

Memorandum

From: Div 66 Actuarial
Michael Tranfaglia
Emily Turek
Conner Billings

To: E. Allen, S. Leeret, B. Harris, R. D'Alfonso, J. Parker, R. O'Neil, A. Pharo

CC: J. Johnson, K. Hanna, J. Heaney, C. Steinbach, B. McCoy, A. Markham, J. Baier, J. Stracher

Date: 6/1/2015

Re: Division 66 - 2015 CPIS Coastal Condo/Coastal Hotel Profitability Study

I. Executive Summary

A. Introduction -

The CPIS Coastal Condo/Coastal Hotel Program provides commercial property, general liability and umbrella coverages for condominium risks throughout the U.S., primarily in the northeast. This program began writing Express Hotels in May of 2013, which was rolled over from another carrier; however this segment is expected to be reduced to 20% of prior total GWP going forward. Only Property, including Equipment Breakdown, is currently available to this class of business.

Last year's analysis resulted in an overall PY 2015 Ultimate Loss Ratio indication of 60.9% which yielded a RAP neutral rate need of -7.0% based on 2014 RAP values.

The year to date rate change for 2015 is -3.3% in total, varying by LOB.

For purposes of this analysis we have used a 2015 forecasted rate change of -1.9% in total, varying by LOB.

B. Summary of Results

IL and LAE evaluated as of: 1st Quarter 2015
Currency Employed: USD

Exhibit 1:

Line of Business	Sub-Segment	Policy Year	2015		Projected Ultimate IL and LAE Ratio*	RAP Breakeven		Projected RAP \$ **
			GWP (000)	Forecasted		Target Combined Ratio	RAP Rate Need	
GL	N/A	2015	6,440	68.0%	98.9%	98.7%	0.3%	(9)
Property	N/A	2015	60,803	63.8%	95.1%	93.1%	3.2%	(884)
Excess Liability	N/A	2015	108	68.2%	95.0%	98.6%	-4.9%	3
TOTAL			67,351	64.2%	95.5%	93.6%	2.9%	(891)

* Includes PY 2015 rate change achieved

** Assumes a tax rate of 35%

II. Discussion of Material Findings- The overall results of this program have deteriorated since the 2Q2014 profitability study mainly due to four high severity losses in policy years 2013, 2014 and 2015 totaling approximately \$12.5M. Two of the losses (Sandpiper and Lesner Pointe East) occurred subsequent to the valuation date of this study and were explicitly accounted for in the ultimate ILAE selections for PY's 2014 and 2015. In addition to the recent adverse experience, the program's AAL increased by nearly 5%, driving the negative RAP \$ indications. As a result of decreased Express Hotel writings, AAL improvement is expected as these risks were written in more CAT prone areas. The improvement in GL can be attributed to the rate achieved in the more recent policy years and better than expected development. Excess continues to have no reported losses to date.

III. Assumptions/Limitations/Data Quality/Other

- A. Assumptions - For purposes of this analysis, the loss ratio indications are based on a 3.5% trend assumption for GL, 4% for AL, 5% for XS and 0.0% for Property and APD. XS selected development factors were based on overall Division 66 factors. For the rate changes used in this analysis, we calculate a forecasted rate change by LOB using YTD rate changes and the original targeted rate changes. These two rate change estimates are weighted together to arrive at a forecasted annual rate change.
- B. Limitations/Weakness - The projected PY 2015 loss ratio shown in Exhibit 1 of this report assumes that the YTD rate change achieved in 2015 will be consistent throughout the remainder of the year. To the extent that the annual rate change does not equal the YTD rate change, then the results of this report will vary. Besides that, there are no significant limitations/weaknesses with regards to this study outside of standard actuarial caveats that normally apply to projecting future losses. These include, but are not limited to, actual emerged actuarial parameters (LDF's, ILFs, ELR's, trend, etc.) not being in line with selected parameters; miss-coding/inaccurate representation of the data relied upon in this analysis; and future regulatory/judicial changes affecting the frequency/severity of the results.
- C. Data Quality - The data for all lines of business in this analysis is pulled from Sandbox which aggregates the data from CRS. As mentioned above the actual YTD rate changes used for PY's 13-15 for GL and Property in this analysis are a weighted average of the historical AIG Coastal Condo's rate change and the rate that was achieved on Express Hotels when this business was rolled over to our book.
- D. Other - None

IV. Methodology

A review of several claim diagnostics shows no clear evidence of case reserve strengthening for this book of business (no consistent increase in average outstanding or decrease in paid to incurred ratios). In addition, a review of implied claim disposal rate does not show any clear evidence of claims closure rate changes.

Several methodologies have been used to project loss & legal expenses to ultimate. This includes the following: paid and incurred loss development and Bornhuetter-Ferguson methods (on a paid and incurred basis) all for losses uncapped and at varying capped levels. Frequency and severity is employed along with ultimate ILAE ratio selections to select a final PY 2015 ultimate loss ratio. The selected frequency and severities are somewhat consistent in comparison to the prior profit study.

The commissions and underwriting expenses are program specific. The RAP neutral ratio is calculated based on program specific RAP profit loads. Rate need is based on a ratio of the ultimate ILAE ratio and the target ILAE ratio.

V. Actuarial Next Steps - We will continue to monitor these results through quarterly actual versus expected analyses.

VI. Underwriting Action Plans - Below is the response provided by Aggi Pharo.

We agree with the current assessment of this program. Our strategy has been and will continue to be focused on charging rates with adequate wind pricing to achieve RAP profit targets. We have a plan in place with the PA to monitor the AAL attributable to this program including the AAL to GWP ratio which will drive RAP.

Appendix - Methodology:

Please note that the analysis has three sections:

- Section I - General Liability
- Section III - Property
- Section V - Excess

Exhibit 1 - Summarizes PY 2015 ultimate ILAE ratios and PY 2015 rate need.

Exhibit 2 - PY reported incurred and paid loss and LAE ratios in triangle format.

Exhibit 3 - Indexing PY 2005 - 2015 ultimate ILAE (incurred + LAE) ratios to PY 2015 and selection of PY 2015 ultimate ILAE ratios.

Exhibit 4 - Frequency/Severity method used to calculate an indicated PY 2015 ultimate ILAE ratio

Exhibit 5 - Summarizes various methods (Exhibit 6a - Exhibit 8f) used to calculate ultimate + LAE & ratios for PY's 2005 - 2015.

- a) Policy Limits
- b) Capped at \$250,000
- c) Capped at \$100,000

Exhibit 6 - Bornhuetter-Ferguson methods

- a) Methodology
- b) A Priori Loss Ratios

Exhibit 7 - ILF selections

Exhibit 8 - Loss development methods. In general, the selected age to age loss development factors are determined by giving weight to the overall Division 66 loss development factors as well as historical results of the program.

- a) Uncapped Incurred
- b) Incurred Capped at \$250,000
- c) Incurred Capped at \$100,000
- d) Uncapped Paid
- e) Paid Capped at \$250,000
- f) Paid Capped at \$100,000

Exhibit 9 - Gross Written Premium developed to an ultimate PY basis. In general, the selected age to age premium development factors are determined by giving weight to the overall Division 66 premium development factors as well as the historical results of the program.

Exhibit 10 - Total claim counts (excluding closed w/no-pay) developed to ultimate. In general, the selected age to age loss development factors are determined by giving weight to the overall Division 66 claim development factors as well as the historical results of the program.

Exhibit 11 - Open claim count, closed with payment claim count, closed without payment claim count and total claim count development.

Exhibits 12 - Key diagnostic triangles.

- a) Case Reserves per Open Claim
Paid & Legal per Closed With Payment
Paid per Closed With Payment
- b) Paid & Legal to Incurred & Legal
Paid to Incurred
Closed W/Pay to Total Claim Count (Ex CWNP)
- c) Legal to Indemnity
- d) Total Claim Count to Total Policy Count
Average Account Size - Total - GWP to Total Policy Count
Average Account Size - New- GWP to New Policy Count
Average Account Size - Renewal - GWP to Renewal Policy Count

Exhibit 13 - Large loss listing (Incurred + LAE > \$100,000 and >\$250,000 for Excess).

Please let me know if you have any questions or comments regarding this study.

Program Summary by LOB - PY 2015

(1) LOB	(2) PY 2015 Forecasted GWP	Direct	(3) Before 2015 Rate Change PY 2015 Ultimate ILAE Ratio	RAP Neutral		(6) PY 2015 Rate Achieved	(7) After 2015 Rate Change PY 2015 Ultimate ILAE Ratio
				(4) Target Ratio	(5) Before 2015 Rate Change PY 2015 Rate Need		
GL	6,440	3.0%	67.3%	67.8%	-0.7%	-1.1%	68.0%
Property	60,803	2.9%	62.5%	61.7%	1.3%	-2.0%	63.8%
Excess Liability	108	3.0%	67.4%	71.9%	-5.9%	-1.1%	68.2%
Total Casualty	6,548	3.0%	67.3%	67.8%	-0.8%	-1.1%	68.0%
Total Property	60,803	2.9%	62.5%	61.7%	1.3%	-2.0%	63.8%
All Lines Combined	67,351	2.9%	63.0%	62.3%	1.0%	-1.9%	64.2%

(1) = Input

(2) = Exhibit 2

(3) = (7) * [1 + (6)]

(4) = Exhibit 1

(5) = [(3) + (Direct Expense)] / [(4) + (Direct Expense)] - 1

(6) = Exhibit 1

(7) = Exhibit 1

Program Summary by LOB - PY 2016

(1)	(2)	(3)	RAP Neutral	
			(4)	(5)
LOB	PY 2015 Forecasted GWP	Direct	Target Ratio	After 2015 Rate Change PY 2016 Ultimate ILAE Ratio Rate Need
GL	6,440	3.0%	67.8%	3.7%
Property	60,803	2.9%	61.7%	3.2%
Excess Liability	108	3.0%	71.9%	-0.3%
Total Casualty	6,548	3.0%	67.8%	3.6%
Total Property	60,803	2.9%	61.7%	3.2%
All Lines Combined	67,351	2.9%	62.3%	3.3%

- (1) = Input
- (2) = Exhibit 2
- (3) = Exhibit 1
- (4) = Exhibit 1
- (5) = [(3) + (Direct Expense)] / [(4) + (Direct Expense)] - 1

Program Summary by LOB

GL

Property - ex Cat Load & Reinsurance Charges

Excess Liability

PY	GWP	Reported	Reported	Selected	
		ILAE	ILAE Ratio	Ultimate ILAE	Ultimate ILAE Ratio
2005	1,274	1,197	94.0%	1,212	95.2%
2006	2,001	2,175	108.7%	2,234	111.6%
2007	2,368	637	26.9%	664	28.0%
2008	2,008	991	49.4%	1,043	52.0%
2009	1,939	836	43.1%	949	49.0%
2010	1,782	1,267	71.1%	1,636	91.8%
2011	1,837	622	33.9%	1,037	56.5%
2012	2,072	504	24.3%	1,216	58.7%
2013	3,567	1,163	32.6%	2,430	68.1%
2014	4,367	509	11.7%	2,803	64.2%
2015	6,440	1	0.0%	4,315	67.0%

GWP	Reported	Reported	Selected	
	ILAE	ILAE Ratio	Ultimate ILAE	Ultimate ILAE Ratio
3,954	526	13.3%	525	13.3%
10,976	3,503	31.9%	3,503	31.9%
15,510	1,474	9.5%	1,474	9.5%
14,304	3,443	24.1%	3,442	24.1%
14,769	4,586	31.1%	4,586	31.1%
13,327	3,303	24.8%	3,303	24.8%
14,411	3,228	22.4%	3,223	22.4%
18,575	5,180	27.9%	5,179	27.9%
28,659	13,247	46.2%	12,951	45.2%
42,273	5,034	11.9%	11,974	28.3%
60,803	180	0.3%	17,633	29.0%

GWP	Reported	Reported	Selected	
	ILAE	ILAE Ratio	Ultimate ILAE	Ultimate ILAE Ratio
0	0	-	0	-
48	0	0.0%	10	20.8%
107	0	0.0%	10	9.3%
101	0	0.0%	20	19.8%
67	0	0.0%	20	29.8%
62	0	0.0%	20	32.3%
69	0	0.0%	30	43.4%
70	0	0.0%	30	43.2%
91	0	0.0%	50	55.1%
93	0	0.0%	60	64.3%
108	0	0.0%	62	57.0%

Total
Casualty

Total
Property - ex Cat Load & Reinsurance

All Lines
Combined

PY	GWP	Reported	Reported	Selected	
		ILAE	ILAE Ratio	Ultimate ILAE	Ultimate ILAE Ratio
2005	1,274	1,197	94.0%	1,212	95.2%
2006	2,049	2,175	106.1%	2,244	109.5%
2007	2,476	637	25.7%	674	27.2%
2008	2,109	991	47.0%	1,063	50.4%
2009	2,006	836	41.7%	969	48.3%
2010	1,844	1,267	68.7%	1,656	89.8%
2011	1,906	622	32.6%	1,067	56.0%
2012	2,142	504	23.6%	1,246	58.2%
2013	3,658	1,163	31.8%	2,480	67.8%
2014	4,460	509	11.4%	2,863	64.2%
2015	6,557	1	0.0%	4,377	66.8%
2016					

GWP	Reported	Reported	Selected	
	ILAE	ILAE Ratio	Ultimate ILAE	Ultimate ILAE Ratio
3,954	526	13.3%	525	13.3%
10,976	3,503	31.9%	3,503	31.9%
15,510	1,474	9.5%	1,474	9.5%
14,304	3,443	24.1%	3,442	24.1%
14,769	4,586	31.1%	4,586	31.1%
13,327	3,303	24.8%	3,303	24.8%
14,411	3,228	22.4%	3,223	22.4%
18,575	5,180	27.9%	5,179	27.9%
28,659	13,247	46.2%	12,951	45.2%
42,273	5,034	11.9%	11,974	28.3%
60,803	180	0.3%	17,633	29.0%

GWP	Reported	Reported	Selected	
	ILAE	ILAE Ratio	Ultimate ILAE	Ultimate ILAE Ratio
5,228	1,723	33.0%	1,738	33.2%
13,025	5,678	43.6%	5,747	44.1%
17,986	2,111	11.7%	2,148	11.9%
16,413	4,434	27.0%	4,506	27.5%
16,775	5,423	32.3%	5,556	33.1%
15,171	4,570	30.1%	4,960	32.7%
16,317	3,849	23.6%	4,290	26.3%
20,717	5,685	27.4%	6,425	31.0%
32,318	14,410	44.6%	15,430	47.7%
46,733	5,543	11.9%	14,837	31.7%
67,359	181	0.3%	22,009	32.7%

Program Summary by LOB - Prior Profitability Study Indications

GL

PY	GWP	2013	2014	2015
		Ultimate ILAE Ratio	Ultimate ILAE Ratio	Ultimate ILAE Ratio
2005	1,274	101.7%	98.6%	95.2%
2006	2,001	121.0%	116.2%	111.6%
2007	2,368	30.9%	28.8%	28.0%
2008	2,008	57.6%	52.9%	52.0%
2009	1,939	56.0%	53.6%	49.0%
2010	1,782	75.2%	103.7%	91.8%
2011	1,837	70.1%	62.6%	56.5%
2012	2,072	65.0%	65.5%	58.7%
2013	3,567	74.0%	70.6%	68.1%
2014	4,367		67.0%	64.2%
2015	6,440			67.0%

Property - ex Cat Load & Reinsurance Charges

PY	GWP	2013	2014	2015
		Ultimate ILAE Ratio	Ultimate ILAE Ratio	Ultimate ILAE Ratio
2005	3,954	13.3%	13.3%	13.3%
2006	10,976	32.0%	31.9%	31.9%
2007	15,510	9.5%	9.5%	9.5%
2008	14,304	24.0%	24.1%	24.1%
2009	14,769	28.7%	31.0%	31.1%
2010	13,327	27.3%	24.8%	24.8%
2011	14,411	22.2%	22.3%	22.4%
2012	18,575	28.2%	25.5%	27.9%
2013	28,659	25.0%	25.6%	45.2%
2014	42,273		23.5%	28.3%
2015	60,803			29.0%

Excess Liability

PY	GWP	2013	2014	2015
		Ultimate ILAE Ratio	Ultimate ILAE Ratio	Ultimate ILAE Ratio
2005	0	-	-	-
2006	48	0.0%	20.8%	20.8%
2007	107	0.0%	18.6%	9.3%
2008	101	19.8%	19.8%	19.8%
2009	67	29.9%	29.8%	29.8%
2010	62	48.4%	32.3%	32.3%
2011	69	57.8%	43.4%	43.4%
2012	70	56.9%	57.3%	43.2%
2013	91	60.0%	54.9%	55.1%
2014	93		40.0%	64.3%
2015	108			57.0%

Total
Casualty

PY	GWP	2013	2014	2015
		Ultimate ILAE Ratio	Ultimate ILAE Ratio	Ultimate ILAE Ratio
2005	1,274	101.7%	98.6%	95.2%
2006	2,049	118.2%	114.0%	109.5%
2007	2,476	29.5%	28.4%	27.2%
2008	2,109	55.8%	51.3%	50.4%
2009	2,006	55.1%	52.8%	48.3%
2010	1,844	74.3%	101.3%	89.8%
2011	1,906	69.7%	61.9%	56.0%
2012	2,142	64.8%	65.3%	58.2%
2013	3,658	73.7%	70.2%	67.8%
2014	4,460		66.4%	64.2%
2015	6,548		0.0%	66.8%

Total
Property - ex Cat Load & Reinsurance

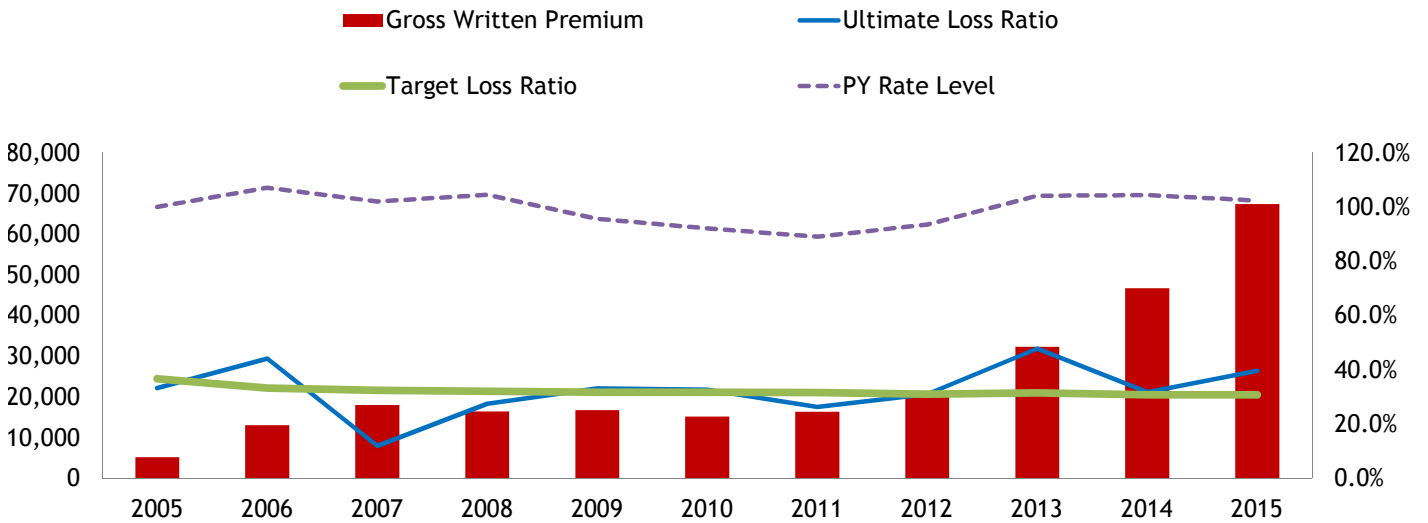
PY	GWP	2013	2014	2015
		Ultimate ILAE Ratio	Ultimate ILAE Ratio	Ultimate ILAE Ratio
2005	3,954	13.3%	13.3%	13.3%
2006	10,976	32.0%	31.9%	31.9%
2007	15,510	9.5%	9.5%	9.5%
2008	14,304	24.0%	24.1%	24.1%
2009	14,769	28.7%	31.0%	31.1%
2010	13,327	27.3%	24.8%	24.8%
2011	14,411	22.2%	22.3%	22.4%
2012	18,575	28.2%	25.5%	27.9%
2013	28,659	25.0%	25.6%	45.2%
2014	42,273	0.0%	23.5%	28.3%
2015	60,803		0.0%	29.0%

All Lines
Combined

PY	GWP	2013	2014	2015
		Ultimate ILAE Ratio	Ultimate ILAE Ratio	Ultimate ILAE Ratio
2005	5,228	34.8%	34.1%	33.2%
2006	13,025	45.5%	44.8%	44.1%
2007	17,986	12.3%	12.1%	11.9%
2008	16,413	28.1%	27.6%	27.5%
2009	16,775	31.9%	33.6%	33.1%
2010	15,171	33.0%	34.1%	32.7%
2011	16,317	27.8%	27.0%	26.3%
2012	20,717	32.0%	29.6%	31.0%
2013	32,318	30.5%	30.7%	47.7%
2014	46,733	0.0%	27.6%	31.7%
2015	67,351		0.0%	32.7%

Total Program Summary

PY	GWP	-----Loss Ratio-----			-----Combined Ratio-----		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	5,228	33.0%	33.2%	36.6%	91.0%	94.4%	122	0.0%	1.00	24.2%
2006	13,025	43.6%	44.1%	33.2%	104.9%	93.9%	-984	7.1%	1.07	24.2%
2007	17,986	11.7%	11.9%	32.4%	73.4%	93.8%	2,552	-4.8%	1.02	24.2%
2008	16,413	27.0%	27.5%	32.1%	89.2%	93.8%	525	2.5%	1.05	24.2%
2009	16,775	32.3%	33.1%	31.7%	95.2%	93.7%	-165	-8.4%	0.96	24.2%
2010	15,171	30.1%	32.7%	31.8%	94.7%	93.7%	-96	-3.7%	0.92	24.2%
2011	16,317	23.6%	26.3%	31.6%	88.4%	93.7%	600	-3.4%	0.89	24.2%
2012	20,717	27.4%	31.0%	31.1%	93.6%	93.6%	6	5.0%	0.93	24.3%
2013	32,318	44.6%	47.7%	31.4%	110.0%	93.7%	-3,655	11.4%	1.04	24.3%
2014	46,733	11.9%	31.7%	30.7%	94.6%	93.6%	-330	0.2%	1.04	24.3%
2015	67,351	0.3%	39.6%	30.8%	102.4%	93.6%	-4,101	-1.9%	1.02	24.3%
Total	268,033	20.0%	34.4%				-5,528			

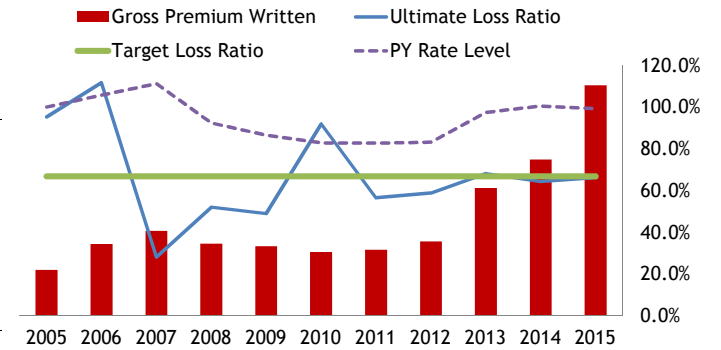


* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load)

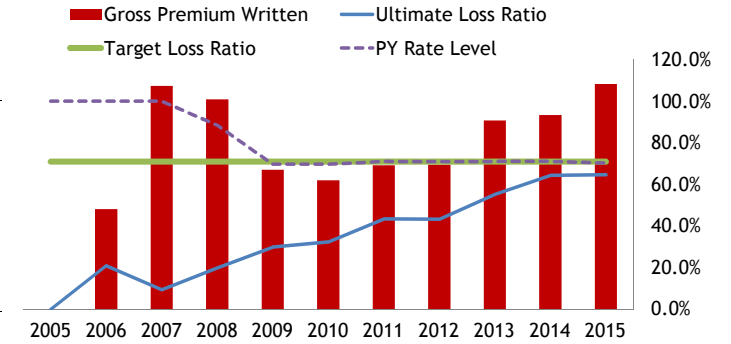
* Ultimate Loss Ratios exclude modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

Program Summary by LOB - Casualty Lines

PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	1,274	94.0%	95.2%	66.8%	127.1%	98.7%	-238	0.0%	1.00	23.8%
2006	2,001	108.7%	111.6%	66.8%	143.5%	98.7%	-591	5.7%	1.06	23.8%
2007	2,368	26.9%	28.0%	66.8%	59.9%	98.7%	604	5.2%	1.11	23.8%
2008	2,008	49.4%	52.0%	66.8%	83.8%	98.7%	196	-17.0%	0.92	23.8%
2009	1,939	43.1%	49.0%	66.8%	80.9%	98.7%	228	-6.3%	0.86	23.8%
2010	1,782	71.1%	91.8%	66.8%	123.7%	98.7%	-294	-4.2%	0.83	23.8%
2011	1,837	33.9%	56.5%	66.8%	88.4%	98.7%	125	-0.3%	0.83	23.8%
2012	2,072	24.3%	58.7%	66.8%	90.6%	98.7%	110	0.6%	0.83	23.8%
2013	3,567	32.6%	68.1%	66.8%	100.0%	98.7%	-31	17.2%	0.97	23.8%
2014	4,367	11.7%	64.2%	66.8%	96.1%	98.7%	75	3.1%	1.00	23.8%
2015	6,440	0.0%	66.0%	66.8%	97.9%	98.7%	31	-1.1%	0.99	23.8%
Total	29,656	33.4%	65.7%				214			



PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	0	0.0%	0.0%	70.9%	27.8%	98.6%	0	0.0%	1.00	20.0%
2006	48	0.0%	20.8%	70.9%	48.6%	98.6%	16	0.0%	1.00	20.0%
2007	107	0.0%	9.3%	70.9%	37.1%	98.6%	44	0.0%	1.00	20.0%
2008	101	0.0%	19.8%	70.9%	47.6%	98.6%	34	-11.5%	0.89	20.0%
2009	67	0.0%	29.8%	70.9%	57.6%	98.6%	18	-21.3%	0.70	20.0%
2010	62	0.0%	32.3%	70.9%	60.0%	98.6%	16	0.0%	0.70	20.0%
2011	69	0.0%	43.4%	70.9%	71.1%	98.6%	13	2.0%	0.71	20.0%
2012	70	0.0%	43.2%	70.9%	70.9%	98.6%	13	-0.1%	0.71	20.0%
2013	91	0.0%	55.1%	70.9%	82.9%	98.6%	9	0.1%	0.71	20.0%
2014	93	0.0%	64.3%	70.9%	92.1%	98.6%	4	0.0%	0.71	20.0%
2015	108	0.0%	64.6%	70.9%	92.4%	98.6%	4	-1.1%	0.70	20.0%
Total	816	0.0%	39.2%				170			

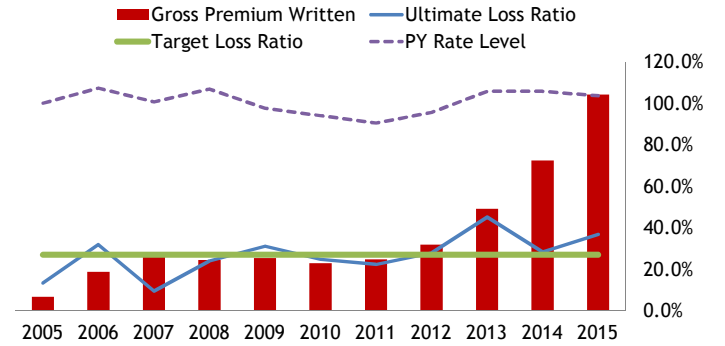


* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load)

* Ultimate Loss Ratios exclude modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

Program Summary by LOB - Property Lines

Property PY	GWP	-----Loss Ratio-----			-----Combined Ratio-----		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	3,954	13.3%	13.3%	26.9%	79.4%	93.1%	376	0.0%	1.00	24.3%
2006	10,976	31.9%	31.9%	26.9%	98.1%	93.1%	-383	7.4%	1.07	24.3%
2007	15,510	9.5%	9.5%	26.9%	75.7%	93.1%	1,886	-6.2%	1.01	24.3%
2008	14,304	24.1%	24.1%	26.9%	90.2%	93.1%	285	6.1%	1.07	24.3%
2009	14,769	31.1%	31.1%	26.9%	97.2%	93.1%	-427	-8.7%	0.98	24.3%
2010	13,327	24.8%	24.8%	26.9%	90.9%	93.1%	198	-3.6%	0.94	24.3%
2011	14,411	22.4%	22.4%	26.9%	88.5%	93.1%	458	-3.8%	0.91	24.3%
2012	18,575	27.9%	27.9%	26.9%	94.0%	93.1%	-125	5.6%	0.96	24.3%
2013	28,659	46.2%	45.2%	26.9%	111.3%	93.1%	-3,657	10.7%	1.06	24.3%
2014	42,273	11.9%	28.3%	26.9%	94.5%	93.1%	-416	0.0%	1.06	24.3%
2015	60,803	0.3%	36.7%	26.9%	102.9%	93.1%	-4,164	-2.0%	1.04	24.3%
Total	237,560	18.4%	30.5%				-5,967			



* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load)

* Ultimate Loss Ratios exclude modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

GL

Rate Need Indications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Target	Target	Before 2015 Rate Change PY 2015 Ultimate ILAE Ratio	Before 2015 Rate Change PY 2015 Rate Need	PY 2015 Rate Achieved	After 2015 Rate Change PY 2015 Ultimate ILAE Ratio	PY 2016 Ultimate ILAE Ratio	PY 2016 Rate Need
RAP Neutral:	98.7%	67.8%	67.3%	-0.7%	-1.1%	68.0%	70.4%	3.7%

Expense Ratio calculated as follows:

Commission:	23.8%
Prem Tax:	0.2%
Other Acquisition Fees:	0.5%
Direct Expense:	3.0%
Indirect Expense:	3.4%
	<u>30.9%</u>

(1) = [1 - (Calculated RAP)]

(2) = [(1) - (Total Expense)]

(3) = (6) x [1 + (5)]

(4) = [(3) + (Direct Expense)] / [(2) + (Direct Expense)] - 1

(5) = Input

(6) = Exhibit 3

(7) = (6) x [1 + (Trend)]

(8) = [(7) + (Direct Expense)] / [(2) + (Direct Expense)] - 1

GL

Indexing - PY 2015 Ultimate Loss & LAE Selection

PY	GWP	Annual PY Rate Chg	Cumulative PY Rate Chg	On-Level GWP	Policy Limits			Capped @ 250k			Capped @ 100k		
					Ultimate ILAE Ratio	3.5% Trend to PY 2015	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	3.3% Trend to PY 2015	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	3.0% Trend to PY 2015	On-Level Ultimate ILAE Ratio
2005	1,274	0.0%	1.000	1,265	95.2%	1.411	135.2%	79.7%	1.377	110.5%	55.8%	1.344	75.6%
2006	2,001	5.7%	1.057	1,880	111.6%	1.363	162.0%	87.4%	1.334	124.2%	59.8%	1.305	83.1%
2007	2,368	5.2%	1.112	2,115	28.0%	1.317	41.3%	27.6%	1.292	39.9%	26.8%	1.267	38.0%
2008	2,008	-17.0%	0.923	2,161	52.0%	1.272	61.4%	51.5%	1.251	59.8%	46.0%	1.230	52.5%
2009	1,939	-6.3%	0.865	2,226	49.0%	1.229	52.4%	47.4%	1.212	50.0%	45.3%	1.194	47.2%
2010	1,782	-4.2%	0.828	2,136	91.8%	1.188	91.0%	86.2%	1.173	84.4%	68.8%	1.159	66.5%
2011	1,837	-0.3%	0.826	2,208	56.5%	1.148	53.9%	47.7%	1.136	45.1%	43.3%	1.126	40.6%
2012	2,072	0.6%	0.831	2,476	58.7%	1.109	54.5%	48.9%	1.101	45.1%	41.6%	1.093	38.1%
2013	3,567	17.2%	0.974	3,636	68.1%	1.071	71.6%	60.1%	1.066	62.9%	49.9%	1.061	52.0%
2014	4,367	3.1%	1.004	4,319	64.2%	1.035	67.2%	57.0%	1.033	59.5%	45.0%	1.030	46.8%
2015	6,440	-1.1%	0.993	6,440	66.0%	1.000	66.0%	55.6%	1.000	55.6%	45.2%	1.000	45.2%
		0.0%	0.993										
			All Yr Wtd excl 2015:				74.1%			64.5%			51.9%
			Last 7 Wtd excl 2015:				65.1%			58.3%			48.8%
			Last 5 Wtd excl 2015:				67.6%			59.4%			48.5%
			Last 3 Wtd excl 2015:				65.7%			57.3%			46.5%
			Selected Ultimate:				67.0%			58.0%			46.0%
			ILF:				1.00			1.26			1.56
			Policy Limits Ultimate:				67.0%			72.8%			71.9%
							Weight: 39%			Weight: 30%			Weight: 30%

* Averages exclude PY 2015

Frequency/Severity Indication:	66.0%
Weighted Average:	70.3%
PY 2015 Selected:	67.0%
Adjustment:	0.0%
PY 2015:	67.0%
ULE:	1.0%
Claims Fees:	0.0%
PY 2015 Ultimate ILAE Ratio:	68.0%

GL

Large Losses - Incurred + Legal > 100k

PY	DSP	Policy #	Case #	DOL	Insured	Ind Paid	Ind OS	Legal	I+Legal	Acc State	Description
2005	2-0-77	332835	3141	1/23/2005	Wyndmoor AT The HI	375	-	10	385	New Jersey	Claimant Slipped And Fell ON ICE
2005	2-0-77	8995847	5130	2/21/2006	1900 Boardwalk Con	175	-	131	306	New Jersey	Water Damage
2006	2-0-77	9272116	8635	8/23/2006	Magnolia's Resort	250	-	462	712	Delaware	Clmt Alleges Multiple Construction
2006	2-0-77	6437761	6658	9/1/2006	Longport Seaview C	105	-	114	220	New Jersey	Clmt Alleges Water Damage To Con
2006	2-0-77	354104	8475	2/5/2007	Fountains Condomin	75	-	136	210	New Jersey	Fire With Injuries
2006	2-0-77	298732	9974	2/19/2007	Shore Gate Village	175	-	18	193	New Jersey	Slip And Fall ON ICE In Parking LOT
2006	2-0-77	2825696	1492	12/16/2006	Docksider ON Barne	15	-	149	164	New Jersey	Alleged Damages
2007	2-0-77	2825696	3130	8/30/2008	Docksider ON Barne	107	-	14	121	New Jersey	Slip Fall
2008	2-0-77	332835	8908	12/24/2008	Wyndmoor AT The HI	143	-	14	157	New Jersey	Slipped ON ICE And Fell
2008	2-0-77	9272242	3241	1/10/2009	Shore Club Condomi	115	-	22	137	New Jersey	Clmt Fell Oninsd Premises
2009	2-0-77	7322932	2608	7/16/2010	Ocean Cove Condomi	90	-	26	116	New Jersey	Claimant Tripped And Fell ON Prop
2009	2-0-77	3321631	9226	7/14/2009	Ocean 17 Condomini	102	-	2	104	Pennsylvania	Clmt Fell While Going Down The Str
2010	2-0-77	2851111	4107	4/20/2010	Scarborough Villag	185	-	60	245	Delaware	Clmt WAS Injured While AT Insd Loc
2010	2-0-77	7248877	5911	12/28/2010	Island House Condm	130	-	21	151	New Jersey	Slip And Fall In Common Area
2010	2-0-77	6436997	7523	12/29/2010	Beach Plaza Condom	95	-	15	110	New Jersey	Alleged Slip And Fall With Unknowr
2013	2-0-77	3234688	8767	3/4/2014	Krystal Beach Cond	-	175	0	175	New Jersey	Alleged Slip And Fall.
2013	2-0-77	1739641	5303	1/7/2014	4139 Management IN	-	150	2	152	Florida	Claimant Slipped And Fell ON Insur

Property

Rate Need Indications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Target	Target	Before 2015 Rate Change PY 2015 Ultimate ILAE Ratio	Before 2015 Rate Change PY 2015 Rate Need	PY 2015 Rate Achieved	After 2015 Rate Change PY 2015 Ultimate ILAE Ratio	PY 2016 Ultimate ILAE Ratio	PY 2016 Rate Need
RAP Neutral:	93.1%	61.7%	62.5%	1.3%	-2.0%	63.8%	63.8%	3.2%

Percentile: 100.0%

Expense Ratio calculated as follows:

Commission:	24.3%
Prem Tax:	0.2%
Other Acquisition Fees:	0.5%
Reinsurance:	0.0%
Direct Expense:	2.9%
Indirect Expense:	3.4%
	<u>31.3%</u>

(1) = [1 - (Calculated RAP)]

(2) = [(1) - (Total Expense)]

(3) = (6) x [1 + (5)]

(4) = [(3) + (Direct Expense)] / [(2) + (Direct Expense)] - 1

(5) = Input

(6) = Exhibit 3

(7) = (6) x [1 + (Trend)]

(8) = [(7) + (Direct Expense)] / [(2) + (Direct Expense)] - 1

Property

Indexing - PY 2015 Ultimate Loss & LAE Selection

PY	GWP	Annual PY Rate Chg	Cumulative PY Rate Chg	On-Level GWP	Policy Limits			Capped @ 1M			Capped @ 250k			Capped @ 100k		
					Ultimate ILAE Ratio	0.0% Trend to PY 2015	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	0.0% Trend to PY Rate Chg	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	0.0% Trend to PY 2015	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	0.0% Trend to PY 2015	On-Level Ultimate ILAE Ratio
2005	3,954	0.0%	1.000	4,089	13.3%	1.000	12.9%	13.3%	1.000	12.9%	13.3%	1.000	12.9%	10.8%	1.000	10.4%
2006	10,976	7.4%	1.074	10,570	31.9%	1.000	33.1%	18.6%	1.000	19.3%	11.8%	1.000	12.2%	9.3%	1.000	9.6%
2007	15,510	-6.2%	1.007	15,921	9.5%	1.000	9.3%	9.5%	1.000	9.3%	9.0%	1.000	8.8%	7.6%	1.000	7.4%
2008	14,304	6.1%	1.069	13,835	24.1%	1.000	24.9%	24.1%	1.000	24.9%	20.9%	1.000	21.6%	16.9%	1.000	17.5%
2009	14,769	-8.7%	0.976	15,639	31.1%	1.000	29.3%	31.1%	1.000	29.3%	23.7%	1.000	22.4%	18.1%	1.000	17.1%
2010	13,327	-3.6%	0.941	14,644	24.8%	1.000	22.6%	24.8%	1.000	22.6%	20.7%	1.000	18.9%	17.0%	1.000	15.5%
2011	14,411	-3.8%	0.905	16,458	22.4%	1.000	19.6%	21.5%	1.000	18.8%	14.8%	1.000	13.0%	12.0%	1.000	10.5%
2012	18,575	5.6%	0.956	20,098	27.9%	1.000	25.8%	25.7%	1.000	23.8%	21.1%	1.000	19.5%	15.8%	1.000	14.6%
2013	28,659	10.7%	1.058	28,004	45.2%	1.000	46.2%	32.9%	1.000	33.7%	26.3%	1.000	26.9%	19.8%	1.000	20.2%
2014	42,273	-0.3%	1.055	41,428	28.3%	1.000	28.9%	26.3%	1.000	26.9%	20.3%	1.000	20.7%	15.6%	1.000	15.9%
2015	60,803	-2.0%	1.034	60,803	36.7%	1.000	36.7%	26.7%	1.000	26.7%	20.1%	1.000	20.1%	15.4%	1.000	15.4%
		0.0%	1.034													
			All Yr Wtd excl 2015:				27.8%			24.3%			19.2%			14.9%
			Last 7 Wtd excl 2015:				29.8%			26.5%			20.9%			16.2%
			Last 5 Wtd excl 2015:				30.4%			26.3%			20.7%			15.9%
			Last 3 Wtd excl 2015:				33.6%			28.3%			22.4%			17.0%
			Selected Ultimate:				31.0%			26.0%			21.0%			16.0%
			ILF:				1.00			1.11			1.41			1.82
			Policy Limits Ultimate:				31.0%			28.9%			29.6%			29.1%
			Weight:				86%			5%			5%			5%

* Averages exclude PY 2015

Frequency/Severity Indication:	28.1%
Weighted Average:	30.7%
PY 2015 Selected:	29.0%
Adjustment:	0.0%
PY 2015:	29.0%
All Year Avg Empirical Cat Load:	5.3%
Program Specific AAL Cat Load:	31.2%
Selected Cat Load:	31.2%
Corporate Cat Charge:	0.0%
XOL Loss Cost:	2.6%
Indicated XOL Cost:	0.0%
ULE:	1.0%
Claims Fees:	0.0%
PY 2015 Ultimate ILAE Ratio Including AAL Cat Load and Cost of Reinsurance:	63.8%

Excess Liability

Rate Need Indications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Target	Target	Before 2015 Rate Change PY 2015 Ultimate ILAE Ratio	Before 2015 Rate Change PY 2015 Rate Need	PY 2015 Rate Achieved	After 2015 Rate Change PY 2015 Ultimate ILAE Ratio	PY 2016 Ultimate ILAE Ratio	PY 2016 Rate Need
RAP Neutral:	98.6%	71.9%	67.4%	-5.9%	-1.1%	68.2%	71.6%	-0.3%

Expense Ratio calculated as follows:

Commission:	20.0%
Prem Tax:	0.2%
Other Acquisition Fees:	0.5%
Direct Expense:	3.0%
Indirect Expense:	3.0%
	<u>26.8%</u>

(1) = [1 - (Calculated RAP)]

(2) = [(1) - (Total Expense)]

(3) = (6) x [1 + (5)]

(4) = [(3) + (Direct Expense)] / [(2) + (Direct Expense)] - 1

(5) = Input

(6) = Exhibit 3

(7) = (6) x [1 + (Trend)]

(8) = [(7) + (Direct Expense)] / [(2) + (Direct Expense)] - 1

Excess Liability

Indexing - PY 2015 Ultimate Loss & LAE Selection

PY	GWP	Annual PY Rate Chg	Cumulative PY Rate Chg	On-Level GWP	Capped @ \$10M			Capped @ 2M			Capped @ 1M		
					Ultimate ILAE Ratio	5.0% Trend to PY 2015	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	4.5% Trend to PY 2015	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	4.0% Trend to PY 2015	On-Level Ultimate ILAE Ratio
2005	0	0.0%	1.000	-	-	1.629	-	-	1.553	-	-	1.480	-
2006	48	0.0%	1.000	34	20.8%	1.551	46.0%	20.8%	1.486	44.0%	20.8%	1.423	42.2%
2007	107	0.0%	1.000	75	9.3%	1.477	19.6%	9.3%	1.422	18.9%	9.3%	1.369	18.1%
2008	101	-11.5%	0.885	80	19.8%	1.407	35.1%	9.9%	1.361	17.0%	9.9%	1.316	16.4%
2009	67	-21.3%	0.696	68	29.8%	1.340	39.6%	14.9%	1.302	19.2%	14.9%	1.265	18.7%
2010	62	0.0%	0.696	62	32.3%	1.276	40.9%	16.1%	1.246	20.0%	16.1%	1.217	19.5%
2011	69	2.0%	0.710	68	43.4%	1.216	53.3%	28.9%	1.193	34.9%	14.5%	1.170	17.1%
2012	70	-0.1%	0.710	69	43.2%	1.158	50.5%	28.8%	1.141	33.2%	14.4%	1.125	16.4%
2013	91	0.1%	0.710	90	55.1%	1.103	61.5%	33.1%	1.092	36.5%	22.0%	1.082	24.1%
2014	93	0.0%	0.710	92	64.3%	1.050	68.3%	32.1%	1.045	34.0%	21.4%	1.040	22.5%
2015	108	-1.1%	0.702	108	64.6%	1.000	64.6%	36.9%	1.000	36.9%	27.7%	1.000	27.7%
		0.0%	0.702										
			All Yr Wtd excl 2015:				47.0%			28.0%			20.6%
			Last 7 Wtd excl 2015:				51.0%			28.3%			19.5%
			Last 5 Wtd excl 2015:				56.3%			32.3%			20.3%
			Last 3 Wtd excl 2015:				61.0%			34.7%			21.4%
			Selected Ultimate:				57.0%			33.0%			21.0%
			ILF:				1.00			1.70			2.58
			Capped @ \$10M Ultimate:				57.0%			56.2%			54.1%

* Averages exclude PY 2015

Weight: 1%

Frequency/Severity Indication: 49%

Weighted Average: 70.0%

PY 2015 Selected - Capped @ \$10M: 55.2%

Adjustment: 57.0%

Adjustment: 0.0%

PY 2015 - Capped @ \$10M: 57.0%

ILF: 1.000

Catastrophe/Latency Load: 5.0%

ULE: 1.0%

PY 2015 Ultimate ILAE Ratio: 63.0%

Credibility: 1%

Complement of Credibility: 68.3%

Credibility Weighted PY 2015 Ultimate ILAE Ratio: 68.2%

Compliment of Credibility

Loss Ratio for total excess book relative to breakeven for total excess book