# Memorandum

- From: <u>Div 66 Actuarial</u> 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 <u>-3.3%</u> in total, varying by LOB.

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

### B. Summary of Results

IL and LAE evaluated as of: <u>1<sup>st</sup> Quarter 2015</u> Currency Employed: <u>USD</u>

### Exhibit 1:

			2015	Projected		RAP		
		F	Forecasted	Ultimate		Breakeven		
Line of	Sub-	Policy	GWP	IL and LAE	Combined	Target	RAP Rate	Projected
Business	Segment	Year	(000)	Ratio*	Ratio*	Combined Ratio	Need	RAP \$ **
GL	N/A	2015	6,440	68.0%	<b>98.9</b> %	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. <b>9</b> %	(891)

\* Includes PY 2015 rate change achieved

\*\* Assumes a tax rate of 35%

II. <u>Discussion of Material Findings-</u> 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. <u>Assumptions</u> 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. <u>Limitations/Weakness</u> 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, ILF's, 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. <u>Data Quality</u> 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

<u>Exhibit 8</u> - 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

<u>Exhibit 9</u> - 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.

<u>Exhibit 10</u> - 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

				RAP Neutral			
(1)	(2)		(3)	(4)	(5)	(6)	(7)
			Before 2015				After 2015
			Rate Change		Before 2015		Rate Change
	PY 2015		PY 2015		Rate Change	PY 2015	PY 2015
	Forecasted		Ultimate	Target	PY 2015	Rate	Ultimate
LOB	GWP	Direct	ILAE Ratio	Ratio	Rate Need	Achieved	ILAE Ratio
GL	6,440	3.0%	67.3%	67.8%	-0.7%	-1.1%	68.0%
_			( <b>a a</b> )				
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%
Excess Liability	100	3.0%	07.4/0	/1.9/0	-3.9%	-1.1/0	00.2/0
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

				RAP Neutral	
(1)	(2)		(3)	(4)	(5)
			After 2015		
			Rate Change		After 2015
	PY 2015		PY 2016		Rate Change
	Forecasted		Ultimate	Target	PY 2016
LOB	GWP	Direct	ILAE Ratio	Ratio	Rate Need
GL	6,440	3.0%	70.4%	67.8%	3.7%
Property	60,803	2.9%	63.8%	61.7%	3.2%
Excess Liability	108	3.0%	71.6%	71.9%	-0.3%
Total Casualty	6,548	3.0%	70.4%	67.8%	3.6%
Total Property	60,803	2.9%	63.8%	61.7%	3.2%
All Lines Combined	67,351	2.9%	64.4%	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

Summary	3
,	

				Selected					Selected					Selected	
		Reported	Reported	Ultimate	Ultimate		Reported	Reported	Ultimate	Ultimate		Reported	Reported	Ultimate	Ultimate
PY	GWP	ILAE	ILAE Ratio	ILAE	ILAE Ratio	GWP	ILAE	ILAE Ratio	ILAE	ILAE Ratio	GWP	ILAE	ILAE Ratio	ILAE	ILAE Ratio
2005	1,274	1,197	94.0%	1,212	95.2%	3,954	526	13.3%	525	13.3%	0	0	-	0	-
2006	2,001	2,175	108.7%	2,234	111.6%	10,976	3,503	31.9%	3,503	31.9%	48	0	0.0%	10	20.8%
2007	2,368	637	26.9%	664	28.0%	15,510	1,474	9.5%	1,474	9.5%	107	0	0.0%	10	9.3%
2008	2,008	991	49.4%	1,043	52.0%	14,304	3,443	24.1%	3,442	24.1%	101	0	0.0%	20	19.8%
2009	1,939	836	43.1%	949	49.0%	14,769	4,586	31.1%	4,586	31.1%	67	0	0.0%	20	29.8%
2010	1,782	1,267	71.1%	1,636	91.8%	13,327	3,303	24.8%	3,303	24.8%	62	0	0.0%	20	32.3%
2011	1,837	622	33.9%	1,037	56.5%	14,411	3,228	22.4%	3,223	22.4%	69	0	0.0%	30	43.4%
2012	2,072	504	24.3%	1,216	58.7%	18,575	5,180	27.9%	5,179	27.9%	70	0	0.0%	30	43.2%
2013	3,567	1,163	32.6%	2,430	68.1%	28,659	13,247	46.2%	12,951	45.2%	91	0	0.0%	50	55.1%
2014	4,367	509	11.7%	2,803	64.2%	42,273	5,034	11.9%	11,974	28.3%	93	0	0.0%	60	64.3%
2015	6,440	1	0.0%	4,315	67.0%	60,803	180	0.3%	17,633	29.0%	108	0	0.0%	62	57.0%

GL

#### Property - ex Cat Load & Reinsurance Charges

Excess Liability

Total
Casualty

Total Property - ex Cat Load & Reinsurance

All Lines Combined

				Selected					Selected					Selected	
		Reported	Reported	Ultimate	Ultimate		Reported	Reported	Ultimate	Ultimate		Reported	Reported	Ultimate	Ultimate
PY	GWP	ILAE	ILAE Ratio	ILAE	ILAE Ratio	GWP	ILAE	ILAE Ratio	ILAE	ILAE Ratio	GWP	ILAE	ILAE Ratio	ILAE	ILAE Ratio
2005	1,274	1,197	94.0%	1,212	95.2%	3,954	526	13.3%	525	13.3%	5,228	1,723	33.0%	1,738	33.2%
2006	2,049	2,175	106.1%	2,244	109.5%	10,976	3,503	31.9%	3,503	31.9%	13,025	5,678	43.6%	5,747	44.1%
2007	2,476	637	25.7%	674	27.2%	15,510	1,474	9.5%	1,474	9.5%	17,986	2,111	11.7%	2,148	11.9%
2008	2,109	991	47.0%	1,063	50.4%	14,304	3,443	24.1%	3,442	24.1%	16,413	4,434	27.0%	4,506	27.5%
2009	2,006	836	41.7%	969	48.3%	14,769	4,586	31.1%	4,586	31.1%	16,775	5,423	32.3%	5,556	33.1%
2010	1,844	1,267	68.7%	1,656	89.8%	13,327	3,303	24.8%	3,303	24.8%	15,171	4,570	30.1%	4,960	32.7%
2011	1,906	622	32.6%	1,067	56.0%	14,411	3,228	22.4%	3,223	22.4%	16,317	3,849	23.6%	4,290	26.3%
2012	2,142	504	23.6%	1,246	58.2%	18,575	5,180	27.9%	5,179	27.9%	20,717	5,685	27.4%	6,425	31.0%
2013	3,658	1,163	31.8%	2,480	67.8%	28,659	13,247	46.2%	12,951	45.2%	32,318	14,410	44.6%	15,430	47.7%
2014	4,460	509	11.4%	2,863	64.2%	42,273	5,034	11.9%	11,974	28.3%	46,733	5,543	11.9%	14,837	31.7%
2015	6,557	1	0.0%	4,377	66.8%	60,803	180	0.3%	17,633	29.0%	67,359	181	0.3%	22,009	32.7%
2016															

#### Program Summary by LOB - Prior Profitability Study Indications

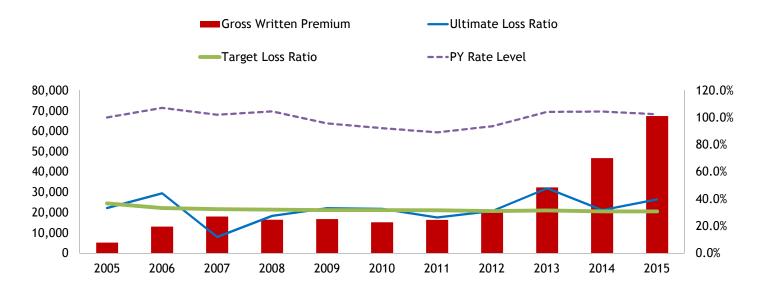
			GL		Property -	ex Cat Load &	Reinsurance Cl	narges	Excess Liability			
		2013	2014	2015		2013	2014	2015		2013	2014	2015
		Ultimate	Ultimate	Ultimate		Ultimate	Ultimate	Ultimate		Ultimate	Ultimate	Ultimate
PY	GWP	ILAE Ratio	ILAE Ratio	ILAE Ratio	GWP	ILAE Ratio	ILAE Ratio	ILAE Ratio	GWP	ILAE Ratio	ILAE Ratio	ILAE Ratio
2005	1,274	101.7%	98.6%	95.2%	3,954	13.3%	13.3%	13.3%	0	-	-	-
2006	2,001	121.0%	116.2%	111.6%	10,976	32.0%	31.9%	31.9%	48	0.0%	20.8%	20.8%
2007	2,368	30.9%	28.8%	28.0%	15,510	9.5%	9.5%	9.5%	107	0.0%	18.6%	9.3%
2008	2,008	57.6%	<b>52.9</b> %	52.0%	14,304	24.0%	24.1%	24.1%	101	19.8%	19.8%	19.8%
2009	1,939	56.0%	53.6%	49.0%	14,769	28.7%	31.0%	31.1%	67	29.9%	29.8%	29.8%
2010	1,782	75.2%	103.7%	91.8%	13,327	27.3%	24.8%	24.8%	62	48.4%	32.3%	32.3%
2011	1,837	70.1%	62.6%	56.5%	14,411	22.2%	22.3%	22.4%	69	57.8%	43.4%	43.4%
2012	2,072	65.0%	65.5%	58.7%	18,575	28.2%	25.5%	27.9%	70	56.9%	57.3%	43.2%
2013	3,567	74.0%	70.6%	68.1%	28,659	25.0%	25.6%	45.2%	91	60.0%	54 <b>.9</b> %	55.1%
2014	4,367		67.0%	64.2%	42,273		23.5%	28.3%	93		40.0%	64.3%
2015	6,440			67.0%	60,803			29.0%	108			57.0%

			Total Casualty		Prop	erty - ex Cat Lo	Total bad & Reinsura	nce		All Lines Combined		
		2013	2014	2015		2013	2014	2015		2013	2014	2015
		Ultimate	Ultimate	Ultimate		Ultimate	Ultimate	Ultimate		Ultimate	Ultimate	Ultimate
PY	GW	P ILAE Ratio	ILAE Ratio	ILAE Ratio	GWP	ILAE Ratio	ILAE Ratio	ILAE Ratio	GWP	ILAE Ratio	ILAE Ratio	ILAE Ratio
2005	1,274	101.7%	98.6%	95.2%	3,954	13.3%	13.3%	13.3%	5,228	34.8%	34.1%	33.2%
2006	2,049	118.2%	114.0%	109.5%	10,976	32.0%	31.9%	31.9%	13,025	45.5%	44.8%	44.1%
2007	2,476	29.5%	28.4%	27.2%	15,510	9.5%	9.5%	9.5%	17,986	12.3%	12.1%	11.9%
2008	2,109	55.8%	51.3%	50.4%	14,304	24.0%	24.1%	24.1%	16,413	28.1%	27.6%	27.5%
2009	2,006	55.1%	52.8%	48.3%	14,769	28.7%	31.0%	31.1%	16,775	31.9%	33.6%	33.1%
2010	1,844	74.3%	101.3%	89.8%	13,327	27.3%	24.8%	24.8%	15,171	33.0%	34.1%	32.7%
2011	1,906	69.7%	61.9%	56.0%	14,411	22.2%	22.3%	22.4%	16,317	27.8%	27.0%	26.3%
2012	2,142	64.8%	65.3%	58.2%	18,575	28.2%	25.5%	27.9%	20,717	32.0%	29.6%	31.0%
2013	3,658	73.7%	70.2%	67.8%	28,659	25.0%	25.6%	45.2%	32,318	30.5%	30.7%	47.7%
2014	4,460		66.4%	64.2%	42,273	0.0%	23.5%	28.3%	46,733	0.0%	27.6%	31.7%
2015	6,548		0.0%	66.8%	60,803		0.0%	29.0%	67,351		0.0%	32.7%

#### Summary 4

#### **Total Program Summary**

			Loss Ratio			Ratio	Normalized			
PY	GWP	Reported	Ultimate	Target *	Ultimate	BECR	RAP Dollars	Rt Chg	Rt Lvl	Commission
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			<u> </u>



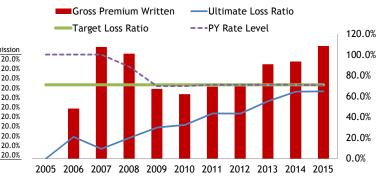
\* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load \* Ultimate Loss Ratios <u>exclude</u> modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

#### Program Summary by LOB - Casualty Lines

1.10

GL										
·		L	oss Ratio		Combined	Ratio	Normalized			
PY	GWP	Reported	Ultimate	Target *	Ultimate	BECR	RAP Dollars	Rt Chg	Rt Lvl	Commission
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			





-	l	oss Ratio		Combined	Ratio	Normalized			
GWP	Reported	Ultimate	Target *	Ultimate	BECR	RAP Dollars	Rt Chg	Rt Lvl	Commiss
0	0.0%	0.0%	70.9%	27.8%	98.6%	0	0.0%	1.00	20
48	0.0%	20.8%	70.9%	48.6%	98.6%	16	0.0%	1.00	20
107	0.0%	9.3%	70.9%	37.1%	98.6%	44	0.0%	1.00	20
101	0.0%	19.8%	70.9%	47.6%	98.6%	34	-11.5%	0.89	20
67	0.0%	29.8%	70.9%	57.6%	98.6%	18	-21.3%	0.70	20
62	0.0%	32.3%	70.9%	60.0%	98.6%	16	0.0%	0.70	20
69	0.0%	43.4%	70.9%	71.1%	98.6%	13	2.0%	0.71	20
70	0.0%	43.2%	70.9%	70.9%	98.6%	13	-0.1%	0.71	20
91	0.0%	55.1%	70.9%	82.9%	98.6%	9	0.1%	0.71	20
93	0.0%	64.3%	70.9%	92.1%	98.6%	4	0.0%	0.71	20
108	0.0%	64.6%	70.9%	92.4%	98.6%	4	-1.1%	0.70	20
816	0.0%	39.2%				170			
-	0 48 107 101 67 62 69 70 91 93 108	GWP         Reported           0         0.0%           48         0.0%           107         0.0%           101         0.0%           62         0.0%           70         0.0%           91         0.0%           93         0.0%           108         0.0%	GWP         Reported         Ultimate           0         0.0%         0.0%           48         0.0%         20.8%           107         0.0%         9.3%           101         0.0%         29.8%           62         0.0%         32.3%           69         0.0%         43.4%           70         0.0%         43.2%           91         0.0%         55.1%           93         0.0%         64.3%           108         0.0%         64.6%	0         0.0%         0.0%         70.9%           48         0.0%         20.8%         70.9%           107         0.0%         9.3%         70.9%           101         0.0%         9.3%         70.9%           67         0.0%         29.8%         70.9%           62         0.0%         32.3%         70.9%           69         0.0%         43.4%         70.9%           70         0.0%         43.2%         70.9%           91         0.0%         55.1%         70.9%           93         0.0%         64.3%         70.9%           108         0.0%         64.6%         70.9%	GWP         Reported         Ultimate         Target *         Ultimate           0         0.0%         0.0%         70.9%         27.8%           48         0.0%         20.8%         70.9%         48.6%           107         0.0%         9.3%         70.9%         37.1%           101         0.0%         19.8%         70.9%         47.6%           67         0.0%         29.8%         70.9%         57.6%           62         0.0%         32.3%         70.9%         60.0%           69         0.0%         43.4%         70.9%         71.1%           70         0.0%         43.2%         70.9%         70.9%           91         0.0%         55.1%         70.9%         82.9%           93         0.0%         64.3%         70.9%         92.1%           108         0.0%         64.6%         70.9%         92.4%	GWP         Reported         Ultimate         Target *         Ultimate         BECR           0         0.0%         0.0%         70.9%         27.8%         98.6%           48         0.0%         20.8%         70.9%         48.6%         98.6%           107         0.0%         9.3%         70.9%         37.1%         98.6%           101         0.0%         19.8%         70.9%         47.6%         98.6%           67         0.0%         29.8%         70.9%         57.6%         98.6%           62         0.0%         32.3%         70.9%         57.6%         98.6%           69         0.0%         43.4%         70.9%         71.1%         98.6%           70         0.0%         43.2%         70.9%         70.9%         98.6%           91         0.0%         55.1%         70.9%         82.9%         98.6%           93         0.0%         64.3%         70.9%         92.1%         98.6%           108         0.0%         64.6%         70.9%         92.4%         98.6%	GWP         Reported         Ultimate         Target *         Ultimate         BECR         RAP Dollars           0         0.0%         0.0%         70.9%         27.8%         98.6%         0           48         0.0%         20.8%         70.9%         37.1%         98.6%         44           107         0.0%         9.3%         70.9%         37.1%         98.6%         44           101         0.0%         19.8%         70.9%         37.1%         98.6%         34           67         0.0%         29.8%         70.9%         57.6%         98.6%         18           62         0.0%         32.3%         70.9%         60.0%         98.6%         16           69         0.0%         43.4%         70.9%         71.1%         98.6%         13           70         0.0%         43.2%         70.9%         70.9%         98.6%         9           91         0.0%         55.1%         70.9%         82.9%         98.6%         4           93         0.0%         64.3%         70.9%         92.4%         98.6%         4	GWP         Reported         Ultimate         Target *         Ultimate         BECR         RAP Dollars         Rt Chg           0         0.0%         0.0%         70.9%         27.8%         98.6%         0         0.0%           48         0.0%         20.8%         70.9%         37.1%         98.6%         16         0.0%           107         0.0%         9.3%         70.9%         37.1%         98.6%         34         -11.5%           67         0.0%         29.8%         70.9%         57.6%         98.6%         18         -21.3%           62         0.0%         32.3%         70.9%         57.6%         98.6%         16         0.0%           69         0.0%         43.2%         70.9%         71.1%         98.6%         13         -0.1%           91         0.0%         43.2%         70.9%         70.9%         98.6%         9         0.1%           93         0.0%         64.3%         70.9%         92.4%         98.6%         4         -0.1%           108         0.0%         64.6%         70.9%         92.4%         98.6%         4         -1.1%	GWP         Reported         Ultimate         Target *         Ultimate         BECR         RAP Dollars         Rt Chg         Rt Lvl           0         0.0%         0.0%         70.9%         27.8%         98.6%         0         0.0%         1.00           48         0.0%         20.8%         70.9%         48.6%         98.6%         16         0.0%         1.00           107         0.0%         9.3%         70.9%         47.6%         98.6%         44         0.0%         1.00           101         0.0%         19.8%         70.9%         47.6%         98.6%         34         -11.5%         0.89           67         0.0%         29.8%         70.9%         57.6%         98.6%         16         0.0%         0.70           62         0.0%         32.3%         70.9%         60.0%         98.6%         16         0.0%         0.70           69         0.0%         43.4%         70.9%         70.9%         98.6%         13         2.0%         0.71           70         0.0%         55.1%         70.9%         82.9%         98.6%         9         0.1%         0.71           93         0.0%         64.

\* 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

Summary 5b

GWP

3,954

10,976

15,510

14,304

14,769

13,327

14,411

18,575

28,659

42,273

60,803

237,560

#### Program Summary by LOB - Property Lines

Property

ΡY

2005

2006

2007

2008

2009

2010

2011

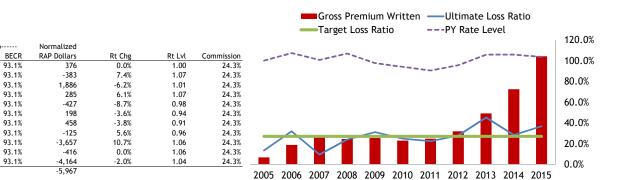
2012

2013

2014

2015

Total



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

-----Loss Ratio-----

Ultimate

13.3%

31.9%

24.1%

31.1%

24.8%

22.4%

27.9%

45.2%

28.3%

36.7%

30.5%

9.5%

Reported

13.3%

31.9%

9.5%

24.1%

31.1%

24.8%

22.4%

27.9%

46.2%

11.9%

0.3%

18.4%

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

-----Combined Ratio-----

Ultimate

79.4%

98.1%

75.7%

90.2%

97.2%

90.9%

88.5%

94.0%

111.3%

94.5%

102.9%

Target \*

26.9%

26.9%

26.9%

26.9%

26.9%

26.9%

26.9%

26.9%

26.9%

26.9%

26.9%

## GL

### Rate Need Indications

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

Expense Ratio calculated as follo	ows:
Commission:	23.8%
Prem Tax:	0.2%
Other Acquisition Fees:	0.5%
Direct Expense:	3.0%
Indirect Expense:	3.4%
	30.9%

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

- (2) = [(1) (Total Expense)]
- $(3) = (6) \times [1 + (5)]$
- (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

### Reported Incurred Loss & LAE Ratios

PY	GWP	3	15	27	39	51	63	75	87	99	111	123	@ 2015/1
2005	1,274	0.8%	15.5%	51.2%	58.1%	76.0%	91.4%	<b>94.1</b> %	94.0%	94.0%	94.0%	94.0%	94.0%
2006	2,001	0.1%	8.1%	24.8%	49.2%	57.6%	72.8%	88.5%	108.1%	108.6%	108.7%		108.7%
2007	2,368	0.0%	5.6%	17.0%	23.3%	25.4%	27.2%	26.8%	26.8%	26.9%			<b>26.9</b> %
2008	2,008	0.0%	12.8%	33.6%	38.3%	43.1%	44.8%	46.4%	49.4%				49.4%
2009	1,939	0.7%	15 <b>.9</b> %	31.0%	31.6%	40.3%	43.1%	43.1%					43.1%
2010	1,782	0.1%	11.7%	41.4%	<b>56.9</b> %	68.5%	71.1%						71.1%
2011	1,837	1.0%	15.1%	22.8%	28.3%	<b>33.9</b> %							33.9%
2012	2,072	0.0%	7.1%	1 <b>9.9</b> %	24.3%								24.3%
2013	3,567	0.0%	6.3%	32.6%									32.6%
2014	4,367	0.3%	11.7%										11.7%
2015	6,440	0.0%											0.0%

# Reported Paid Loss & LAE Ratios

PY	GWP	3	15	27	39	51	63	75	87	99	111	123	@ 2015/1
2005	1,274	0.5%	<b>3.9</b> %	45.8%	54.2%	<b>65.9</b> %	91.4%	93.5%	94.0%	94.0%	94.0%	94.0%	94.0%
2006	2,001	0.1%	5.6%	14.7%	22.3%	41.7%	56.2%	53.3%	108.1%	108.6%	108.7%		108.7%
2007	2,368	0.0%	<b>2.9</b> %	11.6%	15.6%	24.0%	26.8%	26.8%	26.8%	<b>26.9</b> %			<b>26.9</b> %
2008	2,008	0.0%	4.7%	17.8%	32.7%	36.3%	44.2%	46.4%	47.6%				47.6%
2009	1,939	0.0%	<b>5.8</b> %	14 <b>.9</b> %	27.4%	34.1%	43.1%	43.1%					43.1%
2010	1,782	0.0%	3.9%	14.1%	23.6%	<b>65.9</b> %	70.8%						70.8%
2011	1,837	0.1%	<b>9.8</b> %	<b>19.1</b> %	25.4%	29.6%							29.6%
2012	2,072	0.0%	4.7%	14.6%	21.0%								21.0%
2013	3,567	0.0%	3.4%	<b>16.9</b> %									16.9%
2014	4,367	0.0%	5.5%										5.5%
2015	6,440	0.0%											0.0%

#### GL

#### Indexing - PY 2015 Ultimate Loss & LAE Selection

					Policy Limits			C	Capped @ 250k			Capped @ 100k		
						3.5%	On-Level			3.3%	On-Level		3.0%	On-Level
		Annual PY	Cumulative	On-Level	Ultimate	Trend to	Ultimate		Ultimate	Trend to	Ultimate	Ultimate	Trend to	Ultimate
PY	GWP	Rate Chg	PY Rate Chg	GWP	ILAE Ratio	PY 2015	ILAE Ratio		ILAE Ratio	PY 2015	ILAE Ratio	ILAE Ratio	PY 2015	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 e	xcl 2015:			74.1%				64.5%			51.9%
			Last 7 Wtd e	xcl 2015:			65.1%				58.3%			48.8%
			Last 5 Wtd e	xcl 2015:			67.6%				59.4%			48.5%
			Last 3 Wtd e	xcl 2015:			65.7%				57.3%			46.5%
			Selected I	Jltimate:		I	67.0%			Г	58.0%		Г	46.0%
				ILF:		L	1.00			L	1.26		L	1.56
			Policy Limits l				67.0%				72.8%			71.9%
					Weight:		39%				30%			30%
* Averages	exclude PY 2	015										equency/Severity Ir	dication:	66.0%
												Weighted		70.3%
												-	Selected:	67.0%
														0.00
												Adj	justment:	0.0%
													PY 2015:	67.0%
													ULE:	1.0%
												Cla	ims Fees:	0.0%
												PY 2015 Ultimate IL	AF Ratio	68.0%

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+Le	.egal A	Acc State	Description
2005	2-0-77	332835	3141	1/23/2005	Wyndmoor AT The HI	375	-	10 3	385 N	ew Jersey	Claimant Slipped And Fell ON ICE
2005	2-0-77	8995847	5130	2/21/2006	1900 Boardwalk Con	175	-	131	306 N	ew 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 2	220 N	ew Jersey	Clmt Alleges Water Damage To Con
2006	2-0-77	354104	8475	2/5/2007	Fountains Condomin	75	-	136 2	210 N	ew Jersey	Fire With Injuries
2006	2-0-77	298732	9974	2/19/2007	Shore Gate Village	175	-	18 <sup>-</sup>	193 N	ew Jersey	Slip And Fall ON ICE In Parking LOT
2006	2-0-77	2825696	1492	12/16/2006	Docksider ON Barne	15	-	149 <sup>·</sup>	164 N	ew Jersey	Alleged Damages
2007	2-0-77	2825696	3130	8/30/2008	Docksider ON Barne	107	-	14 <sup>·</sup>	121 N	ew Jersey	Slip Fall
2008	2-0-77	332835	8908	12/24/2008	Wyndmoor AT The HI	143	-	14 <sup>·</sup>	157 N	ew Jersey	Slipped ON ICE And Fell
2008	2-0-77	9272242	3241	1/10/2009	Shore Club Condomi	115	-	22	137 N	ew Jersey	Clmt Fell Oninsd Premises
2009	2-0-77	7322932	2608	7/16/2010	Ocean Cove Condomi	90	-	26	116 N	ew Jersey	Claimant Tripped And Fell ON Prop
2009	2-0-77	3321631	9226	7/14/2009	Ocean 17 Condomini	102	-	2	104 Pe	ennsylvania	Clmt Fell While Going Down The St
2010	2-0-77	2851111	4107	4/20/2010	Scarborough Villag	185	-	60 2	245 I	Delaware	Clmt WAS Injured While AT Insd Log
2010	2-0-77	7248877	5911	12/28/2010	Island House Condm	130	-	21 <sup>·</sup>	151 N	ew Jersey	Slip And Fall In Common Area
2010	2-0-77	6436997	7523	12/29/2010	Beach Plaza Condom	95	-	15 <sup>-</sup>	110 N	ew Jersey	Alleged Slip And Fall With Unknowr
2013	2-0-77	3234688	8767	3/4/2014	Krystal Beach Cond	-	175	0	175 N	ew 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 Insure

### Property

### Rate Need Indications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Before 2015			After 2015		
			Rate Change	Before 2015		Rate Change		
	Target		PY 2015	Rate Change	PY 2015	PY 2015	PY 2016	
	Combined	Target	Ultimate	PY 2015	Rate	Ultimate	Ultimate	PY 2016
	Ratio	ILAE Ratio	ILAE Ratio	Rate Need	Achieved	ILAE Ratio	ILAE Ratio	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:	<b>2.9</b> %
Indirect Expense:	3.4%
	31.3%

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

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

- $(3) = (6) \times [1 + (5)]$
- (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

### Reported Incurred Loss & LAE Ratios

PY	GWP	3	15	27	39	51	63	75	87	99	111	123	@ 2015/1
2005	3,954	1.4%	9.5%	14.2%	13.2%	13.2%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%
2006	10,976	0.0%	<b>6.9</b> %	32.2%	31.9%	32.0%	31.9%	31.9%	31.9%	31.9%	31.9%		31.9%
2007	15,510	1.5%	5.7%	8.9%	9.3%	9.0%	9.1%	9.5%	9.5%	9.5%			9.5%
2008	14,304	0.0%	14.5%	24.4%	24.2%	24.3%	24.1%	24.1%	24.1%				24.1%
2009	14,769	0.0%	13.2%	33.8%	31.1%	28.7%	29.3%	31.1%					31.1%
2010	13,327	0.2%	9.8%	27.7%	27.3%	24.7%	24.8%						24.8%
2011	14,411	0.0%	10.7%	22.7%	22.3%	22.4%							22.4%
2012	18,575	0.2%	16.0%	26.8%	27.9%								<b>27.9</b> %
2013	28,659	0.0%	14.3%	46.2%									46.2%
2014	42,273	0.2%	11.9%										11.9%
2015	60,803	0.3%											0.3%

#### Reported Incurred Loss & LAE Ratios - Including Modeled Cats

PY	GWP	3	15	27	39	51	63	75	87	99	111	123	@ 2015/1
2005	3,954	1.4%	9.5%	14.2%	13.2%	13.2%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%
2006	10,976	0.0%	<b>6.9</b> %	32.2%	31.9%	32.0%	31.9%	31.9%	31.9%	31.9%	31.9%		31.9%
2007	15,510	1.5%	5.7%	8.9%	9.3%	9.0%	9.1%	9.5%	9.5%	9.5%			9.5%
2008	14,304	0.0%	14.5%	24.4%	24.2%	24.3%	24.1%	24.1%	24.1%				24.1%
2009	14,769	0.0%	13.2%	33.8%	31.1%	28.7%	29.3%	31.1%					31.1%
2010	13,327	0.2%	9.8%	28.0%	27.6%	25.0%	25.1%						25.1%
2011	14,411	0.0%	12.6%	28.6%	37.6%	37.6%							37.6%
2012	18,575	0.2%	73.8%	74.8%	84.2%								84.2%
2013	28,659	0.0%	14.3%	46.2%									46.2%
2014	42,273	0.2%	11 <b>.9</b> %										11.9%
2015	60,803	0.3%											0.3%

#### Property

#### Indexing - PY 2015 Ultimate Loss & LAE Selection

					Policy Limits			Capped @ 1M			Capped @ 250k			Capped @ 100k		
						0.0%	On-Level		0.0%	On-Level		0.0%	On-Level		0.0%	On-Leve
		Annual PY	Cumulative	On-Level	Ultimate	Trend to	Ultimate	Ultimate	Trend to	Ultimate	Ultimate	Trend to	Ultimate	Ultimate	Trend to	Ultimat
PY	GWP	Rate Chg	PY Rate Chg	GWP	ILAE Ratio	PY 2015	ILAE Ratio	ILAE Ratio	PY Rate Chg	ILAE Ratio	ILAE Ratio	PY 2015	ILAE Ratio	ILAE Ratio	PY 2015	ILAE Rati
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 e				27.8%			24.3%			19.2%			14.99
			Last 7 Wtd e				29.8%			26.5%			20.9%			16.2
			Last 5 Wtd e				30.4%			26.3%			20.7%			15.9
			Last 3 Wtd e	xcl 2015:			33.6%			28.3%			22.4%			17.0
			Selected I	Ultimate:		Г	31.0%		Г	26.0%		Γ	21.0%		Γ	16.0
				ILF:		<u> </u>	1.00		_	1.11		Ŀ	1.41		Ŀ	1.82
			Policy Limits l	Jltimate:			31.0%			28.9%			29.6%			29.19
					Weight:		86%			5%	-		5%			5%
Averages exclu	ide PY 2015												Fr	equency/Severity Ir	ndication:	28.19
														Weighted	Average:	30.7%
														PY 2015	Selected:	29.0
														Adj	justment:	0.0
															PY 2015:	29.0
													A11 -	Yoar Avg Empirical	Catland	5 3

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%

Property

#### Large Losses - Incurred + Legal > 100k

PY 2005	DSP 2-0-77	Cat #	Policy # 295707	Case # 3518	DOL 10/25/2005	Insured Ocean Plaza Condom	Ind Paid 190	Ind OS	Legal 10	I+Legal 200	Acc State New Jersey	Description Wind HAS Blown OFF Part Of Roof
2006	2-0-77		354104	8474	2/5/2007	Fountains Condomin	2,418		41	2,459	New Jersey	Fire With Injuries
2006	2-0-77		9270771	8477	2/5/2007	Playa Rana LLC Dba	125		47	172	Virginia	Property Manager Checking ON Unso
2006	2-0-77		459961	3184		Santa Barbara Cond	135		8	144	New Jersey	Large Chunks Of Building Material Bl
2006	2-0-77		8994268	8830	2/12/2007	Mayfair Beach Cond	83		30	113	Maryland	Pipe Burst
2007	2-0-77		5453857	9593	8/17/2007	Port Lewes Associa	313		10	323	Delaware	Lightning HIT Unit 91 And 92 Fire Dri
2007	2-0-77		6437407	924	2/15/2008	Waldorf Condominiu	124		36	160	New Jersey	Major Pipe Burst SIX Units Under Wa
2007	2-0-77		6263319	1310	2/17/2008	Inchiquin Condomin	101		9	110	Rhode Island	Water Damage Frozen Burst Pipes
2008	2-0-77		5849616	8716	12/22/2008	Harbor Lights Cond	499		16	515	Maryland	Broken Pipe Flooded Unit
2008	2-0-77		9271587	9998	1/18/2008	Harbour Towne Cond	499		9	436	Maryland	Sprinkler Line Broke In Hallway Of U
2008	2-0-77		9657601	8719		Garden Condominium	193		15	208	Maryland	Sprinkler Pipe In Attic Disbursing WA
2008	2-0-77		2825627	2454	3/9/2009	Blue Water Communi	196	-	8	205	New Jersey	Water Damage Caused By Pipe Break
2008 2008	2-0-77 2-0-77		9271609 9274051	9991 6213	1/18/2009 5/18/2009	Jamaica Bay Condom Executive Tower UN	133 110		3 5	136 115	Maryland Virginia	Flex Hose Broke Causing Water Dam Unit 308 HAD A Pipe Break And IT Le
2008	2-0-77		9271292	8637		Lucayan Condominiu	104		4	107	Maryland	Water Damage Started In UNT Thirty
2008	2-0-77		3321192	7861	6/24/2008	Dream Bay Condomin	97	-	8	105	New Jersey	Fire Destroyed ONE Unit With Smoke
2009	2-0-318		9270694			Bass Rocks Ocean I	690		69	759		During High Windstorm Roof Blew Of
2009	2-0-318 2-0-77	9510	9270694 6478172	9699 8444	1/30/2010	Alrose King David	690 504		29	533	New York	Sprinkler Head Blow ON Fourth Floor
2009	2-0-77		7248905	9068	2/14/2010	Tides Condominium	240		152	392	New Jersey	Units Sustained Water Damage From
2009	2-0-318		9270544	4515	5/30/2010	Laplaya Investment	282	-	44	327	Virginia	Power Surge Caused Smoke And Wat
2009 2009	2-0-77 2-0-77		9271292 5848346	7029 7027	1/4/2010 12/30/2009	Lucayan Condominiu Cape Codder Condom	307 171	-	15 8	322 178	Maryland Massachusetts	Three Four Burst ONE WAS A Main Pi
2009	2-0-77		7322932	2644	9/27/2009	Ocean Cove Condomi	27		74	100	New Jersey	Sprinkler Head Released Gallons Of 1 Unit Sustained Fire Doors Damaged E
											,	-
2010	2-0-77		9291259	9722	3/15/2011		565	-	83	647	New Jersey	Fire HAS Extensively Damaged ONE (
2010 2010	2-0-77 2-0-77		9272033 1573777	6684 565	1/15/2011 10/18/2011	Bay Point Condomin Seapointe Village	348 156		44 47	392 203	Virginia New Jersey	Fire Damaging Three Units Sprinkler Head WAS SET OFF By The
2010	2-0-77		352210	6994	1/22/2011	Ocean Village Sout	153		28	181	New Jersey	TWO Alarm Fire Burned TWO Units C
2010	2-0-77		1573777	7228	1/26/2011	Seapointe Village	112		2	114	New Jersey	A Three Inch Water Line To The Dorr
	20.77		077.17-	17.1		VALLE DEL MAR COLLA	000	170	474	1.137	Manual Annual	
2011 2011	2-0-77 2-0-77	9012	9274477 2825785	6214 9904		Villa DEL MAR Cond Beachfront North H	888 515	129 220	121 90	1,137 824	New Jersey New Jersey	Fire Massive Structural Damage Hurricane Sandy - Damage To Insure
2011	2-0-77	2012	2853993	3524	1/4/2012	Woodhill Place Hoa	430	-	27			Fire AT Insured Location
2011	2-0-77	9012	6142747	4746	10/29/2012		290	-	11	301	New Jersey	CAT 90 Insureds Roof WAS Severely [
2011	2-0-77	5911	9389787	7951	8/28/2011	Sunset Bay Condomi	197	-	25	223 205	Pennsylvania	Hurricane Irene Insd Roof Blew OFF
2011 2011	2-0-318 2-0-77	9012	7559781 5453874	4941 2315		Raja Amit, LLC Dba Longport Ocean Pla	176 174		28 3	205	New Jersey New Jersey	CAT 90 Wind Damage To Insured Buil A Cast Iron Pipe WAS Dropped Down
2011	2-0-77	9012	9658442	6065		Hampton Court & MA	115		23	138	New York	Wind Damage To Roof And Siding DU
2011	2-0-77		2825627	8478	5/9/2012	Blue Water Communi	124		7	131	New Jersey	The Supply Line To The Toilet Broke
2012 2012	2-0-77 2-0-77	9012	6437761 9271664	4716 6027		Longport Seaview C Lido Beach Towers	2,276	-	57 102	2,333 1,582	New Jersey	CAT 90 Flood In Electrical Transform
2012	2-0-77	9012	372457	3681		Bradley ON The Bay	1,480	280	35	1,582	New York Maryland	Wind Damage From Storm Fire 2 Alarms ONE Building Fully Eng
2012	2-0-77	9012	9291259	4940		Renaissance Condo	954	157	244	1,354	New Jersey	CAT 90 Wind Damage To Buildings
2012	2-0-77	9012	9270887	4736	10/29/2012	The Deal Ocean Con	780	-	43	823	New Jersey	CAT 90 DUE To Hurricane Sandy The
2012 2012	2-0-77 2-0-77	9012 9012	6437407 7322932	4658 4619	10/29/2012	Waldorf Condominiu Ocean Cove Condomi	600 409	75	57 42	732 451	New Jersey New Jersey	CAT 90 Damage To Property CAT 90 Roof Windows And Equipmen
2012	2-0-77	9012	9271375	4619		Sands Point South	346		20	366	New Jersey	CAT 90 Roof Windows And Equipment
2012	2-0-77		9337166	9014	3/6/2013	Sanderling Condomi	293		23	317	New Jersey	Wind Damage To Roof, Skylights, Hv
2012	2-0-77		6478313	538		Adagio Condominium	258	-	18	276	Maryland	Kitchen Fire SET OFF Sprinkler Syste
2012 2012	2-0-77 2-0-77	9012	352265 1573274	4608 3185		SEA Watch Townhous Holly Bend Condomi	251 249		19 17	270 265	New Jersey Virginia	CAT 90 Wind Flood Fire Damage To Condo.
2012	2-0-77		1739007	4629		Fountain Gate Cond	230	-	17	247	Florida	Fire Loss Damage
2012	2-0-77	9012	9270977	4593		Island View Townho	193	-	30	224	New Jersey	Hurricane Sandy Buildings Roof And !
2012 2012	2-0-318 2-0-77	9012	3321774 7383871	6903 5706		Hastings Joint Ven	194 171	-	4	197 179	Maryland	Pipe Break Resulting In Damage To T
2012	2-0-77	9012	9270789	9007	3/6/2012	Ocean Pointe Condo Amgc Inc T/A Royal	144		17	161	New Jersey New Jersey	Severe Roof Damage DUE To Hurrica The Wind Blew The Roof OFF And Th
2012	2-0-77		6481415	8004		Harbour Club Condo	134	-	13	147	Maryland	Sprinkler Line Froze And Burst Causi
2012	2-0-77		3692859	9268	3/15/2013	Coastal Colors Con	110	-	28	138	New Jersey	ALL Single Family Homes Have Wate
2012 2012	2-0-77 2-0-77	9012 9012	9271833 354084	4663 4671	10/29/2012	White Sands Condo; Beachfront North C	121 27	73	14 30	135 130	New Jersey New Jersey	CAT 90 Wind And Water Damage Full CAT 90 Wind Damage To Roof Siding
2012	2-0-77	9012	6437850	4652		Sand Castle Condom	84	- ''	30	115	New Jersey	CAT 90 A Wall WAS Demolished Winc
2012	2-0-77	9012	5026556	4623	10/29/2012	Beach House Condom	96	4	8	108	New Jersey	CAT 90 Partial Roof Damage
2012	2-0-77	9012	3692539	6465		Shelter Harbor Con	87	0	12	98	New Jersey	Hurricane Sandy - Damage To Insure
2012	2-0-77		9659384	6190	3/14/2012	Quay Condominium A	79	-	11	90	Maryland	Sprinkler Discharged Causing Water
2013	2-0-20	4014	4054699	8195		Tupelo Hotel Inves	4,094		69	4,164	Mississippi	The Insured S Premises WAS Severel
2013	2-0-20		9908793	6391	2/17/2014	Bpdd Mahwah Group	1,051	274	66	1,391	New Jersey	Insured Incurred Property Damage D
2013 2013	2-0-20		9907324 2853465	1239 5970	8/9/2014 1/24/2014	Raghuvansh LLC Dba Summer Winds AT BR	243 211	237 175	36 22	516 408	Texas New Jersey	Fire Started In Exterior Collum AT TI Sprinkler Pipe Burst.
2013	2-0-77		2853465	5970 9850	6/20/2014	Captains Quarters	183	1/5	9	408	New Jersey Maryland	Washing Machine Located In Unit 40.
2013	2-0-77		9657601	5500	1/9/2014	Garden Condominium	271		25	296	Maryland	Water Damage DUE To Busted Pipe.
2013	2-0-77		8997884	5926	1/25/2014	Council Of Unit OW	251	-	20	271	Maryland	Sprinkler System Froze And Burst Ca
2013 2013	2-0-77 2-0-77	3214 3214	9271726 7563387	5538 5447	1/8/2014 1/8/2014	Windward Harbour C Makai Condominium	257 222		13 24	270 246	New Jersey	Water Damage From Frozen Pipes
2013	2-0-77	3214	1738462	5447 6082	1/8/2014	Makai Condominium Mallard Lakes Cond	222		24	246	Maryland Delaware	Sprinkler System Blew; Several Units Pipe Burst Causing Extensive Damage
2013	2-0-77		9657550	5812	1/22/2014	Port Astor AT Suns	202	-	21	223	Maryland	A Sprinkler Cracked ON The Fourth F
2013	2-0-77		9657601	6160	1/25/2014	Garden Condominium	198	-	17	215	Maryland	Damage To Several Units From Buste
2013 2013	2-0-77 2-0-77		2851170 9804552	5468 5971	1/9/2014 1/27/2014	Kings Grant Condom Avalon Condominium	157 126		14 26	171 152	Delaware Marvland	Pipe Burst Sprinkler Pipe Busrt Causing Damage
2013	2-0-77	3214	9804552 3692485	5503	1/2//2014	Bay I Condominium	126		26	152	Maryland	Pipe Burst From Freeze
2013	2-0-77	3214	9272152	5445	1/8/2014	Townhouse Condomin	107		15	122	Maryland	The Sprinkler System Pipe Busted Re
2013	2-0-318		9270776	5226	12/22/2013	7800 Dune Drive MO	103		16	119	New Jersey	Fire
2013	2-0-77	3214	2853450 9908444	7078 5449	3/7/2014	Cape Henry Villas; Oasis ON The Bay C	49 81	51	16 23	116 104	Virginia Maryland	Fire Orginating In Unit 3061 Cape He Frozen Pipe Burst, Causing Water Da
2013	2-0-77	3214	9908444	6387	2/13/2014	The Fountains AT S	97		23	99	New Jersey	Water Leak Cased Damage To Severa
											-	
2014	2-0-77		7383871	5844		Ocean Pointe Condo	184	81	0	265	New Jersey	Multiple Pipes Burst Throught Buildin
2014 2014	2-0-20 2-0-77	5068	4057927 7180962	4282 7087	11/9/2014 2/17/2015	Alliance Investmen Somerset AT Second	50 100	208 90	6 0	264 190	Florida Maryland	Brokern Water Line Caused Flood Da Sprinkler Head Busted ON The 5TH F
2014	2-0-77	5068	9660308	7137	2/18/2015	Water's Edge AT PO	-	190	0	190	New Jersey	Insured Indicates Pipe Burst AT TWO
2014	2-0-77	5068	9906926	7361	2/20/2015	Casa DEL Mare Cond	75	115	0	190	Maryland	Sprinkler Burst
2014	2-0-77		354084	2157	9/10/2014	Beachfront North C	50	110	5	165 138	New Jersey	The Plumbing Line To The Water He
2014 2014	2-0-20 2-0-77	5063	4055545 5849532	2966 6996	9/20/2014 2/15/2015	Expressway 77 Hosp Island Cabana Cond	119	12 120	7	138 120	Texas Maryland	Roof Damaged Sprinkler Pipe Burst And Flooded.
2014	2-0-77		9660308	8953	5/22/2014	Water's Edge AT PO	94	11	4	109	New Jersey	Pipe Burst Under The Kitchen Sink Ir
2014	2-0-20		7043043	7617		Madhu Investments,	-	100	0	100	Mississippi	Water Pipes In Attic Burst Causing IN
2014	2-0-77	5068	9906926	7089	2/1//2015	Casa DEL Mare Cond	10	90	0	100	Maryland	Pipe Burst Unit 104, Multiple Units A

### **Excess Liability**

### Rate Need Indications

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

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

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

- (2) = [(1) (Total Expense)]
- $(3) = (6) \times [1 + (5)]$
- (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

### Reported Incurred Loss & LAE Ratios

PY	GWP	3	15	27	39	51	63	75	87	99	111	123	@ 2015/1
2005	0	-	-	-	-	-	-	-	-	-	-	-	-
2006	48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%
2007	107	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			0.0%
2008	101	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				0.0%
2009	67	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%					0.0%
2010	62	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%						0.0%
2011	69	0.0%	0.0%	0.0%	0.0%	0.0%							0.0%
2012	70	0.0%	0.0%	0.0%	0.0%								0.0%
2013	91	0.0%	0.0%	0.0%									0.0%
2014	93	0.0%	0.0%										0.0%
2015	108	0.0%											0.0%

### Reported Paid Loss & LAE Ratios

PY	GWP	3	15	27	39	51	63	75	87	99	111	123	@ 2015/1
2005	0	-	-	-	-	-	-	-	-	-	-	-	-
2006	48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%
2007	107	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			0.0%
2008	101	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				0.0%
2009	67	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%					0.0%
2010	62	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%						0.0%
2011	69	0.0%	0.0%	0.0%	0.0%	0.0%							0.0%
2012	70	0.0%	0.0%	0.0%	0.0%								0.0%
2013	91	0.0%	0.0%	0.0%									0.0%
2014	93	0.0%	0.0%										0.0%
2015	108	0.0%											0.0%

#### Excess Liability

#### Indexing - PY 2015 Ultimate Loss & LAE Selection

					Capped @ \$10M			C	Capped @ 2M			Capped @ 1M		
					· · · ·	•			••					
						5.0%	On-Level			4.5%	On-Level		4.0%	On-Level
		Annual PY	Cumulative	On-Level	Ultimate	Trend to	Ultimate		Ultimate	Trend to	Ultimate	Ultimate	Trend to	Ultimate
PY	GWP	Rate Chg	PY Rate Chg	GWP	ILAE Ratio	PY 2015	ILAE Ratio		ILAE Ratio	PY 2015	ILAE Ratio	ILAE Ratio	PY 2015	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 e	xcl 2015:			47.0%				28.0%			20.6%
			Last 7 Wtd e	xcl 2015:			51.0%				28.3%			19.5%
			Last 5 Wtd e	xcl 2015:			56.3%				32.3%			20.3%
			Last 3 Wtd e	xcl 2015:			61.0%				34.7%			21.4%
			Selected l	Jltimate:		Г	57.0%			Г	33.0%		Г	21.0%
				ILF:			1.00				1.70			2.58
		C	apped @ \$10M l	Jltimate:			57.0%				56.2%			54.1%
			••		Weight:		1%				49%			49%
* Averages ex	xclude PY 20	015									Fr	equency/Severity I	ndication:	70.0%
												Weighted	Average:	55.2%
											PY 201	5 Selected - Capped	d @ \$10M:	57.0%
												bA	justment:	0.0%
												PY 2015 - Capped	d @ \$10M:	57.0%
													ILF:	1.000
												Catastrophe/Late		5.0%
												•	ULE:	1.0%
												PY 2015 Ultimate	ILAE Ratio:	63.0%
												(	Credibility:	1%
												Complement of (	-	68.3%
Compliment	of Credibili	ty								Credi	bility Weighted	PY 2015 Ultimate	ILAE Ratio:	68.2%

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