

Memorandum

From: Div 66 Actuarial
Michael Tranfaglia
Emily Turek

To: E. Allen, S. Leeret, B. Harris, R. D'Alfonso, J. Parker, V. Celona, M. Stembridge

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

Date: 10/22/2014

Re: Division 66 - 2014 Protek US Profitability Study

I. Executive Summary

A. Introduction -

The Protek program provides multiline coverage for independent Medical Device Sales and Service Organizations in the business of distributing, renting, servicing, repairing and adjustment or calibration of medical equipment and related supplies.

Last year's analysis resulted in an overall PY 2014 Ultimate Loss Ratio indication of 67.8% which yielded a RAP neutral rate need of 7.7% based on **2013** RAP values.

The year to date rate change for 2014 is **0.2%** for all lines of business.

B. Summary of Results

IL and LAE evaluated as of: 3rd Quarter 2014
Currency Employed: USD

Exhibit 1:

Line of Business	Sub-Segment	Policy Year	2014		Projected		RAP	
			Budgeted	Ultimate	Ultimate	Combined	Target	Need
			GWP (000)	IL and LAE Ratio*	Combined Ratio*	Combined Ratio	RAP Rate	RAP \$ **
GL	N/A	2014	2,836	55.8%	88.4%	98.0%	-14.0%	181
AL	N/A	2014	220	44.0%	75.6%	98.0%	-32.3%	33
Property	N/A	2014	346	51.3%	81.0%	91.6%	-16.7%	26
APD	N/A	2014	45	53.0%	86.8%	97.4%	-15.4%	3
Excess Liability	N/A	2014	387	62.2%	90.3%	97.9%	-10.3%	19
TOTAL			3,833	55.3%	87.2%	97.4%	-14.9%	262

* Includes PY 2014 rate change achieved

** Assumes a tax rate of 35%

II. Discussion of Material Findings- The program's results as it heads into its 5th year with AIG have remained consistently profitable for the first 4 years. There are no indications that the profitable trend will not continue into 2015 based on our review of the data. LDF and ELR selections were heavily reliant on Division 66 factors due to the young age of this program but the actual emergence of loss so far is below expectations. The improvement in the Excess was largely driven by a reduction in our Div 66 Excess loss ratio by 2%. The Div 66 ratio is used as the complement of credibility in our Excess selection process.

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.

B. Limitations/Weakness - The projected PY 2014 loss ratio shown in Exhibit 1 of this report assumes that the YTD rate change achieved in 2014 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. There have been no material adjustments made to the data.

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 2014 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 MaryAlice Stembridge from an email dated 01/09/2015.

This book continues to produce good results. We are working with the PA to expand the program in an effort to grow it profitably. We will sustain and achieve rate as needed.

Appendix - Methodology:

Please note that the analysis has five sections:

- Section I - General Liability
- Section II - Auto Liability
- Section III - Property
- Section IV - Auto Physical Damage
- Section V - Excess

Exhibit 1 - Summarizes PY 2014 ultimate ILAE ratios and PY 2014 rate need.

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

Exhibit 3 - Indexing PY 2004 - 2014 ultimate ILAE (incurred + LAE) ratios to PY 2014 and selection of PY 2014 ultimate ILAE ratios.

Exhibit 4 - Frequency/Severity method used to calculate an indicated PY 2014 ultimate ILAE ratio

Exhibit 5 - Summarizes various methods (Exhibit 6a - Exhibit 8f) used to calculate ultimate + LAE & ratios for PY's 2004 - 2014.

- 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 2014

LOB	PY 2014 GWP	Direct	Before 2014	RAP Neutral		After 2014
			Rate Change PY 2014 Ultimate ILAE Ratio	Target Ratio	Before 2014 Rate Change PY 2014 Rate Need	PY 2014 Rate Achieved
GL	2,836	3.4%	55.1%	65.4%	-15.0%	55.8%
AL	220	3.0%	48.8%	66.4%	-25.3%	44.0%
Property	346	1.2%	50.2%	61.8%	-18.5%	51.3%
APD	45	5.3%	58.9%	63.6%	-6.8%	53.0%
Excess Liability	387	3.4%	66.1%	69.8%	-5.0%	62.2%
Total Casualty	3,443	3.4%	55.9%	66.0%	-14.5%	55.8%
Total Property	390	1.7%	51.2%	62.0%	-17.0%	51.5%
All Lines Combined	3,833	3.2%	55.4%	65.6%	-14.7%	55.3%

Program Summary by LOB - PY 2015

LOB	PY 2014 GWP	Direct	After 2014 Rate Change PY 2015 Ultimate ILAE Ratio	RAP Neutral	
				Target Ratio	After 2014 Rate Change PY 2015 Rate Need
GL	2,836	3.4%	57.8%	65.4%	-11.1%
AL	220	3.0%	45.8%	66.4%	-29.8%
Property	346	1.2%	51.3%	61.8%	-16.7%
APD	45	5.3%	53.0%	63.6%	-15.4%
Excess Liability	387	3.4%	65.4%	69.8%	-6.0%
Total Casualty	3,443	3.4%	57.8%	66.0%	-11.7%
Total Property	390	1.7%	51.5%	62.0%	-16.6%
All Lines Combined	3,833	3.2%	57.2%	65.6%	-12.2%

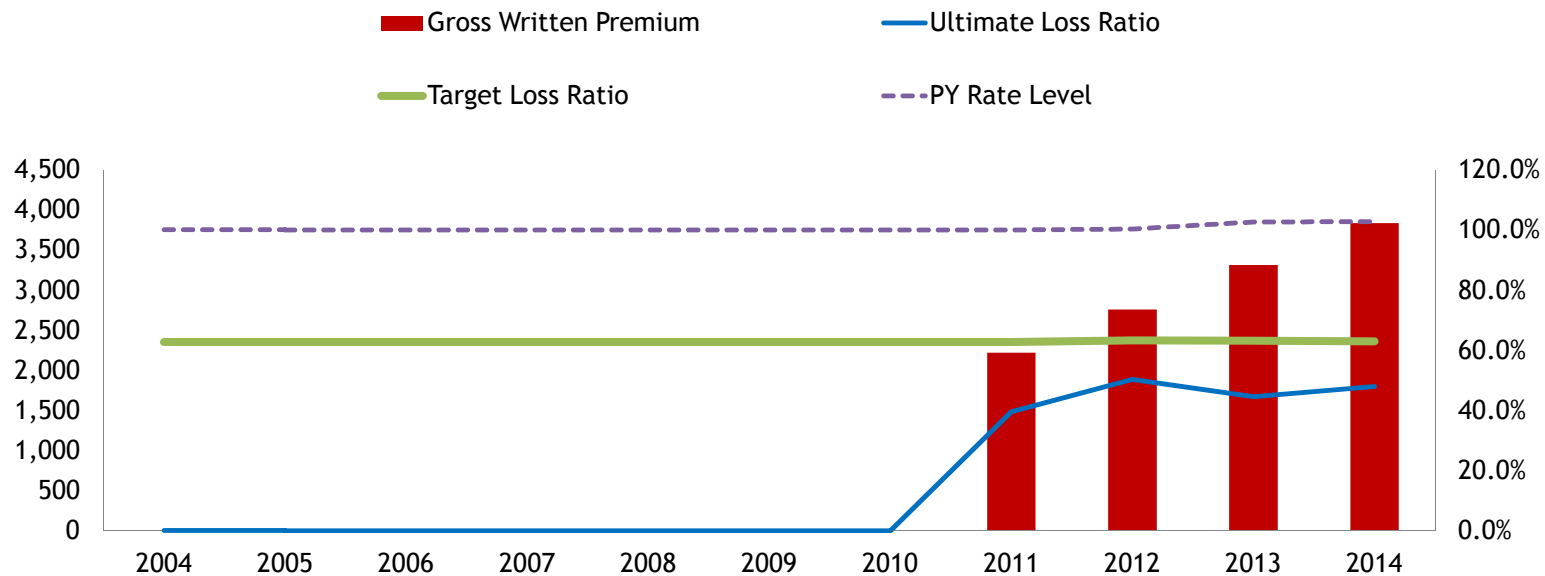
Program Summary by LOB

PY	GL					AL					Property - ex Cat Load & Reinsurance Charges					APD				
	GWP	Reported	Reported	Selected	Ultimate	GWP	Reported	Reported	Selected	Ultimate	GWP	Reported	Reported	Selected	Ultimate	GWP	Reported	Reported	Selected	Ultimate
		ILAE	ILAE Ratio	ILAE	ILAE Ratio		ILAE	ILAE Ratio	ILAE	ILAE Ratio		ILAE	ILAE Ratio	ILAE	ILAE Ratio		ILAE	ILAE Ratio	ILAE	ILAE Ratio
2004	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2005	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2006	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2007	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2008	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2009	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2010	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2011	2,177	215	9.9%	870	40.0%	17	0	0.0%	0	0.0%	4	0	0.0%	0	0.0%	2	1	37.0%	0	20.8%
2012	2,374	438	18.5%	1,230	51.8%	59	11	19.1%	23	39.3%	39	0	0.0%	0	0.0%	10	5	46.3%	5	51.3%
2013	2,656	148	5.6%	1,160	43.7%	99	11	10.6%	42	42.6%	176	58	33.2%	65	36.9%	16	12	74.1%	12	77.4%
2014	2,836	0	0.0%	1,503	53.0%	220	1	0.3%	95	43.0%	346	15	4.3%	162	47.0%	45	10	21.8%	23	52.0%

PY	Excess Liability					Total Casualty					Total Property - ex Cat Load & Reinsurance					All Lines Combined				
	GWP	Reported	Reported	Selected	Ultimate	GWP	Reported	Reported	Selected	Ultimate	GWP	Reported	Reported	Selected	Ultimate	GWP	Reported	Reported	Selected	Ultimate
		ILAE	ILAE Ratio	ILAE	ILAE Ratio		ILAE	ILAE Ratio	ILAE	ILAE Ratio		ILAE	ILAE Ratio	ILAE	ILAE Ratio		ILAE	ILAE Ratio	ILAE	ILAE Ratio
2004	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2005	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2006	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2007	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2008	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2009	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2010	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-	0	0	-	0	-
2011	20	0	0.0%	8	39.2%	2,214	215	9.7%	878	39.7%	6	1	12.6%	0	7.1%	2,220	215	9.7%	878	39.6%
2012	276	0	0.0%	128	46.3%	2,709	449	16.6%	1,381	51.0%	49	5	9.9%	5	10.9%	2,758	454	16.5%	1,386	50.3%
2013	363	0	0.0%	194	53.4%	3,119	158	5.1%	1,396	44.8%	192	70	36.6%	77	40.2%	3,311	228	6.9%	1,474	44.5%
2014	387	0	0.0%	241	62.2%	3,443	1	0.0%	1,839	53.4%	390	25	6.3%	186	47.6%	3,833	25	0.7%	2,024	52.8%

Total Program Summary

PY	GWP	-----Loss Ratio-----			-----Combined Ratio-----		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2004	0	0.0%	0.0%	62.7%	74.9%	98.0%	0	0.0%	1.00	-
2005	0	0.0%	0.0%	62.7%	74.9%	98.0%	0	0.0%	1.00	-
2006	0	0.0%	0.0%	62.7%	74.9%	98.0%	0	0.0%	1.00	-
2007	0	0.0%	0.0%	62.7%	74.9%	98.0%	0	0.0%	1.00	-
2008	0	0.0%	0.0%	62.7%	74.9%	98.0%	0	0.0%	1.00	-
2009	0	0.0%	0.0%	62.7%	74.9%	98.0%	0	0.0%	1.00	-
2010	0	0.0%	0.0%	62.7%	74.9%	98.0%	0	0.0%	1.00	-
2011	2,220	9.7%	39.6%	62.7%	74.9%	98.0%	341	0.0%	1.00	22.4%
2012	2,758	16.5%	50.3%	63.2%	85.0%	97.9%	237	0.3%	1.00	22.0%
2013	3,311	6.9%	44.5%	63.1%	79.1%	97.7%	410	2.3%	1.03	22.0%
2014	3,833	0.7%	48.0%	63.0%	82.5%	97.4%	383	0.1%	1.03	22.0%
Total	12,122	7.6%	46.0%				1,371			

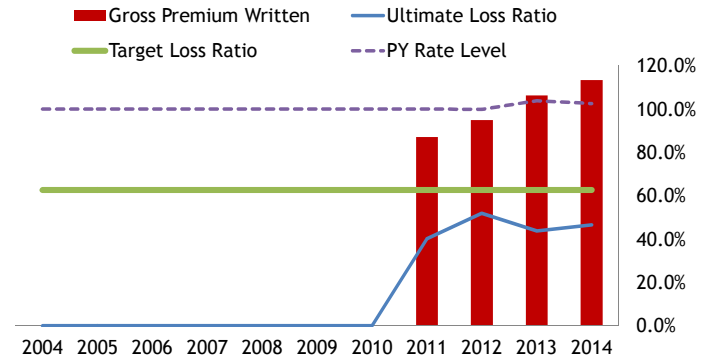


* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load)

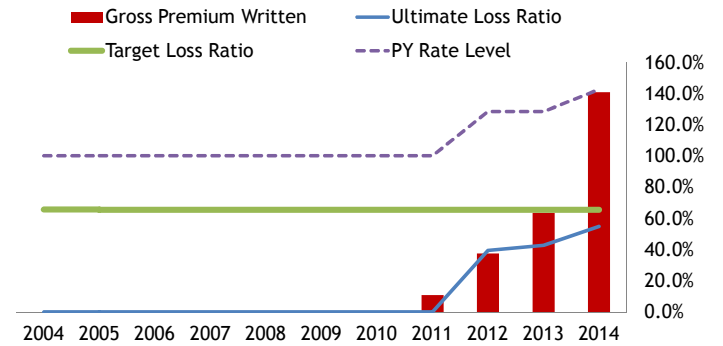
* Ultimate Loss Ratios exclude modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

Program Summary by LOB - Casualty Lines

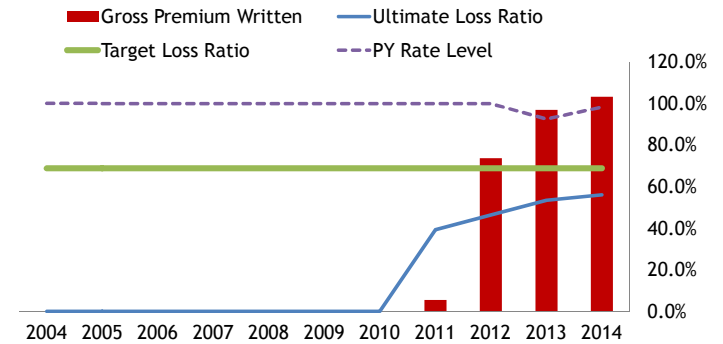
GL	PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
			Reported	Ultimate	Target *	Ultimate	BECR				
	2004	0	0.0%	0.0%	62.6%	35.4%	98.0%	0	0.0%	1.00	22.5%
	2005	0	0.0%	0.0%	62.6%	35.4%	98.0%	0	0.0%	1.00	22.5%
	2006	0	0.0%	0.0%	62.6%	35.4%	98.0%	0	0.0%	1.00	22.5%
	2007	0	0.0%	0.0%	62.6%	35.4%	98.0%	0	0.0%	1.00	22.5%
	2008	0	0.0%	0.0%	62.6%	35.4%	98.0%	0	0.0%	1.00	22.5%
	2009	0	0.0%	0.0%	62.6%	35.4%	98.0%	0	0.0%	1.00	22.5%
	2010	0	0.0%	0.0%	62.6%	35.4%	98.0%	0	0.0%	1.00	22.5%
	2011	2,177	9.9%	40.0%	62.6%	75.4%	98.0%	327	0.0%	1.00	22.5%
	2012	2,374	18.5%	51.8%	62.6%	87.2%	98.0%	170	-0.2%	1.00	22.5%
	2013	2,656	5.6%	43.7%	62.6%	79.1%	98.0%	334	4.0%	1.04	22.5%
	2014	2,836	0.0%	46.6%	62.6%	82.0%	98.0%	302	-1.3%	1.02	22.5%
	Total	10,042	8.0%	45.6%				1,133			



AL	PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
			Reported	Ultimate	Target *	Ultimate	BECR				
	2004	0	0.0%	0.0%	65.4%	32.6%	98.0%	0	0.0%	1.00	22.5%
	2005	0	0.0%	0.0%	65.4%	32.6%	98.0%	0	0.0%	1.00	22.5%
	2006	0	0.0%	0.0%	65.4%	32.6%	98.0%	0	0.0%	1.00	22.5%
	2007	0	0.0%	0.0%	65.4%	32.6%	98.0%	0	0.0%	1.00	22.5%
	2008	0	0.0%	0.0%	65.4%	32.6%	98.0%	0	0.0%	1.00	22.5%
	2009	0	0.0%	0.0%	65.4%	32.6%	98.0%	0	0.0%	1.00	22.5%
	2010	0	0.0%	0.0%	65.4%	32.6%	98.0%	0	0.0%	1.00	22.5%
	2011	17	0.0%	0.0%	65.4%	32.6%	98.0%	7	0.0%	1.00	22.5%
	2012	59	19.1%	39.3%	65.4%	71.9%	98.0%	10	28.3%	1.28	22.5%
	2013	99	10.6%	42.6%	65.4%	75.1%	98.0%	15	0.0%	1.28	22.5%
	2014	220	0.3%	54.8%	65.4%	87.4%	98.0%	16	11.0%	1.42	22.5%
	Total	395	5.7%	47.1%				48			



XS	PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
			Reported	Ultimate	Target *	Ultimate	BECR				
	2004	0	0.0%	0.0%	68.8%	29.1%	97.9%	0	0.0%	1.00	18.0%
	2005	0	0.0%	0.0%	68.8%	29.1%	97.9%	0	0.0%	1.00	18.0%
	2006	0	0.0%	0.0%	68.8%	29.1%	97.9%	0	0.0%	1.00	18.0%
	2007	0	0.0%	0.0%	68.8%	29.1%	97.9%	0	0.0%	1.00	18.0%
	2008	0	0.0%	0.0%	68.8%	29.1%	97.9%	0	0.0%	1.00	18.0%
	2009	0	0.0%	0.0%	68.8%	29.1%	97.9%	0	0.0%	1.00	18.0%
	2010	0	0.0%	0.0%	68.8%	29.1%	97.9%	0	0.0%	1.00	18.0%
	2011	20	0.0%	39.2%	68.8%	68.3%	97.9%	4	0.0%	1.00	18.0%
	2012	276	0.0%	46.3%	68.8%	75.4%	97.9%	41	0.0%	1.00	18.0%
	2013	363	0.0%	53.4%	68.8%	82.5%	97.9%	37	-7.4%	0.93	18.0%
	2014	387	0.0%	56.0%	68.8%	85.1%	97.9%	33	6.2%	0.98	18.0%
	Total	1,047	0.0%	52.2%				115			

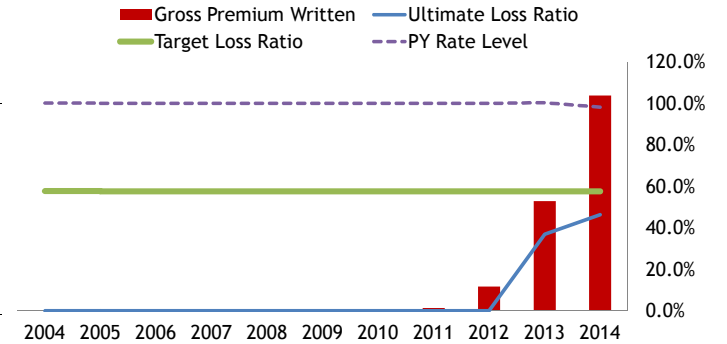


* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load)

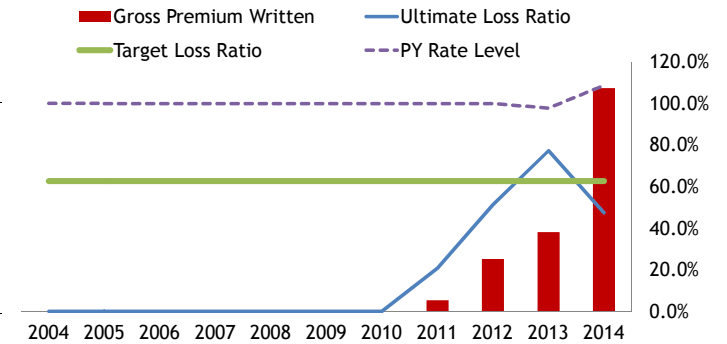
* Ultimate Loss Ratios exclude modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

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				
2004	0	0	0.0%	0.0%	57.6%	34.0%	91.6%	0	0.0%	1.00	22.5%
2005	0	0	0.0%	0.0%	57.6%	34.0%	91.6%	0	0.0%	1.00	22.5%
2006	0	0	0.0%	0.0%	57.6%	34.0%	91.6%	0	0.0%	1.00	22.5%
2007	0	0	0.0%	0.0%	57.6%	34.0%	91.6%	0	0.0%	1.00	22.5%
2008	0	0	0.0%	0.0%	57.6%	34.0%	91.6%	0	0.0%	1.00	22.5%
2009	0	0	0.0%	0.0%	57.6%	34.0%	91.6%	0	0.0%	1.00	22.5%
2010	0	0	0.0%	0.0%	57.6%	34.0%	91.6%	0	0.0%	1.00	22.5%
2011	4	0	0.0%	0.0%	57.6%	34.0%	91.6%	2	0.0%	1.00	22.5%
2012	39	0	0.0%	0.0%	57.6%	34.0%	91.6%	16	0.0%	1.00	22.5%
2013	176	33.2%	36.9%	57.6%	70.9%	91.6%	26	0.2%	1.00	22.5%	
2014	346	4.3%	46.3%	57.6%	80.3%	91.6%	28	-2.1%	0.98	22.5%	
Total	565	13.0%	39.8%				71				



APD	PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
			Reported	Ultimate	Target *	Ultimate	BECR				
2004	0	0	0.0%	0.0%	62.6%	34.8%	97.4%	0	0.0%	1.00	22.5%
2005	0	0	0.0%	0.0%	62.6%	34.8%	97.4%	0	0.0%	1.00	22.5%
2006	0	0	0.0%	0.0%	62.6%	34.8%	97.4%	0	0.0%	1.00	22.5%
2007	0	0	0.0%	0.0%	62.6%	34.8%	97.4%	0	0.0%	1.00	22.5%
2008	0	0	0.0%	0.0%	62.6%	34.8%	97.4%	0	0.0%	1.00	22.5%
2009	0	0	0.0%	0.0%	62.6%	34.8%	97.4%	0	0.0%	1.00	22.5%
2010	0	0	0.0%	0.0%	62.6%	34.8%	97.4%	0	0.0%	1.00	22.5%
2011	2	37.0%	20.8%	62.6%	55.6%	97.4%	1	0.0%	1.00	22.5%	
2012	10	46.3%	51.3%	62.6%	86.1%	97.4%	1	0.0%	1.00	22.5%	
2013	16	74.1%	77.4%	62.6%	112.2%	97.4%	-2	-2.2%	0.98	22.5%	
2014	45	21.8%	47.5%	62.6%	82.3%	97.4%	5	11.1%	1.09	22.5%	
Total	73	37.1%	53.7%				4				



* 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

	Target Combined Ratio	Target ILAE Ratio	Before 2014 Rate Change PY 2014 Ultimate ILAE Ratio	Before 2014 Rate Change PY 2014 Rate Need	PY 2014 Rate Achieved	After 2014 Rate Change PY 2014 Ultimate ILAE Ratio	PY 2015 Ultimate ILAE Ratio	PY 2015 Rate Need
RAP Neutral:	98.0%	65.4%	55.1%	-15.0%	-1.3%	55.8%	57.8%	-11.1%

Expense Ratio calculated as follows:

Commission:	22.5%
Prem Tax:	2.4%
Other Acquisition Fees:	0.3%
Direct Expense:	3.4%
Indirect Expense:	4.0%
	<u>32.6%</u>

GL

Indexing - PY 2014 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 2014	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	3.3% Trend to PY 2014	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	3.0% Trend to PY 2014	On-Level Ultimate ILAE Ratio
2004	0	0.0%	1.000	-	-	1.411	-	-	1.377	-	-	1.344	-
2005	0	0.0%	1.000	-	-	1.363	-	-	1.334	-	-	1.305	-
2006	0	0.0%	1.000	-	-	1.317	-	-	1.292	-	-	1.267	-
2007	0	0.0%	1.000	-	-	1.272	-	-	1.251	-	-	1.230	-
2008	0	0.0%	1.000	-	-	1.229	-	-	1.212	-	-	1.194	-
2009	0	0.0%	1.000	-	-	1.188	-	-	1.173	-	-	1.159	-
2010	0	0.0%	1.000	-	-	1.148	-	-	1.136	-	-	1.126	-
2011	2,177	0.0%	1.000	2,231	40.0%	1.109	43.2%	28.9%	1.101	31.1%	17.9%	1.093	19.1%
2012	2,374	-0.2%	0.998	2,437	51.8%	1.071	54.1%	39.2%	1.066	40.7%	26.5%	1.061	27.4%
2013	2,656	4.0%	1.038	2,621	43.7%	1.035	45.8%	31.3%	1.033	32.7%	26.0%	1.030	27.1%
2014	2,836	-1.3%	1.025	2,836	46.6%	1.000	46.6%	34.6%	1.000	34.6%	29.3%	1.000	29.3%
All Yr Wtd incl 2014:							47.4%			34.8%			26.0%
Last 7 Wtd incl 2014:							47.4%			34.8%			26.0%
Last 5 Wtd incl 2014:							47.4%			34.8%			26.0%
Last 3 Wtd incl 2014:							48.6%			35.8%			28.0%
Selected Ultimate:							47.0%			35.0%			29.0%
ILF:							1.00			1.32			1.70
Policy Limits Ultimate:							47.0%			46.2%			49.4%
Weight:							22%			39%			39%
											Frequency/Severity Indication:		59.0%
											Weighted Average:		47.6%
											PY 2014 Selected:		53.0%
											Adjustment:		0.0%
											PY 2014:		53.0%
											ULE:		2.8%
											Claims Fees:		0.0%
											PY 2014 Ultimate ILAE Ratio:		55.8%

GL

Large Losses - Incurred + LAE > 100k

PY	DSP	Policy #	Case #	DOL	Insured	Ind Paid	Ind OS	LAE	ILAE	Acc State	Description
2011	1-0-106	7564116	6090	11/19/2011	Coast TO Coast Med	189	0	3	192	Florida	Pipe In Ins Unit Broke And Damaged The
2012	1-0-106	6479531	53	5/31/2012	Sterilizer Technic	0	250	10	260	Ohio	Flood From A Sterilizer
2012	1-0-106	6481148	5795	8/10/2012	JDI Solutions, Inc	97	0	33	129	California	Magnet Quench AS A Result Of Insured's

AL

Rate Need Indications

	Target Combined Ratio	Target ILAE Ratio	Before 2014 Rate Change PY 2014 Ultimate ILAE Ratio	Before 2014 Rate Change PY 2014 Rate Need	PY 2014 Rate Achieved	After 2014 Rate Change PY 2014 Ultimate ILAE Ratio	PY 2015 Ultimate ILAE Ratio	PY 2015 Rate Need
RAP Neutral:	98.0%	66.4%	48.8%	-25.3%	11.0%	44.0%	45.8%	-29.8%

Expense Ratio calculated as follows:

Commission:	22.5%
Prem Tax:	2.4%
Other Acquisition Fees:	0.3%
Direct Expense:	3.0%
Indirect Expense:	3.4%
	<u>31.6%</u>

AL

Indexing - PY 2014 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	4.0% Trend to PY 2014	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	3.5% Trend to PY 2014	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	3.0% Trend to PY 2014	On-Level Ultimate ILAE Ratio
2004	0	0.0%	1.000	-	-	1.480	-	-	1.411	-	-	1.344	-
2005	0	0.0%	1.000	-	-	1.423	-	-	1.363	-	-	1.305	-
2006	0	0.0%	1.000	-	-	1.369	-	-	1.317	-	-	1.267	-
2007	0	0.0%	1.000	-	-	1.316	-	-	1.272	-	-	1.230	-
2008	0	0.0%	1.000	-	-	1.265	-	-	1.229	-	-	1.194	-
2009	0	0.0%	1.000	-	-	1.217	-	-	1.188	-	-	1.159	-
2010	0	0.0%	1.000	-	-	1.170	-	-	1.148	-	-	1.126	-
2011	17	0.0%	1.000	24	0.0%	1.125	0.0%	0.0%	1.109	-	0.0%	1.093	-
2012	59	28.3%	1.283	65	39.3%	1.082	38.3%	38.0%	1.071	38.0%	22.2%	1.061	21.2%
2013	99	0.0%	1.283	110	42.6%	1.040	39.9%	30.2%	1.035	30.2%	22.1%	1.030	20.5%
2014	220	11.0%	1.425	220	54.8%	1.000	54.8%	39.9%	1.000	39.9%	30.0%	1.000	30.0%
All Yr Wtd incl 2014:							45.2%			34.8%			24.4%
Last 7 Wtd incl 2014:							45.2%			34.8%			24.4%
Last 5 Wtd incl 2014:							45.2%			34.8%			24.4%
Last 3 Wtd incl 2014:							47.9%			36.9%			25.9%
Selected Ultimate:							45.0%			35.0%			25.0%
ILF:							1.00			1.35			1.67
Policy Limits Ultimate:							45.0%			47.3%			41.7%
Weight:							2%			49%			49%
													Frequency/Severity Indication: 39.4%
													Weighted Average: 44.5%
													PY 2014 Selected: 43.0%
													Adjustment: 0.0%
													PY 2014: 43.0%
													ULE: 1.0%
													Claims Fees: 0.0%
													PY 2014 Ultimate ILAE Ratio: 44.0%

Property

Rate Need Indications

	Target Combined Ratio	Target ILAE Ratio	Before 2014 Rate Change PY 2014 Ultimate ILAE Ratio	Before 2014 Rate Change PY 2014 Rate Need	PY 2014 Rate Achieved	After 2014 Rate Change PY 2014 Ultimate ILAE Ratio	PY 2015 Ultimate ILAE Ratio	PY 2015 Rate Need
RAP Neutral:	91.6%	61.8%	50.2%	-18.5%	-2.1%	51.3%	51.3%	-16.7%

Expense Ratio calculated as follows:

Commission:	22.5%
Prem Tax:	2.4%
Other Acquisition Fees:	0.3%
Reinsurance:	0.0%
Direct Expense:	1.2%
Indirect Expense:	3.4%
	<u>29.8%</u>

Property

Indexing - PY 2014 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 2014	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 2014	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	0.0% Trend to PY 2014	On-Level Ultimate ILAE Ratio
2004	0	0.0%	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-
2005	0	0.0%	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-
2006	0	0.0%	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-
2007	0	0.0%	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-
2008	0	0.0%	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-
2009	0	0.0%	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-
2010	0	0.0%	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-	-	1.000	-
2011	4	0.0%	1.000	4	0.0%	1.000	0.0%	0.0%	1.000	0.0%	0.0%	1.000	0.0%	0.0%	1.000	0.0%
2012	39	0.0%	1.000	38	0.0%	1.000	0.0%	0.0%	1.000	0.0%	0.0%	1.000	0.0%	0.0%	1.000	0.0%
2013	176	0.2%	1.002	173	36.9%	1.000	37.7%	36.3%	1.000	37.1%	35.7%	1.000	36.5%	34.6%	1.000	35.3%
2014	346	-2.1%	0.981	346	46.3%	1.000	46.3%	40.2%	1.000	40.2%	33.8%	1.000	33.8%	27.2%	1.000	27.2%
All Yr Wtd incl 2014:							40.1%	36.2%	32.1%	27.7%						
Last 7 Wtd incl 2014:							40.1%	36.2%	32.1%	27.7%						
Last 5 Wtd incl 2014:							40.1%	36.2%	32.1%	27.7%						
Last 3 Wtd incl 2014:							40.5%	36.5%	32.4%	27.9%						
Selected Ultimate:							40.0%	37.0%	33.0%	28.0%						
ILF:							1.00	1.17	1.42	1.84						
Policy Limits Ultimate:							40.0%	43.2%	46.9%	51.5%						
Weight:							3%	32%	32%	32%						

Frequency/Severity Indication:	46.6%
Weighted Average:	47.0%
PY 2014 Selected:	47.0%
Adjustment:	0.0%
PY 2014:	47.0%

All Year Avg Empirical Cat Load:	0.0%
Program Specific AAL Cat Load:	2.0%
Selected Cat Load:	2.0%
Corporate Cat Charge:	0.0%
XOL Loss Cost:	0.3%
Indicated XOL Cost:	0.0%
ULE:	1.9%
Claims Fees:	0.0%
PY 2014 Ultimate ILAE Ratio Including AAL Cat Load and Cost of Reinsurance:	51.3%

Excess Liability

Rate Need Indications

	Target Combined Ratio	Target ILAE Ratio	Before 2014 Rate Change PY 2014 Ultimate ILAE Ratio	Before 2014 Rate Change PY 2014 Rate Need	PY 2014 Rate Achieved	After 2014 Rate Change PY 2014 Ultimate ILAE Ratio	PY 2015 Ultimate ILAE Ratio	PY 2015 Rate Need
RAP Neutral:	97.9%	69.8%	66.1%	-5.0%	6.2%	62.2%	65.4%	-6.0%

Expense Ratio calculated as follows:

Commission:	18.0%
Prem Tax:	2.4%
Other Acquisition Fees:	0.3%
Direct Expense:	3.4%
Indirect Expense:	4.0%
	<u>28.1%</u>

Excess Liability

Indexing - PY 2014 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 2014	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	4.5% Trend to PY 2014	On-Level Ultimate ILAE Ratio	Ultimate ILAE Ratio	4.0% Trend to PY 2014	On-Level Ultimate ILAE Ratio
2004	0	0.0%	1.000	-	-	1.629	-	-	1.553	-	-	1.480	-
2005	0	0.0%	1.000	-	-	1.551	-	-	1.486	-	-	1.423	-
2006	0	0.0%	1.000	-	-	1.477	-	-	1.422	-	-	1.369	-
2007	0	0.0%	1.000	-	-	1.407	-	-	1.361	-	-	1.316	-
2008	0	0.0%	1.000	-	-	1.340	-	-	1.302	-	-	1.265	-
2009	0	0.0%	1.000	-	-	1.276	-	-	1.246	-	-	1.217	-
2010	0	0.0%	1.000	-	-	1.216	-	-	1.193	-	-	1.170	-
2011	20	0.0%	1.000	20	39.2%	1.158	46.2%	19.6%	1.141	22.8%	14.7%	1.125	16.8%
2012	276	0.0%	1.000	272	46.3%	1.103	52.0%	27.5%	1.092	30.6%	17.4%	1.082	19.1%
2013	363	-7.4%	0.926	386	53.4%	1.050	52.8%	33.6%	1.045	33.0%	21.7%	1.040	21.3%
2014	387	6.2%	0.983	387	56.0%	1.000	56.0%	35.9%	1.000	35.9%	23.0%	1.000	23.0%
All Yr Wtd incl 2014:							53.6%		33.3%		21.3%		
Last 7 Wtd incl 2014:							53.6%		33.3%		21.3%		
Last 5 Wtd incl 2014:							53.6%		33.3%		21.3%		
Last 3 Wtd incl 2014:							53.8%		33.5%		21.4%		
Selected Ultimate:							53.6%		33.3%		21.3%		
ILF:							1.00		1.67		2.52		
Capped @ \$10M Ultimate:							53.6%		55.4%		53.6%		
					Weight:	4%		48%		48%			

Frequency/Severity Indication:	50.0%
Weighted Average:	54.5%
PY 2014 Selected - Capped @ \$10M:	52.0%
Adjustment:	0.0%
PY 2014 - Capped @ \$10M:	52.0%
ILF:	1.000
Catastrophe/Latency Load:	5.0%
ULE:	1.0%
PY 2014 Ultimate ILAE Ratio:	58.0%
Credibility:	4%
Complement of Credibility:	62.4%
Credibility Weighted PY 2014 Ultimate ILAE Ratio:	62.2%

Compliment of Credibility

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