 149,284,248 | | | | | | | | | |

LINKRATIOS

| <u>YEAR</u> | <u>27:15</u> | <u>39:27</u> | <u>51:39</u> | <u>63:51</u> | <u>75:63</u> | <u>87:75</u> | <u>99:87</u> | <u>111:99</u> | <u>123:111</u> |
|----------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| 2006 | 1.379 | 1.231 | 1.047 | 0.999 | 1.006 | 1.002 | 1.001 | 1.001 | 1.009 |
| 2007 | 1.430 | 1.185 | 1.050 | 1.014 | 1.002 | 1.006 | 1.009 | 1.002 | 0.995 |
| 2008 | 1.355 | 1.166 | 1.076 | 1.011 | 0.996 | 1.002 | 1.003 | 1.001 | 1.000 |
| 2009 | 1.390 | 1.211 | 1.060 | 1.022 | 1.003 | 0.984 | 1.004 | 1.001 | 0.999 |
| 2010 | 1.404 | 1.218 | 1.077 | 1.013 | 0.998 | 1.004 | 1.000 | 1.003 | 1.003 |
| 2011 | 1.435 | 1.254 | 1.088 | 1.025 | 1.012 | 1.004 | 1.014 | 1.005 | 1.001 |
| 2012 | 1.409 | 1.216 | 1.077 | 1.026 | 1.001 | 1.004 | 1.002 | 1.003 | |
| 2013 | 1.469 | 1.206 | 1.082 | 1.036 | 1.007 | 1.009 | 1.004 | | |
| 2014 | 1.500 | 1.312 | 1.127 | 1.030 | 1.016 | 1.010 | | | |
| 2015 | 1.605 | 1.314 | 1.107 | 1.032 | 1.023 | | | | |
| 2016 | 1.526 | 1.277 | 1.099 | 1.062 | | | | | |
| 2017 | 1.461 | 1.284 | 1.137 | | | | | | |
| 2018 | 1.604 | 1.274 | | | | | | | |
| 2019 | 1.540 | | | | | | | | |
| BEST 3 OF 5 | 1.557 | 1.291 | 1.111 | 1.033 | 1.012 | 1.006 | 1.003 | 1.002 | 1.000 |
| FACTORS | <u>15 to Ult.</u> 2.360 | <u>27 to Ult.</u> 1.516 | <u>39 to Ult.</u> 1.174 | <u>51 to Ult.</u> 1.057 | <u>63 to Ult.</u> 1.023 | <u>75 to Ult.</u> 1.011 | <u>87 to Ult.</u> 1.005 | <u>99 to Ult.</u> 1.002 | <u>111 to Ult.</u> 1.000 |

BUSINESSOWNERS
EXHIBIT C8-3
MULTISTATE LOSS DEVELOPMENT
LIABILITY - SALES
\$ 300,000 LIMIT INCURRED LOSSES AS OF:

| <u>YEAR</u> | <u>15 MONTHS</u> | <u>27 MONTHS</u> | <u>39 MONTHS</u> | <u>51 MONTHS</u> | <u>63 MONTHS</u> | <u>75 MONTHS</u> | <u>87 MONTHS</u> | <u>99 MONTHS</u> | <u>111 MONTHS</u> | <u>123 MONTHS</u> |
|-------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| 2006 | 9,825,211 | 12,112,047 | 14,510,360 | 15,142,943 | 15,204,537 | 15,261,037 | 15,314,336 | 15,317,803 | 15,333,983 | 15,478,899 |
| 2007 | 12,208,163 | 15,787,970 | 18,131,628 | 19,034,084 | 19,033,260 | 19,032,626 | 18,847,957 | 18,930,128 | 18,895,879 | 18,907,156 |
| 2008 | 17,388,392 | 20,199,168 | 21,684,846 | 23,118,897 | 23,960,971 | 24,155,678 | 24,107,288 | 24,183,355 | 24,207,016 | 24,256,084 |
| 2009 | 19,299,158 | 22,792,205 | 26,823,870 | 28,817,741 | 28,967,666 | 29,107,425 | 29,016,159 | 28,974,948 | 28,975,272 | 29,007,242 |
| 2010 | 21,260,562 | 24,693,815 | 27,098,887 | 27,732,178 | 28,338,335 | 28,507,692 | 28,956,486 | 28,568,031 | 28,705,873 | 28,620,972 |
| 2011 | 18,408,319 | 22,202,974 | 25,012,094 | 26,464,426 | 26,219,728 | 26,033,924 | 25,740,428 | 25,684,882 | 25,788,800 | 25,742,233 |
| 2012 | 22,781,000 | 27,438,764 | 32,905,182 | 36,397,604 | 37,046,240 | 36,306,016 | 36,026,495 | 36,247,445 | 35,626,400 | |
| 2013 | 27,937,480 | 37,726,118 | 42,709,702 | 45,254,163 | 46,980,802 | 46,359,840 | 45,970,073 | 45,890,830 | | |
| 2014 | 43,251,127 | 58,921,610 | 70,429,519 | 77,578,405 | 77,837,915 | 78,342,716 | 79,199,113 | | | |
| 2015 | 61,210,970 | 81,200,424 | 96,825,065 | 104,186,494 | 107,254,195 | 109,149,247 | | | | |
| 2016 | 68,630,544 | 91,002,332 | 109,922,526 | 116,311,906 | 117,685,082 | | | | | |
| 2017 | 73,065,025 | 91,216,743 | 113,506,789 | 124,088,940 | | | | | | |
| 2018 | 71,656,653 | 95,593,632 | 113,035,021 | | | | | | | |
| 2019 | 67,070,400 | 94,855,714 | | | | | | | | |
| 2020 | 60,591,139 | | | | | | | | | |

LINKRATIOS

| <u>YEAR</u> | <u>27:15</u> | <u>39:27</u> | <u>51:39</u> | <u>63:51</u> | <u>75:63</u> | <u>87:75</u> | <u>99:87</u> | <u>111:99</u> | <u>123:111</u> |
|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|----------------|
| 2006 | 1.233 | 1.198 | 1.044 | 1.004 | 1.004 | 1.003 | 1.000 | 1.001 | 1.009 |
| 2007 | 1.293 | 1.148 | 1.050 | 1.000 | 1.000 | 0.990 | 1.004 | 0.998 | 1.001 |
| 2008 | 1.162 | 1.074 | 1.066 | 1.036 | 1.008 | 0.998 | 1.003 | 1.001 | 1.002 |
| 2009 | 1.181 | 1.177 | 1.074 | 1.005 | 1.005 | 0.997 | 0.999 | 1.000 | 1.001 |
| 2010 | 1.161 | 1.097 | 1.023 | 1.022 | 1.006 | 1.016 | 0.987 | 1.005 | 0.997 |
| 2011 | 1.206 | 1.127 | 1.058 | 0.991 | 0.993 | 0.989 | 0.998 | 1.004 | 0.998 |
| 2012 | 1.204 | 1.199 | 1.106 | 1.018 | 0.980 | 0.992 | 1.006 | 0.983 | |
| 2013 | 1.350 | 1.132 | 1.060 | 1.038 | 0.987 | 0.992 | 0.998 | | |
| 2014 | 1.362 | 1.195 | 1.102 | 1.003 | 1.006 | 1.011 | | | |
| 2015 | 1.327 | 1.192 | 1.076 | 1.029 | 1.018 | | | | |
| 2016 | 1.326 | 1.208 | 1.058 | 1.012 | | | | | |
| 2017 | 1.248 | 1.244 | 1.093 | | | | | | |
| 2018 | 1.334 | 1.182 | | | | | | | |
| 2019 | 1.414 | | | | | | | | |

| | | | | | | | | | |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| BEST 3 OF 5 | 1.329 | 1.198 | 1.076 | 1.020 | 0.995 | 0.998 | 0.998 | 1.002 | 1.000 |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

| <u>FACTORS</u> | <u>15 to Ult.</u> | <u>27 to Ult.</u> | <u>39 to Ult.</u> | <u>51 to Ult.</u> | <u>63 to Ult.</u> | <u>75 to Ult.</u> | <u>87 to Ult.</u> | <u>99 to Ult.</u> | <u>111 to Ult.</u> |
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | 1.736 | 1.306 | 1.090 | 1.013 | 0.993 | 0.998 | 1.000 | 1.002 | 1.000 |

BUSINESSOWNERS
EXHIBIT C8-4
MULTISTATE LOSS DEVELOPMENT
LIABILITY - PAYROLL
\$ 300,000 LIMIT INCURRED LOSSES AS OF:

| <u>YEAR</u> | <u>15 MONTHS</u> | <u>27 MONTHS</u> | <u>39 MONTHS</u> | <u>51 MONTHS</u> | <u>63 MONTHS</u> | <u>75 MONTHS</u> | <u>87 MONTHS</u> | <u>99 MONTHS</u> | <u>111 MONTHS</u> | <u>123 MONTHS</u> |
|-------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| 2006 | 31,563,414 | 39,411,191 | 43,806,704 | 45,685,698 | 47,281,813 | 48,682,130 | 50,406,909 | 51,760,459 | 51,725,804 | 50,690,804 |
| 2007 | 37,704,265 | 47,045,520 | 53,192,200 | 57,136,446 | 58,814,276 | 60,811,929 | 61,576,456 | 62,364,883 | 61,938,580 | 62,049,589 |
| 2008 | 40,664,922 | 50,442,234 | 57,752,932 | 64,348,328 | 68,724,715 | 70,049,529 | 71,221,728 | 69,992,725 | 71,885,094 | 72,632,895 |
| 2009 | 45,554,382 | 53,863,403 | 63,777,822 | 65,938,084 | 69,613,126 | 69,929,578 | 69,940,665 | 72,084,009 | 74,040,873 | 74,974,704 |
| 2010 | 45,126,344 | 57,956,830 | 65,292,591 | 71,385,500 | 73,398,669 | 73,619,283 | 74,261,210 | 75,699,460 | 76,836,519 | 77,340,329 |
| 2011 | 47,520,057 | 61,846,141 | 71,771,868 | 77,755,891 | 79,639,537 | 81,255,973 | 81,254,657 | 83,292,600 | 83,879,390 | 85,725,370 |
| 2012 | 41,909,210 | 53,987,517 | 63,416,262 | 70,340,624 | 74,819,293 | 75,760,084 | 76,476,512 | 77,055,079 | 79,152,214 | |
| 2013 | 47,813,081 | 63,771,727 | 76,252,862 | 83,032,715 | 89,496,419 | 93,311,074 | 95,646,819 | 99,499,888 | | |
| 2014 | 52,077,607 | 73,128,079 | 90,002,587 | 100,323,249 | 105,118,797 | 109,322,453 | 113,444,933 | | | |
| 2015 | 54,344,904 | 74,775,557 | 92,973,948 | 101,922,980 | 107,388,038 | 112,215,214 | | | | |
| 2016 | 58,200,058 | 78,866,651 | 94,883,253 | 103,036,053 | 108,311,943 | | | | | |
| 2017 | 60,811,291 | 80,225,605 | 97,024,385 | 108,335,859 | | | | | | |
| 2018 | 58,716,301 | 81,405,790 | 104,708,819 | | | | | | | |
| 2019 | 64,960,421 | 92,273,514 | | | | | | | | |
| 2020 | 69,439,287 | | | | | | | | | |

LINKRATIOS

| <u>YEAR</u> | <u>27:15</u> | <u>39:27</u> | <u>51:39</u> | <u>63:51</u> | <u>75:63</u> | <u>87:75</u> | <u>99:87</u> | <u>111:99</u> | <u>123:111</u> |
|----------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| 2006 | 1.249 | 1.112 | 1.043 | 1.035 | 1.030 | 1.035 | 1.027 | 0.999 | 0.980 |
| 2007 | 1.248 | 1.131 | 1.074 | 1.029 | 1.034 | 1.013 | 1.013 | 0.993 | 1.002 |
| 2008 | 1.240 | 1.145 | 1.114 | 1.068 | 1.019 | 1.017 | 0.983 | 1.027 | 1.010 |
| 2009 | 1.182 | 1.184 | 1.034 | 1.056 | 1.005 | 1.000 | 1.031 | 1.027 | 1.013 |
| 2010 | 1.284 | 1.127 | 1.093 | 1.028 | 1.003 | 1.009 | 1.019 | 1.015 | 1.007 |
| 2011 | 1.301 | 1.160 | 1.083 | 1.024 | 1.020 | 1.000 | 1.025 | 1.007 | 1.022 |
| 2012 | 1.288 | 1.175 | 1.109 | 1.064 | 1.013 | 1.009 | 1.008 | 1.027 | |
| 2013 | 1.334 | 1.196 | 1.089 | 1.078 | 1.043 | 1.025 | 1.040 | | |
| 2014 | 1.404 | 1.231 | 1.115 | 1.048 | 1.040 | 1.038 | | | |
| 2015 | 1.376 | 1.243 | 1.096 | 1.054 | 1.045 | | | | |
| 2016 | 1.355 | 1.203 | 1.086 | 1.051 | | | | | |
| 2017 | 1.319 | 1.209 | 1.117 | | | | | | |
| 2018 | 1.386 | 1.286 | | | | | | | |
| 2019 | 1.420 | | | | | | | | |
| BEST 3 OF 5 | 1.372 | 1.228 | 1.100 | 1.056 | 1.034 | 1.014 | 1.025 | 1.023 | 1.010 |
| FACTORS | <u>15 to Ult.</u> 2.173 | <u>27 to Ult.</u> 1.584 | <u>39 to Ult.</u> 1.290 | <u>51 to Ult.</u> 1.173 | <u>63 to Ult.</u> 1.111 | <u>75 to Ult.</u> 1.074 | <u>87 to Ult.</u> 1.059 | <u>99 to Ult.</u> 1.033 | <u>111 to Ult.</u> 1.010 |

NEVADA

BUSINESSOWNERS

EXHIBIT C9

DEVELOPMENT OF EXPOSURE TREND FACTORSBuildings

| <u>Year</u> | (1) <u>Annual Written Increase</u> | (2) <u>Calendar Yr. Written Factors</u> | (3) <u>Fiscal Yr. Written Factors(a)</u> | (4) <u>Projection Factor</u> | (5) <u>Exposure Trend Factors(a)</u> |
|-------------|---|--|---|-------------------------------------|---|
| 2015 | 2.3% | 1.128 | | | |
| 2016 | 2.1% | 1.105 | 1.111 | 1.059 | 1.177 |
| 2017 | 2.1% | 1.082 | 1.088 | 1.059 | 1.152 |
| 2018 | 2.7% | 1.054 | 1.061 | 1.059 | 1.124 |
| 2019 | 2.9% | 1.024 | 1.032 | 1.059 | 1.093 |
| 2020 | 2.4% | 1.000 | 1.006 | 1.059 | 1.065 |

Contents

| <u>Year</u> | (6) <u>Annual Written Increase</u> | (7) <u>Calendar Yr. Written Factors</u> | (8) <u>Fiscal Yr. Written Factors(a)</u> | (9) <u>Projection Factor</u> | (10) <u>Exposure Trend Factors(a)</u> |
|-------------|---|--|---|-------------------------------------|--|
| 2015 | 1.9% | 1.101 | | | |
| 2016 | 1.8% | 1.082 | 1.087 | 1.052 | 1.144 |
| 2017 | 1.8% | 1.063 | 1.068 | 1.052 | 1.124 |
| 2018 | 1.9% | 1.043 | 1.048 | 1.052 | 1.102 |
| 2019 | 2.2% | 1.021 | 1.027 | 1.052 | 1.080 |
| 2020 | 2.1% | 1.000 | 1.005 | 1.052 | 1.057 |

SalesPayroll

| <u>Year</u> | (11) <u>Selected Average Annual Trend(b)</u> | (12) <u>Exposure Trend Factors(a)</u> | <u>Year</u> | (13) <u>Selected Average Annual Trend(b)</u> | (14) <u>Exposure Trend Factors(a)</u> |
|-------------|---|--|-------------|---|--|
| 2016 | 2.1% | 1.143 | 2016 | 1.6% | 1.107 |
| 2017 | 2.1% | 1.119 | 2017 | 1.6% | 1.090 |
| 2018 | 2.1% | 1.096 | 2018 | 1.6% | 1.073 |
| 2019 | 2.1% | 1.074 | 2019 | 1.6% | 1.056 |
| 2020 | 2.1% | 1.052 | 2020 | 1.6% | 1.039 |

(a) Fiscal Year Ending June 30.

(b) Derived from data supplied by Moody's Analytics.

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EXHIBIT C10

STATEWIDE CREDIBILITY CALCULATION

| | Statewide | Statewide | Multistate | Multistate |
|--|-----------------|------------------|--------------|----------------|
| | <u>Property</u> | <u>Liability</u> | <u>Sales</u> | <u>Payroll</u> |
| | | <u>L/O</u> | | |
| (1) Full credibility occurrence standard for frequency with (P, K) = (95%, 5%) | 1,537 | 1,537 | 1,537 | 1,537 |
| (2) Severity modification factor | 5.600 | 3.047 | 3.750 | 2.810 |
| (3) Full credibility occurrence standard adjusted for severity ((1) X (2)) | 8,607 | 4,683 | 5,764 | 4,319 |
| (4) Selected credibility occurrence standard adjusted for severity | 8,600 | 4,700 | 5,800 | 4,300 |
| (5) Multistate five year ratio of earned risks to occurrences | 53.0 | 138.7 | 15.0 | 52.0 |
| (6) Full credibility earned risks standard ((4) X (5)) | 455,800 | 651,890 | 87,000 | 223,600 |
| (7) Five year earned risks | 94,179 | 55,485 | 247,061 | 415,979 |
| (8) Statewide credibility [(7)/(6)] ^{1/2} | 0.455 | 0.292 | 1.000 | 1.000 |

NEVADA
BUSINESSOWNERS

EXHIBIT C11-1

Fire and Allied Lines Insurance
Multistate Expense Experience
Loss Adjustment Expense-IEE *

| | | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | |
|------------------------|----------|-------------|-------------|-------------|-------------|-------------|------------------------|
| (1) Fire | | | | | | | |
| (a) Direct Losses | Agency | 4,300,636 | 4,583,779 | 6,300,103 | 6,871,205 | 6,067,394 | |
| Incurring | Direct | 1,153,010 | 1,067,719 | 1,443,709 | 1,643,916 | 1,355,525 | |
| | Combined | 5,453,646 | 5,651,498 | 7,743,812 | 8,515,121 | 7,422,919 | |
| (b) Direct Loss | Agency | 441,650 | 474,067 | 588,172 | 598,498 | 576,226 | |
| Adjustment | Direct | 79,987 | 68,922 | 103,251 | 69,374 | 103,689 | |
| Expenses Incurred | Combined | 521,637 | 542,989 | 691,423 | 667,872 | 679,915 | |
| (2) Allied Lines** | | | | | | | |
| (a) Direct Losses | Agency | 3,556,298 | 5,009,396 | 14,673,977 | 8,395,461 | 6,259,321 | |
| Incurring | Direct | 1,223,360 | 1,407,474 | 3,267,136 | 1,949,407 | 1,358,205 | |
| | Combined | 4,779,658 | 6,416,870 | 17,941,113 | 10,344,868 | 7,617,526 | |
| (b) Direct Loss | Agency | 530,894 | 578,534 | 896,226 | 856,743 | 861,978 | |
| Adjustment | Direct | 144,966 | 160,799 | 260,163 | 140,190 | 111,438 | |
| Expenses Incurred | Combined | 675,860 | 739,333 | 1,156,389 | 996,933 | 973,416 | |
| Incurred Percentages** | | | | | | | |
| | | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>Selected Factor</u> |
| (3) Loss Adjustment | | | | | | | |
| Expense as Ratio to | | | | | | | |
| Losses Incurred | | | | | | | |
| (a) Fire | Combined | 9.6% | 9.6% | 8.9% | 7.8% | 9.2% | 9.0% |
| (1b)/(1a) | | | | | | | |
| (b) Allied Lines | Combined | 14.1% | 11.5% | 6.4% | 9.6% | 12.8% | 11.0% |
| (2b)/(2a) | | | | | | | |

NOTE: All dollar amounts displayed in thousands.

* Items (1)&(2) are from the Insurance Exhibit Information compiled by A.M. Best.

** Incurred percentages have been calculated on a direct basis, rather than net of reinsurance.

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 EXHIBIT C11-2

Burglary
 Multistate Expense Experience
 Loss Adjustment Expense-IEE
 Agency and Direct Writers Combined*

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | |
|---|------------------------|-------------|-------------|-------------|-------------|------------------------|
| (1) Direct Losses Incurred | 38,206 | 40,299 | 46,002 | 22,915 | 29,232 | |
| (2) Direct Loss Adjustment Expense Incurred | 9,327 | 4,868 | 8,641 | 6,259 | 8,760 | |
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | |
| (1) Direct Losses Incurred | 59,447 | 50,793 | 30,546 | 89,367 | 159,131 | |
| (2) Direct Loss Adjustment Expense Incurred | 7,371 | 7,482 | 12,323 | 16,940 | 13,033 | |
| | Incurred Percentages** | | | | | |
| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | |
| (3) Loss Adj. Expenses Incurred as a ratio to Losses Incurred [(2)/(1)] | 24.4% | 12.1% | 18.8% | 27.3% | 30.0% | |
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>Selected Factor</u> |
| (3) Loss Adj. Expenses Incurred as a ratio to Losses Incurred [(2)/(1)] | 12.4% | 14.7% | 40.3% | 19.0% | 8.2% | 19.0% |

NOTE: All dollar amounts displayed in thousands.

* Items (1) & (2) are from the Insurance Exhibit Information compiled by A.M Best.

** Incurred percentages have been calculated on a direct basis, rather than net of reinsurance.

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EXHIBIT C11-3

General Liability Excluding Medical Professional Liability
Multistate Expense Experience
Loss Adjustment Expense Special Call*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| (1) Direct Losses Incurred | 20,556,499 | 21,171,688 | 18,094,487 | 21,524,983 | 23,372,674 |
| Allocated Loss | | | | | |
| (2) Adjustment Expenses | | | | | |
| Incurred | 3,997,361 | 2,809,998 | 3,939,087 | 3,848,988 | 3,725,515 |
| Unallocated Loss | | | | | |
| (3) Adjustment Expenses | | | | | |
| Incurred | 1,816,188 | 1,878,159 | 1,740,789 | 1,624,707 | 2,118,209 |

Incurred Percentages**

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>Selected Factor</u> |
|------------------------|-------------|-------------|-------------|-------------|-------------|------------------------|
| Unallocated Loss | | | | | | |
| Adjustment Expenses as | | | | | | |
| Ratio to Losses + | 7.4% | 7.8% | 7.9% | 6.4% | 7.8% | 8.0% |
| (4) Allocated Loss | | | | | | |
| Adjustment Expense | | | | | | |
| (3)/[(1)+(2)] | | | | | | |

Ten Years of Historical Multistate Expense Experience
Unallocated Loss Adjustment Expense Factor
Incurred Percentages**

| | |
|------|------|
| 2010 | 8.6% |
| 2011 | 7.9% |
| 2012 | 7.6% |
| 2013 | 8.6% |
| 2014 | 8.8% |
| 2015 | 7.4% |
| 2016 | 7.8% |
| 2017 | 7.9% |
| 2018 | 6.4% |
| 2019 | 7.8% |

NOTE: All dollar amounts displayed in thousands.

* Items (1), (2), and (3) are based in available ISO Special Call submissions.

** Incurred percentages have been calculated on a direct basis, rather than net of reinsurance.

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BUSINESSOWNERS

EXHIBIT D1

WINDSTORM OR HAIL EXCLUSION CREDITS

| <u>Territory</u> | <u>Coverage</u> | (1) <u>Total Losses</u> | (2) <u>Wind and Hail Losses</u> | (3) <u>Percent (2)/(1)</u> |
|------------------|-----------------|----------------------------|--|-----------------------------------|
| All | Buildings | 53,173,465 | 2,759,230 | 10% |
| | BPP | 19,441,022 | 113,370 | 5% |

**COMMERCIAL LINES MANUAL
DIVISION TEN
BUSINESSOWNERS
LOSS COST PAGES**

LOSS COSTS

| Territory | BASE LOSS COSTS | | | | | |
|-----------|-------------------------------------|---|---|--|--|--|
| | PROPERTY | | LIABILITY | | | |
| | Building Per \$100 Of Limit Of Ins. | Business Personal Property Per \$100 Of Limit Of Ins. | Occupant Liability Per \$100 Of Limit Of Ins. | Occupant Liability Per \$1,000 Of Annual Gross Sales | Occupant Liability Per \$1,000 Of Annual Payroll | Lessors Liability Per \$100 Of Limit Of Ins. |
| 701 | 0.181 | 0.330 | 0.052 | 1.195 | 10.811 | 0.021 |
| | | | | | | |
| | | | | | | |
| | | | | | | |

Table #1(LC) Base Loss Costs – Property And Liability

**SECTION III
RATING AND ELIGIBILITY RULES**

**RULE 23.
PREMIUM DEVELOPMENT – MANDATORY
COVERAGES**

- C. Premium Determination
 - 6. Premium Determination
 - c. Additional Rating Considerations
 - (3) Permanent Yards – Maintenance Or Storage

| Territory | Loss Cost Per \$100 | | |
|-----------|---|-------|-------|
| | Public Protection (Fire) Classification | | |
| | 01-04 | 05-08 | 09-10 |
| 701 | 0.229 | 0.268 | 0.308 |
| | | | |
| | | | |

Table 23.C.6.c.(3)(LC) Permanent Yards – Maintenance Or Storage Premium Determination

**RULE 29.
 ENDORSEMENTS**

A. Property Endorsements

39. Windstorm Or Hail Exclusion

d. Rate Modification

| Territory | Coverage (Code) | Credit |
|-----------|--------------------------------|--------|
| 701 | Buildings (1) | 0.018 |
| | Business Personal Property (2) | 0.017 |

Table 29.A.39.d.(LC) Windstorm Or Hail Exclusion Credits

B. Liability Endorsements

7. Employment-Related Practices Liability

b. Employment-Related Practices Liability Coverage Endorsement

(5) Premium Determination

| Number Of Employees | Loss Cost Per Employee | | |
|--------------------------|------------------------|-----------|-----------|
| | Mercantile Restaurant | Wholesale | All Other |
| 1-25 | \$ 7.070 | \$ 10.530 | \$ 8.420 |
| Each Additional Employee | 4.950 | 7.360 | 5.890 |

Table 29.B.7.b.(5)(LC) Employment-Related Practices Liability Premium Determination

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SUPPLEMENTARY INFORMATION

PURPOSE This document provides additional information on the attached loss costs level experience review including:

- A summary of significant factors used in the development of loss cost indications that underlie the loss costs in the current 2021 filing and prior 2020 filing.
- A five-year analysis of loss experience by type of loss
- A discussion of the experience underlying the current loss cost level indications and how it compares to the prior filing
- A distribution of property losses by type of loss

| | | | |
|--|--------------------|----------------|--------------|
| UNALLOCATED LOSS ADJUSTMENT EXPENSE | | <u>Current</u> | <u>Prior</u> |
| | Liability | 8.0% | 8.5% |
| | Fire | 9.0% | 9.5% |
| | Extended Coverage | 11.0% | 11.5% |
| | All Other Property | 11.0% | 11.5% |
| | Burglary/Theft | 19.0% | 21.0% |

LOSS DEVELOPMENT FACTORS For Lessors/Occupants this review continues to incorporate credibility-weighted statewide and multistate development for the 15 and 27 to ultimate factors and multistate only for all other ultimate factors.

| | | |
|----------------|----------------|--------------|
| | <u>Current</u> | <u>Prior</u> |
| 63 to ultimate | 1.023 | 1.015 |
| 51 to ultimate | 1.057 | 1.042 |
| 39 to ultimate | 1.174 | 1.139 |
| 27 to ultimate | 1.534 | 1.478 |
| 15 to ultimate | 2.497 | 2.443 |

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SUPPLEMENTARY INFORMATION

LOSS TREND
FACTORS

External Trend

The annual rates of change are based on external Xactware indices for Buildings and external PPI indices for Contents. The annual external loss trend factors are:

| <u>Coverage</u> | <u>Current Review</u> | <u>Prior Review</u> |
|-----------------|-----------------------|---------------------|
| Buildings | +4.0% | +3.1% |
| Contents | +1.6% | +1.7% |

Loss Trend Adjustments (LTA's)

The annual loss trend adjustment factors are:

| <u>Type of Loss</u> | <u>Current Review</u> | | <u>Prior Review</u> | |
|---------------------|-----------------------|--------------|---------------------|--------------|
| | <u>Bldg.</u> | <u>Cnts.</u> | <u>Bldg.</u> | <u>Cnts.</u> |
| Fire | -3.6% | -3.5% | -3.1% | -2.7% |
| Extended Coverage | +3.9% | +2.9% | +3.5% | +1.2% |
| All Other Property | +1.3% | +3.2% | +1.9% | +3.1% |
| Burglary | +2.4% | | +3.0% | |
| Liability Lessors | +0.5% | | +1.3% | |
| Liability Occupants | -0.3% | | -0.9% | |

PREMIUM TREND
FACTORS

Premium trend factors are based on annual changes in amounts of insurance written. The annual premium trend factors are:

| <u>Coverage</u> | <u>Current Review</u> | <u>Prior Review</u> |
|-----------------|-----------------------|---------------------|
| Buildings | +2.4% | +3.1% |
| Contents | +2.1% | +2.2% |

NET TREND

Beginning in 2016, loss trend for All Property was calculated using statewide instead of multistate weights by type of loss. The resulting annual net trend factors are:

| <u>Coverage</u> | <u>Current Review</u> | <u>Prior Review</u> |
|-----------------------------|-----------------------|---------------------|
| All Property | +0.5% | -0.8% |
| Liability Lessors/Occupants | -1.8% | -1.4% |
| Liability Sales | +3.1% | +2.9% |
| Liability Payroll | -0.1% | +0.9% |

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BUSINESSOWNERS

SUPPLEMENTARY INFORMATION

TYPE OF LOSS
ANALYSIS

A brief description of loss patterns for the five years of the current review are shown below.

| | |
|------|--|
| Fire | The relatively high Fire experience ratio in 2016 was due to numerous large losses across several companies. |
|------|--|

| | |
|-------------------|--|
| Extended Coverage | Extended coverage losses were consistent over the five-year experience period. |
|-------------------|--|

| | |
|----------|---|
| Burglary | Burglary losses were consistent over the five-year experience period. |
|----------|---|

| | |
|--------------------|---|
| All Other Property | All Other Property losses were consistent over the five-year experience period. |
|--------------------|---|

| | |
|-----------|--|
| Liability | The high partial experience ratios in 2019 and 2020 were due to unfavorable experience across several companies. |
|-----------|--|

EXPLANATION
OF CHANGES

The information below is provided to explain large statewide loss cost level indicated changes.

| | |
|----------|----------------------------|
| Property | No large indicated change. |
|----------|----------------------------|

| | |
|-----------------------|----------------------------|
| Liability Lessors/Occ | No large indicated change. |
|-----------------------|----------------------------|

| | |
|-----------------|----------------------------|
| Liability Sales | No large indicated change. |
|-----------------|----------------------------|

| | |
|-------------------|----------------------------|
| Liability Payroll | No large indicated change. |
|-------------------|----------------------------|

NEVADA

BUSINESSOWNERS

SUPPLEMENTARY INFORMATION

PERCENTAGES OF ADJUSTED PROPERTY LOSSES BY TYPE OF LOSS*

Property losses for Fire, EC, Burglary and AOP can result from property damage or time element losses. For Buildings, time element losses refer to loss of rental value while Contents time element losses refer to business interruption. The statewide percentage breakdown by coverage and peril, based on adjusted losses, for each type of loss is shown below:

BUILDINGS

| | <u>Fire</u> | <u>EC</u> | <u>Burglary</u> | <u>AOP</u> |
|-----------------|-------------|-----------|-----------------|------------|
| Property Damage | 95.0% | 97.6% | 100.0% | 96.5% |
| Time Element | 5.0% | 2.4% | 0.0% | 3.5% |

CONTENTS

| | <u>Fire</u> | <u>EC</u> | <u>Burglary</u> | <u>AOP</u> |
|-----------------|-------------|-----------|-----------------|------------|
| Property Damage | 58.0% | 89.5% | 99.2% | 77.0% |
| Time Element | 42.0% | 10.5% | 0.8% | 23.0% |

* Data from Accident Year ending 9/30/2016 through Accident Year ending 9/30/2020.