

Memorandum

From: Div 66 Actuarial
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To: E. Allen, S. Leeret, B. Harris, S. Cook, J. Parker, R. Simmons, J. Artesani

CC: J. Johnson, K. Hanna, J. Heaney, C. Steinbach, B. McCoy, T. Peterson, J. Baier, J. Stracher

Date: 10/5/2015

Re: Division 66 - 2015 WNH RecycleGuard US Profitability Study

I. Executive Summary

A. Introduction -

The WNH RecycleGuard (U.S. & Canada) program provides Automobile, General Liability, Limited Pollution Liability, Property (including Boiler & Machinery), Business Income/Extra Expense, Inland Marine and Umbrella Liability for recyclers and waste haulers. Eligible waste haulers operations include residential, commercial, construction, and industrial risks. Related operations include transfer stations, transfer to landfill, material recovery facility, recycling, sweeping, construction site clean-up, portable toilet rentals and septic services

Last year's analysis resulted in an overall PY 2015 Ultimate Loss Ratio indication of 64.7% which yielded a RAP neutral rate need of 7.7% based on 2014 RAP values.

The year to date rate change for 2015 is 3.4% in total, varying by LOB.

For purposes of this analysis we have used a 2015 forecasted rate change of 4.2% in total, varying by LOB.

B. Summary of Results

IL and LAE evaluated as of: 2nd Quarter 2015

Currency Employed: USD

Exhibit 1:

| Line of Business | Sub-Segment | Policy Year | 2015 Forecasted GWP (000) | Projected Ultimate IL and LAE Ratio* | Combined Ratio* | RAP Breakeven | | Projected RAP \$ ** |
|------------------|-------------|-------------|------------------------------------|---|--------------------|--------------------------|------------------|------------------------|
| | | | | | | Target Combined Ratio | RAP Rate Need | |
| GL | N/A | 2015 | 7,720 | 71.0% | 107.7% | 98.7% | 13.7% | (456) |
| AL | N/A | 2015 | 13,773 | 65.0% | 101.7% | 97.7% | 6.1% | (361) |
| Property | N/A | 2015 | 10,393 | 58.9% | 95.2% | 96.3% | -1.8% | 81 |
| APD | N/A | 2015 | 2,035 | 72.0% | 107.7% | 97.9% | 14.9% | (132) |
| Excess Liability | N/A | 2015 | 3,551 | 58.6% | 94.9% | 98.8% | -6.0% | 91 |
| TOTAL | | | 37,473 | 64.3% | 100.8% | 97.7% | 4.9% | (777) |

* Includes PY 2015 rate change achieved

** Assumes a tax rate of 35%

- C. Discussion of Material Findings- The ultimate loss ratio change on an all LOB combined basis was +2.0% for PY's 05-14. The Casualty lines had PYD of +1.7% while the Property lines had PYD of +2.7%. Note that the Casualty PYD includes a +10% reported loss ratio change for GL in PY 2007. All other years exhibited favorable or flat development. The selected GL tail development factor was not increased but will be revisited to determine if this is a go forward trend. The AL had adverse development in PY's 2012 (+9%) and 2013 (+4%). All other years exhibited favorable or flat development. Property observed higher than expected development in PY 2014, mainly as a result of the Certified Document claim reported at \$2.7M in incurred loss. The Excess line incurred two claims across PY's 2012 (\$1M - Wright's AutoPart) and 2013 (\$4M - American Equipment) since the last profitability study as of 2Q14. Both of these claims also hit the AL primary layer at \$1M apiece.

II. 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. Development patterns for GL were heavily reliant on program experience, due to both the volume of data and the consistency of claim emergence. For the auto lines we rely on a mix of Div 66 and the indicated program development patterns. 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. A large loss (Policy # 6269328 / Case # 786) was miscoded as APD instead of AL; the data has been adjusted.
- D. Other - NA

III. 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 program specific RAP profit loads. Rate need is based on a ratio of the ultimate ILAE ratio and the target ILAE ratio.

- IV. Actuarial Next Steps - We will continue to monitor these results through quarterly actual versus expected analyses.
- V. Underwriting Action Plans - Below is the response provided by Joanne Artesani.

Appendix - Methodology:

Please note that the analysis has seven sections:

- Section I - General Liability
- Section II - Auto Liability
- Section III - Property
- Section IV - Auto Physical Damage
- 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 or \$250,000 varying by LOB).

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 | 7,720 | 3.3% | 72.1% | 62.0% | 15.5% | 1.6% | 71.0% |
| AL | 13,773 | 3.3% | 68.3% | 61.1% | 11.3% | 5.1% | 65.0% |
| Property | 10,393 | 2.9% | 61.6% | 60.0% | 2.5% | 4.6% | 58.9% |
| APD | 2,035 | 3.5% | 76.1% | 62.2% | 21.2% | 5.8% | 72.0% |
| Excess Liability | 3,551 | 2.9% | 61.3% | 62.5% | -1.9% | 4.5% | 58.6% |
| Total Casualty | 25,045 | 3.3% | 68.5% | 61.6% | 10.7% | 4.0% | 65.9% |
| Total Property | 12,428 | 3.0% | 64.0% | 60.4% | 5.7% | 4.8% | 61.0% |
| All Lines Combined | 37,473 | 3.2% | 67.0% | 61.2% | 9.1% | 4.2% | 64.3% |

(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) LOB | (2) PY 2015 Forecasted GWP | Direct | (3) After 2015 Rate Change PY 2016 Ultimate ILAE Ratio | RAP Neutral | |
|--------------------|-------------------------------------|--------|---|------------------------|--|
| | | | | (4) Target Ratio | (5) After 2015 Rate Change PY 2016 Rate Need |
| GL | 7,720 | 3.3% | 73.5% | 62.0% | 17.5% |
| AL | 13,773 | 3.3% | 67.6% | 61.1% | 10.2% |
| Property | 10,393 | 2.9% | 58.9% | 60.0% | -1.8% |
| APD | 2,035 | 3.5% | 72.0% | 62.2% | 14.9% |
| Excess Liability | 3,551 | 2.9% | 61.6% | 62.5% | -1.5% |
| Total Casualty | 25,045 | 3.3% | 68.6% | 61.6% | 10.8% |
| Total Property | 12,428 | 3.0% | 61.0% | 60.4% | 1.0% |
| All Lines Combined | 37,473 | 3.2% | 66.1% | 61.2% | 7.6% |

(1) = Input

(2) = Exhibit 2

(3) = Exhibit 1

(4) = Exhibit 1

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

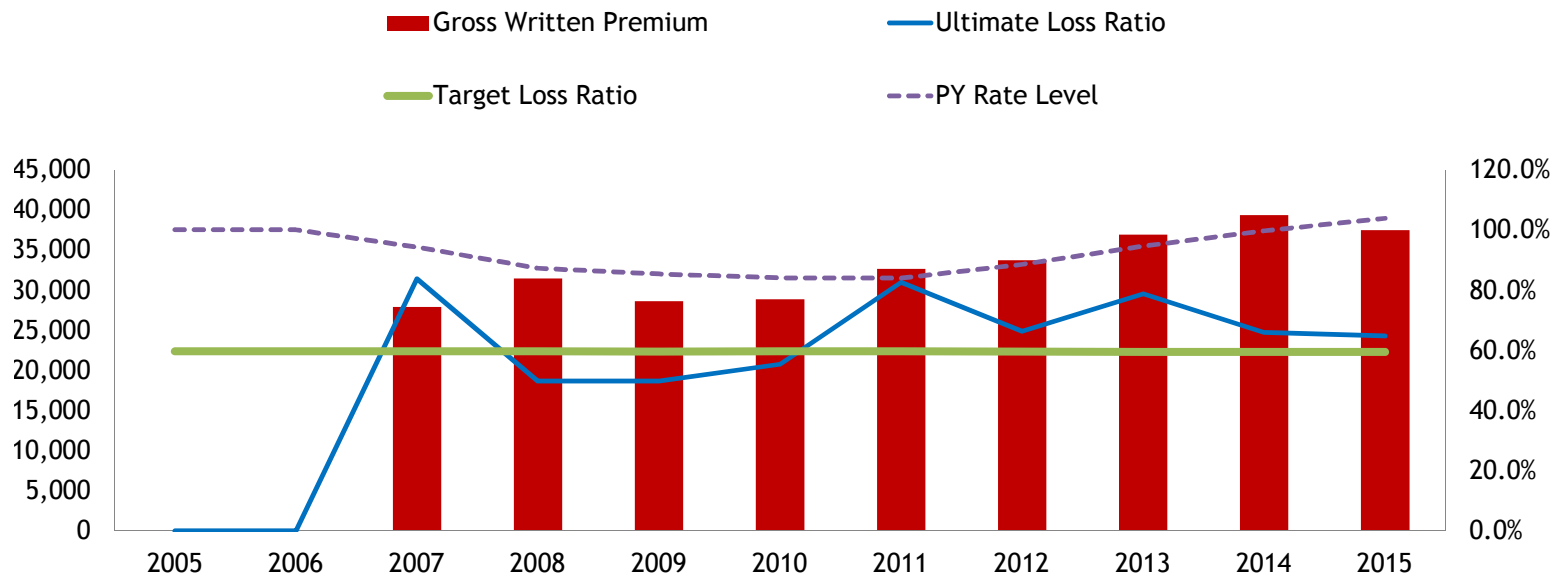
Program Summary by LOB - Prior Profitability Study Indications

| PY | GL | | | | AL | | | | Property - ex Cat Load & Reinsurance Charges | | | | APD | | | |
|------|-------|---------------------|---------------------|---------------------|--------|---------------------|---------------------|---------------------|--|---------------------|---------------------|---------------------|-------|---------------------|---------------------|-------|
| | GWP | 2013 | 2014 | 2015 | GWP | 2013 | 2014 | 2015 | GWP | 2013 | 2014 | 2015 | GWP | 2013 | 2014 | 2015 |
| | | Ultimate ILAE Ratio | Ultimate ILAE Ratio | Ultimate ILAE Ratio | | Ultimate ILAE Ratio | Ultimate ILAE Ratio | Ultimate ILAE Ratio | | Ultimate ILAE Ratio | Ultimate ILAE Ratio | Ultimate ILAE Ratio | | Ultimate ILAE Ratio | Ultimate ILAE Ratio | |
| 2005 | 0 | - | - | - | 0 | - | - | - | 0 | - | - | - | 0 | - | - | - |
| 2006 | 0 | - | - | - | 0 | - | - | - | 0 | - | - | - | 0 | - | - | - |
| 2007 | 7,598 | 69.1% | 77.8% | 107.8% | 9,619 | 65.7% | 69.0% | 68.4% | 6,700 | 99.3% | 99.3% | 99.3% | 1,390 | 92.5% | 92.7% | 92.6% |
| 2008 | 8,287 | 63.7% | 64.0% | 60.4% | 10,458 | 77.0% | 77.0% | 75.5% | 7,628 | 23.2% | 23.2% | 23.2% | 1,614 | 60.5% | 60.5% | 60.5% |
| 2009 | 6,912 | 68.8% | 61.5% | 58.7% | 9,574 | 39.7% | 44.4% | 45.6% | 7,449 | 50.7% | 50.9% | 50.9% | 1,521 | 74.2% | 74.0% | 74.0% |
| 2010 | 7,462 | 71.8% | 98.3% | 94.4% | 9,745 | 52.8% | 51.6% | 51.2% | 6,947 | 35.6% | 35.6% | 35.6% | 1,609 | 53.8% | 53.2% | 53.2% |
| 2011 | 8,200 | 86.9% | 108.5% | 108.2% | 11,450 | 76.4% | 84.6% | 81.0% | 7,773 | 74.4% | 75.8% | 78.7% | 1,797 | 93.3% | 95.1% | 97.1% |
| 2012 | 8,087 | 70.6% | 65.4% | 55.9% | 11,484 | 65.8% | 70.2% | 79.2% | 8,620 | 46.2% | 40.0% | 39.9% | 1,902 | 84.9% | 86.1% | 89.6% |
| 2013 | 8,299 | 67.0% | 72.1% | 63.1% | 12,907 | 63.0% | 63.3% | 67.0% | 9,857 | 45.0% | 88.5% | 88.9% | 2,104 | 72.0% | 71.8% | 77.8% |
| 2014 | 8,690 | - | 71.0% | 70.9% | 13,447 | - | 63.0% | 64.6% | 10,829 | - | 52.0% | 64.5% | 2,346 | - | 66.0% | 78.8% |
| 2015 | 7,720 | - | - | 70.0% | 13,773 | - | - | 64.0% | 10,393 | - | - | 55.0% | 2,035 | - | - | 71.0% |

| PY | Excess Liability | | | | Total Casualty | | | | Total Property - ex Cat Load & Reinsurance | | | | All Lines Combined | | | |
|------|------------------|---------------------|---------------------|---------------------|----------------|---------------------|---------------------|---------------------|--|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|-------|
| | GWP | 2013 | 2014 | 2015 | GWP | 2013 | 2014 | 2015 | GWP | 2013 | 2014 | 2015 | GWP | 2013 | 2014 | 2015 |
| | | Ultimate ILAE Ratio | Ultimate ILAE Ratio | Ultimate ILAE Ratio | | Ultimate ILAE Ratio | Ultimate ILAE Ratio | Ultimate ILAE Ratio | | Ultimate ILAE Ratio | Ultimate ILAE Ratio | Ultimate ILAE Ratio | | Ultimate ILAE Ratio | Ultimate ILAE Ratio | |
| 2005 | 0 | - | - | - | 0 | - | - | - | 0 | - | - | - | 0 | - | - | - |
| 2006 | 0 | - | - | - | 0 | - | - | - | 0 | - | - | - | 0 | - | - | - |
| 2007 | 2,578 | 31.0% | 30.6% | 24.8% | 19,795 | 62.5% | 67.4% | 77.9% | 8,090 | 98.1% | 98.1% | 98.1% | 27,885 | 72.8% | 76.3% | 83.7% |
| 2008 | 3,472 | 20.2% | 13.0% | 0.3% | 22,216 | 63.1% | 62.1% | 58.1% | 9,241 | 29.7% | 29.7% | 29.7% | 31,458 | 53.3% | 52.6% | 49.8% |
| 2009 | 3,166 | 50.5% | 41.1% | 28.7% | 19,652 | 51.7% | 49.9% | 47.5% | 8,969 | 54.7% | 54.8% | 54.8% | 28,621 | 52.6% | 51.4% | 49.8% |
| 2010 | 3,106 | 38.6% | 29.0% | 20.3% | 20,314 | 57.6% | 65.3% | 62.3% | 8,556 | 39.0% | 38.9% | 38.9% | 28,870 | 52.1% | 57.5% | 55.4% |
| 2011 | 3,413 | 49.8% | 38.1% | 27.5% | 23,062 | 76.2% | 86.2% | 82.7% | 9,570 | 77.9% | 79.4% | 82.1% | 32,632 | 76.7% | 84.2% | 82.6% |
| 2012 | 3,620 | 54.9% | 88.5% | 100.0% | 23,191 | 65.8% | 71.4% | 74.3% | 10,522 | 53.2% | 48.3% | 48.9% | 33,713 | 61.9% | 64.2% | 66.4% |
| 2013 | 3,727 | 63.1% | 53.9% | 128.2% | 24,933 | 64.3% | 64.8% | 74.9% | 11,962 | 49.8% | 85.6% | 86.9% | 36,895 | 59.6% | 71.5% | 78.8% |
| 2014 | 4,053 | - | 46.0% | 55.5% | 26,190 | - | 63.0% | 65.3% | 13,175 | - | 54.5% | 67.0% | 39,365 | - | 60.2% | 65.9% |
| 2015 | 3,551 | - | - | 61.0% | 25,045 | - | - | 65.4% | 12,428 | - | - | 57.6% | 37,473 | - | - | 62.8% |

Total Program Summary

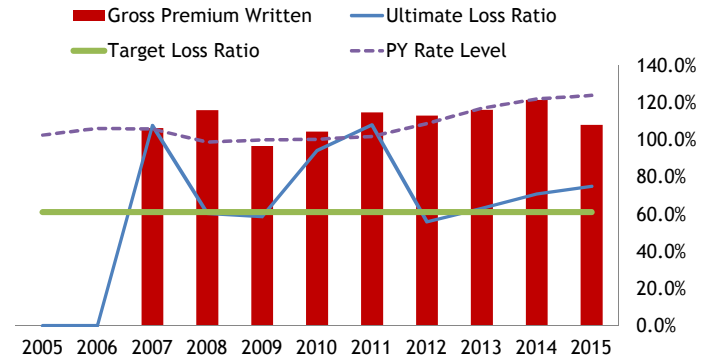
| PY | GWP | -----Loss Ratio----- | | | -----Combined Ratio----- | | Normalized RAP Dollars | Rt Chg | Rt Lvl | Commission |
|-------|---------|----------------------|----------|----------|--------------------------|-------|---------------------------|--------|--------|------------|
| | | Reported | Ultimate | Target * | Ultimate | BECR | | | | |
| 2005 | 0 | 0.0% | 0.0% | 59.6% | 121.9% | 97.8% | 0 | 0.0% | 1.00 | - |
| 2006 | 0 | 0.0% | 0.0% | 59.6% | 121.9% | 97.8% | 0 | 0.0% | 1.00 | - |
| 2007 | 27,885 | 83.0% | 83.7% | 59.6% | 121.9% | 97.8% | -4,479 | -5.7% | 0.94 | 24.0% |
| 2008 | 31,458 | 47.6% | 49.8% | 59.6% | 88.0% | 97.8% | 2,056 | -7.5% | 0.87 | 24.0% |
| 2009 | 28,621 | 46.6% | 49.8% | 59.5% | 88.0% | 97.7% | 1,853 | -2.2% | 0.85 | 24.0% |
| 2010 | 28,870 | 47.7% | 55.4% | 59.6% | 93.6% | 97.8% | 809 | -1.5% | 0.84 | 24.0% |
| 2011 | 32,632 | 70.0% | 82.6% | 59.6% | 120.7% | 97.8% | -4,982 | -0.1% | 0.84 | 24.0% |
| 2012 | 33,713 | 53.3% | 66.4% | 59.5% | 104.6% | 97.7% | -1,536 | 5.4% | 0.89 | 24.0% |
| 2013 | 36,895 | 59.8% | 78.8% | 59.4% | 117.0% | 97.7% | -4,744 | 6.9% | 0.95 | 24.0% |
| 2014 | 39,365 | 27.8% | 65.9% | 59.4% | 104.2% | 97.7% | -1,695 | 5.3% | 1.00 | 24.0% |
| 2015 | 37,473 | 1.4% | 64.7% | 59.4% | 103.0% | 97.7% | -1,331 | 4.2% | 1.04 | 24.0% |
| Total | 296,911 | 47.0% | 66.6% | | | | -14,050 | | | |



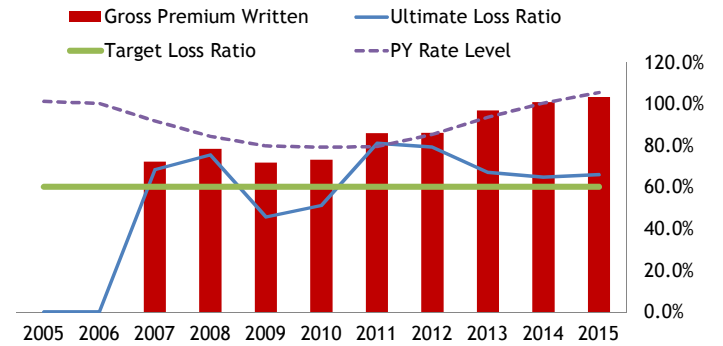
* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load)
 * Ultimate Loss Ratios exclude modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

Program Summary by LOB - Casualty Lines

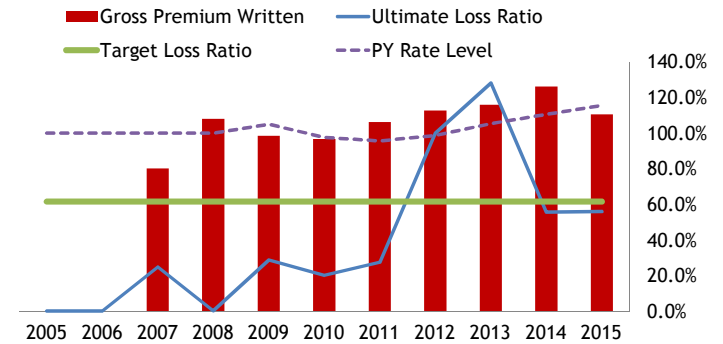
| PY | GWP | Loss Ratio | | | Combined Ratio | | | Normalized RAP Dollars | Rt Chg | Rt Lvl | Commission |
|-------|--------|------------|----------|----------|----------------|-------|--------|------------------------|--------|--------|------------|
| | | Reported | Ultimate | Target * | Ultimate | BECR | | | | | |
| 2005 | 0 | 0.0% | 0.0% | 61.0% | 37.7% | 98.7% | 0 | 2.6% | 1.03 | 24.0% | |
| 2006 | 0 | 0.0% | 0.0% | 61.0% | 37.7% | 98.7% | 0 | 3.6% | 1.06 | 24.0% | |
| 2007 | 7,598 | 107.3% | 107.8% | 61.0% | 145.5% | 98.7% | -2,342 | -0.4% | 1.06 | 24.0% | |
| 2008 | 8,287 | 54.4% | 60.4% | 61.0% | 98.1% | 98.7% | 35 | -6.6% | 0.99 | 24.0% | |
| 2009 | 6,912 | 50.4% | 58.7% | 61.0% | 96.4% | 98.7% | 107 | 1.1% | 1.00 | 24.0% | |
| 2010 | 7,462 | 77.2% | 94.4% | 61.0% | 132.1% | 98.7% | -1,638 | 0.5% | 1.00 | 24.0% | |
| 2011 | 8,200 | 83.2% | 108.2% | 61.0% | 145.9% | 98.7% | -2,546 | 1.5% | 1.02 | 24.0% | |
| 2012 | 8,087 | 20.2% | 55.9% | 61.0% | 93.6% | 98.7% | 273 | 6.8% | 1.09 | 24.0% | |
| 2013 | 8,299 | 15.9% | 63.1% | 61.0% | 100.8% | 98.7% | -113 | 7.5% | 1.17 | 24.0% | |
| 2014 | 8,690 | 8.9% | 70.9% | 61.0% | 108.6% | 98.7% | -567 | 4.3% | 1.22 | 24.0% | |
| 2015 | 7,720 | 0.3% | 75.1% | 61.0% | 112.8% | 98.7% | -717 | 1.6% | 1.24 | 24.0% | |
| Total | 71,254 | 45.6% | 77.0% | | | | -7,507 | | | | |



| 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% | 60.1% | 37.7% | 97.7% | 0 | 1.2% | 1.01 | 24.0% | |
| 2006 | 0 | 0.0% | 0.0% | 60.1% | 37.7% | 97.7% | 0 | -1.0% | 1.00 | 24.0% | |
| 2007 | 9,619 | 67.6% | 68.4% | 60.1% | 106.1% | 97.7% | -534 | -8.4% | 0.92 | 24.0% | |
| 2008 | 10,458 | 73.9% | 75.5% | 60.1% | 113.2% | 97.7% | -1,071 | -8.1% | 0.84 | 24.0% | |
| 2009 | 9,574 | 44.7% | 45.6% | 60.1% | 83.3% | 97.7% | 922 | -5.5% | 0.80 | 24.0% | |
| 2010 | 9,745 | 48.1% | 51.2% | 60.1% | 88.8% | 97.7% | 577 | -0.8% | 0.79 | 24.0% | |
| 2011 | 11,450 | 71.4% | 81.0% | 60.1% | 118.6% | 97.7% | -1,591 | 0.4% | 0.79 | 24.0% | |
| 2012 | 11,484 | 71.2% | 79.2% | 60.1% | 116.8% | 97.7% | -1,458 | 7.4% | 0.85 | 24.0% | |
| 2013 | 12,907 | 50.0% | 67.0% | 60.1% | 104.7% | 97.7% | -599 | 9.8% | 0.94 | 24.0% | |
| 2014 | 13,447 | 21.4% | 64.6% | 60.1% | 102.3% | 97.7% | -410 | 7.2% | 1.00 | 24.0% | |
| 2015 | 13,773 | 1.4% | 65.9% | 60.1% | 103.5% | 97.7% | -531 | 5.1% | 1.05 | 24.0% | |
| Total | 102,457 | 47.9% | 67.0% | | | | -4,696 | | | | |



| 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% | 61.5% | 37.3% | 98.8% | 0 | 0.0% | 1.00 | 24.0% | |
| 2006 | 0 | 0.0% | 0.0% | 61.5% | 37.3% | 98.8% | 0 | 0.0% | 1.00 | 24.0% | |
| 2007 | 2,578 | 21.3% | 24.8% | 61.5% | 62.1% | 98.8% | 622 | 0.0% | 1.00 | 24.0% | |
| 2008 | 3,472 | 0.1% | 0.3% | 61.5% | 37.6% | 98.8% | 1,399 | 0.0% | 1.00 | 24.0% | |
| 2009 | 3,166 | 20.8% | 28.7% | 61.5% | 66.0% | 98.8% | 683 | 5.0% | 1.05 | 24.0% | |
| 2010 | 3,106 | 0.1% | 20.3% | 61.5% | 57.6% | 98.8% | 843 | -7.0% | 0.98 | 24.0% | |
| 2011 | 3,413 | 0.0% | 27.5% | 61.5% | 64.8% | 98.8% | 763 | -2.1% | 0.96 | 24.0% | |
| 2012 | 3,620 | 83.1% | 100.0% | 61.5% | 137.3% | 98.8% | -916 | 3.2% | 0.99 | 24.0% | |
| 2013 | 3,727 | 107.6% | 128.2% | 61.5% | 165.5% | 98.8% | -1,636 | 6.8% | 1.05 | 24.0% | |
| 2014 | 4,053 | 0.2% | 55.5% | 61.5% | 92.8% | 98.8% | 161 | 4.9% | 1.11 | 24.0% | |
| 2015 | 3,551 | 0.0% | 56.0% | 61.5% | 93.3% | 98.8% | 129 | 4.5% | 1.16 | 24.0% | |
| Total | 30,687 | 26.9% | 51.4% | | | | 2,048 | | | | |

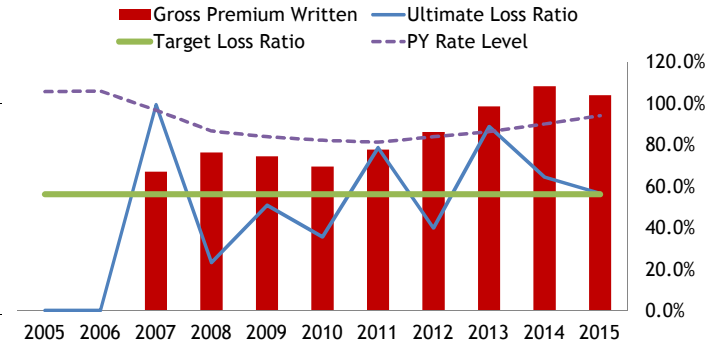


* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load)

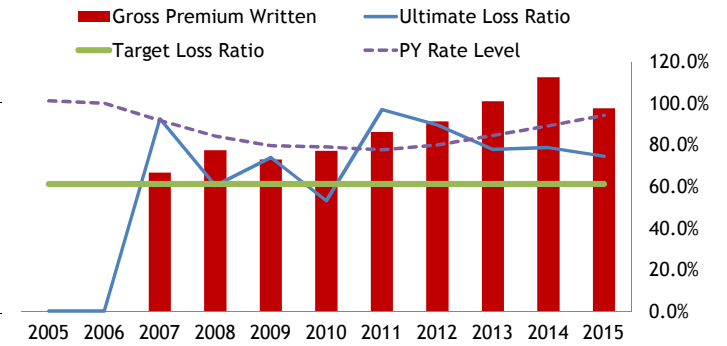
* Ultimate Loss Ratios exclude modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

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 | | 0 | 0.0% | 0.0% | 56.1% | 40.2% | 96.3% | 0 | 5.6% | 1.06 | 24.0% |
| 2006 | | 0 | 0.0% | 0.0% | 56.1% | 40.2% | 96.3% | 0 | 0.3% | 1.06 | 24.0% |
| 2007 | | 6,700 | 99.3% | 99.3% | 56.1% | 139.4% | 96.3% | -1,949 | -8.8% | 0.97 | 24.0% |
| 2008 | | 7,628 | 23.2% | 23.2% | 56.1% | 63.4% | 96.3% | 1,696 | -10.4% | 0.87 | 24.0% |
| 2009 | | 7,449 | 50.9% | 50.9% | 56.1% | 91.0% | 96.3% | 266 | -3.1% | 0.84 | 24.0% |
| 2010 | | 6,947 | 35.6% | 35.6% | 56.1% | 75.8% | 96.3% | 963 | -2.1% | 0.82 | 24.0% |
| 2011 | | 7,773 | 78.7% | 78.7% | 56.1% | 118.8% | 96.3% | -1,181 | -1.0% | 0.81 | 24.0% |
| 2012 | | 8,620 | 39.8% | 39.9% | 56.1% | 80.1% | 96.3% | 945 | 3.2% | 0.84 | 24.0% |
| 2013 | | 9,857 | 88.0% | 88.9% | 56.1% | 129.0% | 96.3% | -2,175 | 3.0% | 0.86 | 24.0% |
| 2014 | | 10,829 | 52.9% | 64.5% | 56.1% | 104.7% | 96.3% | -608 | 4.1% | 0.90 | 24.0% |
| 2015 | | 10,393 | 1.9% | 56.5% | 56.1% | 96.7% | 96.3% | -24 | 4.6% | 0.94 | 24.0% |
| Total | | 76,196 | 51.0% | 60.2% | | | | -2,066 | | | |



| APD | 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% | 61.2% | 36.7% | 97.9% | 0 | 1.2% | 1.01 | 24.0% |
| 2006 | | 0 | 0.0% | 0.0% | 61.2% | 36.7% | 97.9% | 0 | -1.0% | 1.00 | 24.0% |
| 2007 | | 1,390 | 92.6% | 92.6% | 61.2% | 129.3% | 97.9% | -290 | -8.4% | 0.92 | 24.0% |
| 2008 | | 1,614 | 60.5% | 60.5% | 61.2% | 97.2% | 97.9% | 8 | -8.1% | 0.84 | 24.0% |
| 2009 | | 1,521 | 74.0% | 74.0% | 61.2% | 110.7% | 97.9% | -129 | -5.5% | 0.80 | 24.0% |
| 2010 | | 1,609 | 53.1% | 53.2% | 61.2% | 89.9% | 97.9% | 86 | -0.8% | 0.79 | 24.0% |
| 2011 | | 1,797 | 97.1% | 97.1% | 61.2% | 133.8% | 97.9% | -429 | -1.8% | 0.78 | 24.0% |
| 2012 | | 1,902 | 89.3% | 89.6% | 61.2% | 126.3% | 97.9% | -359 | 3.0% | 0.80 | 24.0% |
| 2013 | | 2,104 | 76.8% | 77.8% | 61.2% | 114.5% | 97.9% | -232 | 5.8% | 0.85 | 24.0% |
| 2014 | | 2,346 | 66.1% | 78.8% | 61.2% | 115.5% | 97.9% | -274 | 5.4% | 0.89 | 24.0% |
| 2015 | | 2,035 | 4.1% | 74.7% | 61.2% | 111.4% | 97.9% | -182 | 5.8% | 0.94 | 24.0% |
| Total | | 16,317 | 67.0% | 77.8% | | | | -1,801 | | | |



* 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) |
|--------------|-------|-------|---|--|-----------------------------|--|-----------------------------------|----------------------|
| | | | 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% | 62.0% | 72.1% | 15.5% | 1.6% | 71.0% | 73.5% | 17.5% |

Percentile: 62.6%

Expense Ratio calculated as follows:

| | |
|-------------------------|--------------|
| Commission: | 24.0% |
| Prem Tax: | 3.9% |
| Other Acquisition Fees: | 0.9% |
| Direct Expense: | 3.3% |
| Indirect Expense: | 4.5% |
| | <u>36.7%</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

Large Losses - Incurred + Legal > 100k

| PY | DSP | Policy # | Case # | DOL | Insured | Ind Paid | Ind OS | Legal | I+Legal | Acc State | Description |
|------|---------|----------|--------|------------|--------------------|----------|--------|-------|---------|--------------|--------------------------------------|
| 2007 | 2-2-162 | 7321313 | 2097 | 3/1/2008 | Mervis Industries | 17 | 1,000 | 437 | 1,454 | Illinois | Clmt Allegesinsd Sold Defective Hd |
| 2007 | 2-2-166 | 6262966 | 8799 | 12/11/2008 | Suffolk Industrial | 999 | - | 243 | 1,243 | New York | Incident Only Customer Pulling Out |
| 2007 | 2-2-162 | 6262422 | 4050 | 12/18/2007 | Galamba Companies | 970 | - | 132 | 1,102 | Missouri | FX Ankle, LEG And TOE |
| 2007 | 2-2-162 | 6262567 | 2145 | 9/16/2008 | American Iron And | 1,000 | - | 93 | 1,093 | Colorado | Insureds Employees NOT ON Duty A |
| 2007 | 2-2-162 | 6262477 | 5463 | 8/29/2008 | American Auto Salv | 400 | - | 137 | 537 | New Jersey | While Insd WAS Removing Crushed ' |
| 2007 | 2-2-162 | 6262587 | 4806 | 10/30/2007 | M. Lipsitz & Compa | 227 | - | 92 | 319 | Texas | Clmt Indicates HE GOT Tangled In \ |
| 2007 | 2-2-166 | 9274805 | 128 | 9/1/2007 | Wilkinson Gary Iro | (3) | 0 | 304 | 301 | Texas | Alleged AIR Pollution From Scrap M |
| 2007 | 2-2-162 | 6264086 | 4933 | 9/17/2008 | A. Tenenbaum Compa | 185 | - | 29 | 214 | Arkansas | Employee Of Stewart Electric In Joi |
| 2007 | 2-2-162 | 6262587 | 3959 | 12/10/2007 | M. Lipsitz & Compa | 200 | - | 11 | 211 | Texas | Clmt Alleges HE Slipped ON Fluid T |
| 2007 | 2-2-162 | 6262567 | 5554 | 6/16/2008 | American Iron And | - | - | 132 | 132 | Colorado | Insureds Employee NOT ON Duty AT |
| 2007 | 2-2-166 | 6263785 | 9553 | 8/21/2008 | P&T Metals Inc. | 64 | - | 57 | 121 | California | Claimant Suffered Amputation Of 2 |
| 2007 | 2-2-166 | 6262860 | 1782 | 3/3/2008 | Davis Brothers Scr | 83 | - | 28 | 111 | Pennsylvania | Employee Walked Into Ladder |
| 2008 | 2-2-162 | 6262500 | 1304 | 11/3/2008 | The Yaffe Companie | 983 | - | 150 | 1,132 | Oklahoma | Wrongful Death Of Temporary EE |
| 2008 | 2-2-166 | 9273120 | 498 | 8/7/2008 | ALL American Recyc | 1,000 | - | 95 | 1,095 | New Jersey | Clmts ARM Severed |
| 2008 | 2-2-162 | 9274214 | 1700 | 8/1/2008 | Western Scrap Inc | - | - | 603 | 603 | California | Mercury Spill Caused Damage |
| 2008 | 2-2-166 | 6264110 | 9025 | 12/23/2008 | Frank J. O'Brocta | 150 | - | 31 | 181 | New York | Clmt Slipped And Fell ON ICE In Ins |
| 2008 | 2-2-162 | 7321313 | 1911 | 9/14/2009 | Mervis Industries | 129 | - | 32 | 161 | Illinois | Clmt WAS Struck ON ARM By Crane |
| 2008 | 2-2-162 | 9658071 | 8518 | 6/17/2009 | Gershow Recycling | 74 | - | 52 | 126 | New York | Clmt Sustained Injuries AS A Result |
| 2008 | 2-2-162 | 3832803 | 7452 | 6/11/2008 | Recycle West Virgi | 85 | - | 25 | 110 | Virginia | Clmt Sitting In VEH Parked AT Load |
| 2009 | 2-2-166 | 6262659 | 9036 | 7/10/2009 | ALL State Paper & | 383 | - | 133 | 515 | California | Ins Forklift Driver Dropped Steel Be |
| 2009 | 2-2-166 | 9793062 | 7127 | 12/30/2009 | MAX B. Mullins Sal | 300 | - | 54 | 354 | Illinois | Alton Location Caught Fire When El |
| 2009 | 2-2-166 | 9199430 | 4650 | 10/26/2009 | Accurate Recycling | 225 | - | 27 | 252 | Pennsylvania | Clmt Alleges That SHE CUT Herself |
| 2009 | 2-2-166 | 9660289 | 5466 | 11/18/2009 | Renu Recycling, IN | 225 | - | 27 | 252 | Michigan | Fatality Clmt WAS Electrocuted |
| 2009 | 2-2-166 | 6264174 | 7019 | 11/5/2010 | The Sutta Company | 114 | 0 | 76 | 190 | California | Driver From ONE Of Insureds Custor |
| 2009 | 2-2-166 | 6263785 | 992 | 9/13/2010 | P&T Metals Inc. | 68 | - | 92 | 160 | California | Clmt Slipped And Fell ON Insd Prerr |
| 2009 | 2-2-162 | 6262523 | 2358 | 2/24/2010 | Tzeng Long USA, IN | 100 | - | 22 | 122 | California | Clmt WAS Struck By A Load Of Com |
| 2009 | 2-2-166 | 7321206 | 509 | 8/7/2009 | Arrotin Plastic MA | 53 | - | 53 | 106 | California | The Contamination Caused A Cloud |
| 2009 | 2-2-166 | 9660289 | 8942 | 12/31/2009 | Renu Recycling, IN | 40 | - | 61 | 101 | Michigan | Clmt Alleges Insured Caused Fire W |
| 2010 | 2-2-166 | 9273906 | 2093 | 2/3/2011 | Towanda Iron & Met | 900 | - | 21 | 921 | Pennsylvania | Insureds Employee Unloading A Cus |
| 2010 | 2-2-162 | 6477680 | 4252 | 5/19/2010 | Cozzi / O'Brien Re | 800 | - | 79 | 879 | Illinois | Loose Wire Strap From Bale Of For |
| 2010 | 2-2-162 | 6263508 | 4007 | 6/7/2011 | Midland Davis Corp | (1) | 550 | 50 | 599 | Illinois | Clamant WAS Injured While Assistir |
| 2010 | 2-2-166 | 9199430 | 6451 | 10/6/2010 | Accurate Recycling | 400 | - | 115 | 515 | Pennsylvania | Clmt WAS Operating A Bailing Mach |
| 2010 | 2-2-162 | 6263966 | 1453 | 4/2/2011 | Bloom Recyclers, L | - | 100 | 222 | 322 | Utah | Claimant WAS Struck By A Piece Of |
| 2010 | 2-2-166 | 5849492 | 5466 | 12/12/2010 | RTS Shearing LLC | 268 | - | 26 | 293 | North Dakota | After Insured Removed Scrap AN El |
| 2010 | 2-2-166 | 6477779 | 697 | 3/26/2011 | Richard S Burns & | 230 | - | 46 | 276 | Pennsylvania | Clmt Darien Watson Alleges Slip An |
| 2010 | 2-2-166 | 6262702 | 6467 | 10/13/2010 | Wilkinson JIM Iron | 175 | - | 45 | 220 | Texas | Claimant Claims Flying Metal Objec |
| 2010 | 2-2-162 | 6263891 | 776 | 8/31/2011 | Gulf Coast Metals | 164 | 6 | 19 | 189 | Florida | Alleged Contamination Of Chloride |
| 2010 | 2-2-166 | 6262793 | 7750 | 7/29/2011 | Newell Recycling O | 75 | - | 77 | 152 | Texas | Claimant Alleges HE WAS Injured W |
| 2010 | 2-2-166 | 9273352 | 3758 | 5/26/2011 | Angelus Western PA | - | 75 | 26 | 101 | California | Claimant Alleges Injury Resulting W |
| 2011 | 2-2-162 | 5849367 | 6470 | 6/5/2012 | H & H Iron & Metal | 1,000 | - | 46 | 1,046 | Texas | Clmt WAS Working With A Crew,Frc |
| 2011 | 2-2-166 | 7562231 | 4260 | 6/7/2011 | Recycling Technolo | 675 | - | 123 | 798 | Nevada | Customer WAS In Wrong Area And F |
| 2011 | 2-2-162 | 6478959 | 8727 | 9/12/2011 | Louisiana Scrap ME | 633 | - | 44 | 677 | Louisiana | Clmt WAS Walking Behind Forklift T |
| 2011 | 2-2-162 | 6262500 | 8550 | 1/24/2012 | The Yaffe Companie | 565 | - | 54 | 619 | Kansas | Cutting A Large Piece Of Asphalt Rc |
| 2011 | 2-2-166 | 6477899 | 6204 | 3/2/2012 | Secured Fibres Kau | 252 | 60 | 272 | 584 | Nevada | DUE To A Fire Located AT The Insur |
| 2011 | 2-2-166 | 6477779 | 1075 | 5/22/2012 | Richard S Burns & | 300 | - | 91 | 391 | Pennsylvania | Clmt John Henrich Alleges Slip And |
| 2011 | 2-2-162 | 6263478 | 4074 | 6/6/2011 | United Milwaukee S | 330 | - | 12 | 342 | Wisconsin | Building Caught Fire |
| 2011 | 2-2-166 | 6262702 | 2221 | 12/5/2011 | Wilkinson JIM Iron | 175 | - | 39 | 214 | Texas | Claimant Alleges Burn Injury To Fac |
| 2011 | 2-2-162 | 9349792 | 4011 | 1/17/2012 | Full Circle Recycl | 190 | - | 22 | 212 | Pennsylvania | A Customer Of The Insd WAS Backi |
| 2011 | 2-2-162 | 2849499 | 5876 | 3/3/2012 | Parberry's, Inc. S | 165 | - | 1 | 166 | Washington | Clmt Alleges HE Fell Outside Of Ins |
| 2011 | 2-2-162 | 6478959 | 8590 | 4/28/2011 | Louisiana Scrap ME | 79 | - | 86 | 165 | Louisiana | PD GL |
| 2011 | 2-2-166 | 2853051 | 698 | 6/17/2012 | Reserve Alloys, LL | - | 100 | 21 | 121 | Ohio | Clmt Darrell Hornyak Employee Of |
| 2011 | 2-2-166 | 7561150 | 8085 | 4/6/2011 | Midwest Shredding | 110 | - | 1 | 111 | Missouri | Insureds Forklift Operator Backed C |
| 2011 | 2-2-162 | 9349757 | 6786 | 8/1/2011 | Rocky Mountain Rec | 83 | - | 19 | 101 | Colorado | Claimant Alleges HE WAS Injured W |
| 2012 | 2-2-162 | 7560516 | 9134 | 12/5/2012 | Southern Scrap Iro | 10 | 180 | 15 | 205 | Missouri | Claimant FEL INA Steel PIT Trying T |
| 2012 | 2-2-162 | 6142267 | 998 | 5/9/2013 | Arsham Metal Indus | 35 | 105 | 8 | 148 | Georgia | Shipment WAS Rejected DUE To Hiq |
| 2012 | 2-2-166 | 6479384 | 7426 | 5/1/2012 | Evergreen Recyclin | - | 75 | 39 | 114 | New Jersey | Claimant WAS Injured When HE Ste |
| 2012 | 2-2-162 | 6263478 | 9740 | 2/6/2013 | United Milwaukee S | - | - | - | - | Wisconsin | DJ Expenses / Alleged PCB Contami |
| 2013 | 2-2-166 | 9659799 | 4148 | 10/11/2013 | Viking Recycling I | 205 | - | 23 | 228 | Florida | Claimant Alleges Personal Injuries \ |
| 2013 | 2-2-166 | 3592813 | 2607 | 8/8/2013 | Socal Recycling IN | 10 | 150 | 7 | 167 | California | AN Accident Occurred When A Gate |
| 2014 | 2-2-166 | 6477350 | 447 | 7/14/2014 | JAY BEN Scrap Meta | 10 | 125 | 2 | 137 | Illinois | Claimant WAS Injured When A Fork |
| 2014 | 2-2-166 | 9389806 | 1973 | 7/12/2014 | Number ONE Recycli | 100 | - | 1 | 101 | California | A/C Units Were Damaged During Tr |

AL

Rate Need Indications

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|--------------|-----------------------------|----------------------|---|--|-----------------------------|--|-----------------------------------|----------------------|
| | Target Combined Ratio | Target ILAE Ratio | 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: | 97.7% | 61.1% | 68.3% | 11.3% | 5.1% | 65.0% | 67.6% | 10.2% |

Expense Ratio calculated as follows:

| | |
|-------------------------|--------------|
| Commission: | 24.0% |
| Prem Tax: | 3.9% |
| Other Acquisition Fees: | 0.9% |
| Direct Expense: | 3.3% |
| Indirect Expense: | 4.5% |
| | <u>36.7%</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

AL

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 | 4.0% Trend to PY 2015 | On-Level Ultimate ILAE Ratio | Ultimate ILAE Ratio | 3.5% Trend to PY 2015 | On-Level Ultimate ILAE Ratio | Ultimate ILAE Ratio | 3.0% Trend to PY 2015 | On-Level Ultimate ILAE Ratio |
| 2005 | 0 | 1.2% | 1.012 | - | - | 1.480 | - | - | 1.411 | - | - | 1.344 | - |
| 2006 | 0 | -1.0% | 1.002 | - | - | 1.423 | - | - | 1.363 | - | - | 1.305 | - |
| 2007 | 9,619 | -8.4% | 0.918 | 11,054 | 68.4% | 1.369 | 81.5% | 42.4% | 1.317 | 48.6% | 33.2% | 1.267 | 36.6% |
| 2008 | 10,458 | -8.1% | 0.843 | 13,077 | 75.5% | 1.316 | 79.4% | 48.2% | 1.272 | 49.1% | 34.8% | 1.230 | 34.3% |
| 2009 | 9,574 | -5.5% | 0.797 | 12,668 | 45.6% | 1.265 | 43.6% | 38.9% | 1.229 | 36.1% | 32.7% | 1.194 | 29.5% |
| 2010 | 9,745 | -0.8% | 0.791 | 12,999 | 51.2% | 1.217 | 46.7% | 48.9% | 1.188 | 43.5% | 37.5% | 1.159 | 32.6% |
| 2011 | 11,450 | 0.4% | 0.794 | 15,212 | 81.0% | 1.170 | 71.3% | 53.9% | 1.148 | 46.5% | 42.1% | 1.126 | 35.7% |
| 2012 | 11,484 | 7.4% | 0.853 | 14,206 | 79.2% | 1.125 | 72.0% | 54.0% | 1.109 | 48.4% | 42.8% | 1.093 | 37.8% |
| 2013 | 12,907 | 9.8% | 0.936 | 14,546 | 67.0% | 1.082 | 64.3% | 47.3% | 1.071 | 45.0% | 36.3% | 1.061 | 34.2% |
| 2014 | 13,447 | 7.2% | 1.003 | 14,138 | 64.6% | 1.040 | 63.9% | 45.7% | 1.035 | 45.0% | 35.9% | 1.030 | 35.2% |
| 2015 | 13,773 | 5.1% | 1.055 | 13,773 | 65.9% | 1.000 | 65.9% | 46.0% | 1.000 | 46.0% | 34.1% | 1.000 | 34.1% |
| | | 0.0% | 1.055 | | | | | | | | | | |
| | | | | All Yr Wtd: | | | 65.4% | | | 45.4% | | | 34.5% |
| | | | | Last 7 Wtd: | | | 61.6% | | | 44.5% | | | 34.3% |
| | | | | Last 5 Wtd: | | | 67.5% | | | 46.2% | | | 35.4% |
| | | | | Last 3 Wtd: | | | 64.7% | | | 45.3% | | | 34.5% |
| | | | | Selected Ultimate: | | | 65.0% | | | 45.0% | | | 35.0% |
| | | | | ILF: | | | 1.00 | | | 1.40 | | | 1.85 |
| | | | | Policy Limits Ultimate: | | | 65.0% | | | 63.0% | | | 64.8% |
| | | | | Weight: | | | 58% | | | 21% | | | 21% |

* Averages Include PY 2015

| | |
|--------------------------------|-------|
| Frequency/Severity Indication: | 63.3% |
| Weighted Average: | 64.5% |
| PY 2015 Selected: | 64.0% |
| Adjustment: | 0.0% |
| PY 2015: | 64.0% |
| ULE: | 1.0% |
| Claims Fees: | 0.0% |
| PY 2015 Ultimate ILAE Ratio: | 65.0% |

AL

Large Losses - Incurred + Legal > 250k

| PY | DSP | Policy # | Case # | DOL | Insured | Ind Paid | Ind OS | Legal | I+Legal | Acc State | Description |
|-------------|----------------|----------------|------------|-----------------|---------------------------|----------|--------------|-------|--------------|------------------|---|
| 2007 | 2-2-162 | 6269857 | 5778 | 11/28/2007 | Sprint Recycling, | 1,005 | - | 82 | 1,086 | New York | Clmt Made Left Turn Into Ins Vehicl |
| 2007 | 2-2-162 | 6269544 | 7456 | 6/10/2008 | American Auto Salv | 1,019 | - | 56 | 1,074 | New Jersey | IV Rear Ended CV And Then HIT A T |
| 2007 | 2-2-162 | 9348595 | 496 | 7/28/2008 | Kalamazoo Metal Re | 915 | - | 46 | 961 | Michigan | IV Failed To Yield Struck CV |
| 2007 | 2-2-162 | 6269857 | 648 | 7/31/2008 | Sprint Recycling, | 295 | - | 39 | 334 | New York | Ins Driver Putting BOX Back Into Plæ |
| 2008 | 2-2-166 | 6269728 | 9403 | 1/8/2009 | Queen City Metals | 985 | - | 109 | 1,094 | Tennessee | IV Rear Ended CV Pushed Into OV T |
| 2008 | 2-2-162 | 6269577 | 7158 | 6/5/2009 | T.A. Predel & Co, | 799 | - | 163 | 962 | New York | Ins Turning Right Bicyclist HIT Ins V |
| 2008 | 2-2-166 | 5847621 | 8929 | 12/29/2008 | RTS Shearing LLC | 804 | - | 48 | 852 | North Dakota | Fatality Details Unknown |
| 2008 | 2-2-162 | 6269785 | 517 | 8/11/2009 | WM Miller Scrap IR | 608 | - | 5 | 614 | Minnesota | IV Struck Motorcyclist While Making |
| 2008 | 2-2-162 | 5847787 | 7017 | 4/1/2009 | Gerhow Recycling C | 415 | - | 67 | 482 | New York | Insd Vehicle Struck Clmt Vehicle In: |
| 2009 | 2-2-162 | 6269602 | 6120 | 6/23/2010 | Cherry City Metals | 747 | - | 54 | 801 | Oregon | Ins VEH Turned Over And Collided I |
| 2009 | 2-2-162 | 6269684 | 462 | 9/9/2010 | Prime Materials Re | 190 | - | 79 | 269 | Connecticut | IV Making RT Turn OFF Bridge Collie |
| 2010 | 2-2-98 | 5050739 | 6867 | 8/2/2011 | Reliable Waste Man | 255 | 78 | 12 | 345 | Ontario | Insured Vehicle Made A Left Turn W |
| 2010 | 2-2-166 | 9348573 | 583 | 8/11/2011 | Basin Haulage, Inc | 238 | - | 34 | 272 | New York | IV Struck Clmt While ON HIS Motorc |
| 2011 | 2-2-166 | 9655646 | 7939 | 8/29/2011 | Texas Scrap & Salv | 950 | - | 193 | 1,143 | Texas | Axle Broke ON Truck 2 Tires Bounce |
| 2011 | 2-2-162 | 6269544 | 2182 | 5/9/2011 | American Auto Salv | 901 | - | 9 | 910 | New Jersey | IV Struck A Bridge DUE To Leaving |
| 2011 | 2-2-166 | 9348493 | 5177 | 2/16/2012 | Palm Springs Recyc | 557 | - | 18 | 575 | California | OVD Passed OUT And Clipped City E |
| 2011 | 2-2-162 | 9045892 | 1279 | 11/2/2011 | CRS Holding Of Ame | 266 | - | 6 | 273 | North Carolina | IV Struck CV |
| 2011 | 2-2-166 | 6269639 | 5305 | 6/29/2011 | Irving Rubber & ME | - | 200 | 50 | 250 | New York | IV Backing UP Towards Corner Whe |
| 2012 | 2-2-166 | 6269955 | 8930 | 2/11/2013 | Western Pacific PU | (2) | 1,000 | 244 | 1,242 | California | Insured Vehicle HIT A Signal Light A |
| 2012 | 2-2-166 | 9349025 | 2623 | 8/20/2012 | Accurate Recycling | - | 1,000 | 131 | 1,131 | Pennsylvania | Insured VEH Struck Pedestrain |
| 2012 | 2-2-166 | 9048361 | 343 | 7/3/2013 | Wright's Auto Part | - | 1,000 | - | 1,000 | Tennessee | Drake Struck The Claimant In The |
| 2012 | 2-2-162 | 9046819 | 6683 | 12/1/2012 | Parberry Environme | 282 | - | 34 | 317 | Washington | The Insureds Excavator WAS ON A F |
| 2013 | 2-2-166 | 9046713 | 372 | 3/13/2014 | American Equipment | - | 1,000 | 26 | 1,026 | California | IV Crossed Center Line, Hitting Clm |
| 2013 | 2-2-166 | 6269633 | 554 | 7/16/2014 | Victor Procaccini | - | 1,000 | 10 | 1,010 | Connecticut | Insured Vehicle Struck Pedestrian |
| 2013 | 2-2-166 | 6269790 | 2915 | 8/26/2013 | Suffolk Industrial | - | 400 | 6 | 406 | New York | Property Damage Auto |

Property

Rate Need Indications

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|--------------|-----------------------------|----------------------|---|--|-----------------------------|--|-----------------------------------|----------------------|
| | Target Combined Ratio | Target ILAE Ratio | 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: | 96.3% | 60.0% | 61.6% | 2.5% | 4.6% | 58.9% | 58.9% | -1.8% |

Expense Ratio calculated as follows:

| | |
|-------------------------|--------------|
| Commission: | 24.0% |
| Prem Tax: | 3.9% |
| Other Acquisition Fees: | 0.9% |
| Reinsurance: | 0.0% |
| Direct Expense: | 2.9% |
| Indirect Expense: | 4.5% |
| | <u>36.3%</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 | 0 | 5.6% | 1.056 | - | - | 1.000 | - | - | 1.000 | - | - | 1.000 | - | - | 1.000 | - |
| 2006 | 0 | 0.3% | 1.059 | - | - | 1.000 | - | - | 1.000 | - | - | 1.000 | - | - | 1.000 | - |
| 2007 | 6,700 | -8.8% | 0.966 | 6,526 | 99.3% | 1.000 | 101.9% | 73.6% | 1.000 | 75.5% | 47.1% | 1.000 | 48.4% | 34.4% | 1.000 | 35.3% |
| 2008 | 7,628 | -10.4% | 0.866 | 8,292 | 23.2% | 1.000 | 21.3% | 23.2% | 1.000 | 21.3% | 22.3% | 1.000 | 20.6% | 18.8% | 1.000 | 17.3% |
| 2009 | 7,449 | -3.1% | 0.839 | 8,357 | 50.9% | 1.000 | 45.3% | 50.9% | 1.000 | 45.3% | 41.5% | 1.000 | 37.0% | 31.1% | 1.000 | 27.7% |
| 2010 | 6,947 | -2.1% | 0.821 | 7,962 | 35.6% | 1.000 | 31.1% | 35.6% | 1.000 | 31.1% | 32.6% | 1.000 | 28.5% | 29.1% | 1.000 | 25.4% |
| 2011 | 7,773 | -1.0% | 0.813 | 8,998 | 78.7% | 1.000 | 68.0% | 64.0% | 1.000 | 55.3% | 39.7% | 1.000 | 34.3% | 24.4% | 1.000 | 21.1% |
| 2012 | 8,620 | 3.2% | 0.839 | 9,668 | 39.9% | 1.000 | 35.6% | 39.9% | 1.000 | 35.6% | 37.7% | 1.000 | 33.6% | 31.3% | 1.000 | 27.9% |
| 2013 | 9,857 | 3.0% | 0.864 | 10,736 | 88.9% | 1.000 | 81.6% | 66.3% | 1.000 | 60.9% | 43.0% | 1.000 | 39.5% | 30.6% | 1.000 | 28.1% |
| 2014 | 10,829 | 4.1% | 0.900 | 11,326 | 64.5% | 1.000 | 61.6% | 46.7% | 1.000 | 44.6% | 30.9% | 1.000 | 29.5% | 20.1% | 1.000 | 19.2% |
| 2015 | 10,393 | 4.6% | 0.941 | 10,393 | 56.5% | 1.000 | 56.5% | 47.4% | 1.000 | 47.4% | 36.0% | 1.000 | 36.0% | 25.7% | 1.000 | 25.7% |
| | | 0.0% | 0.941 | | | | | | | | | | | | | |
| | | | All Yr Wtd: | | | | 55.7% | | | 46.1% | | | 33.9% | | | 25.0% |
| | | | Last 7 Wtd: | | | | 55.5% | | | 46.3% | | | 34.1% | | | 24.9% |
| | | | Last 5 Wtd: | | | | 61.0% | | | 48.8% | | | 34.5% | | | 24.4% |
| | | | Last 3 Wtd: | | | | 66.6% | | | 50.9% | | | 34.9% | | | 24.2% |
| | | | Selected Ultimate: | | | | 56.0% | | | 46.0% | | | 34.0% | | | 24.0% |
| | | | ILF: | | | | 1.00 | | | 1.19 | | | 1.56 | | | 2.12 |
| | | | Policy Limits Ultimate: | | | | 56.0% | | | 55.0% | | | 53.1% | | | 50.9% |
| | | | Weight: | | | | 51% | | | 16% | | | 16% | | | 16% |

* Averages include PY 2015

| | |
|---|-------|
| Frequency/Severity Indication: | 55.0% |
| Weighted Average: | 54.5% |
| PY 2015 Selected: | 55.0% |
| Adjustment: | 0.0% |
| PY 2015: | 55.0% |
| All Year Avg Empirical Cat Load: | 2.3% |
| Program Specific AAL Cat Load: | 1.3% |
| Selected Cat Load: | 1.3% |
| Corporate Cat Charge: | 0.0% |
| XOL Loss Cost: | 1.6% |
| 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: | 58.9% |

Property

Large Losses - Incurred + Legal > 100k

| PY | DSP | Cat # | Policy # | Case # | DOL | Insured | Ind Paid | Ind OS | Legal | I+Legal | Acc State | Description |
|------|---------|-------|----------|--------|------------|--------------------|----------|--------|-------|---------|----------------|---|
| 2007 | 2-2-162 | | 6262708 | 2820 | 3/14/2008 | Prime Material Rec | 2,305 | - | 126 | 2,430 | New York | Electrical Fire Occurred Near A Compre |
| 2007 | 2-2-104 | | 9274821 | 7380 | 6/10/2008 | Champion Acquistio | 788 | - | 503 | 1,290 | Arizona | Fire Loss Structure Still Standing DMG |
| 2007 | 2-2-162 | | 6263397 | 8776 | 1/12/2008 | Uniserve LLC | 402 | - | 2 | 404 | Arkansas | Ins Caterpillar Crane Caught Fire |
| 2007 | 2-2-162 | | 6262636 | 4164 | 10/23/2007 | Genesee Scrap & TI | 276 | - | 46 | 322 | New York | Cause Of Fire Unknown |
| 2007 | 2-2-162 | | 6263399 | 1212 | 2/5/2008 | Industrial Service | 283 | - | 14 | 297 | Kentucky | Roof Damage DUE To Storm, Currently LE |
| 2007 | 2-2-166 | | 6264215 | 6795 | 5/30/2008 | Empire Scrap Metal | 143 | - | 5 | 148 | Arizona | Insd Discovered Cashier Adding Line IT |
| 2007 | 2-2-166 | | 6263031 | 5036 | 4/9/2008 | Fort Smith Waste P | 134 | - | 1 | 135 | Arkansas | Various Roofs Damaged DUE To Major HAI |
| 2007 | 2-2-162 | | 6263869 | 2804 | 3/8/2008 | Safe Disposal Syst | 96 | - | 12 | 108 | Pennsylvania | Extensive Damage To Roof From Windstor |
| 2007 | 2-2-104 | | 6263791 | 2315 | 2/18/2008 | State Rubber & Env | 100 | - | 7 | 107 | Texas | Business Interruption Loss DUE To Refi |
| 2007 | 2-2-166 | | 6262591 | 4301 | 10/29/2007 | Safran Metals Inc | 103 | - | 2 | 105 | Illinois | Unknown Broke Into Ins Premises And St |
| 2007 | 2-2-100 | | 6262507 | 2809 | 3/12/2008 | City Fibers Inc CF | 93 | - | 7 | 100 | California | Fire Damage To Tissue Paper/Stock |
| 2008 | 2-2-162 | | 9274706 | 4834 | 10/19/2008 | Golden By Products | 298 | - | 17 | 316 | California | Electrical Short Caused Fire To Start |
| 2008 | 2-2-162 | | 6262570 | 263 | 1/22/2009 | R. Freedman & Son, | 182 | - | 12 | 194 | New York | Water Pipe Broke And Water Pooled In Y |
| 2008 | 2-2-162 | | 6263562 | 8327 | 12/16/2008 | Georgetown Logisti | 125 | - | 5 | 130 | Michigan | Transformer Caused Fire Near Bldg Tota |
| 2009 | 2-2-166 | | 6262589 | 6741 | 12/24/2009 | Federal Internatio | 630 | - | 22 | 652 | Missouri | Information ON Fire To Insd Bldg IS UN |
| 2009 | 2-2-162 | | 9273426 | 8372 | 2/1/2010 | ALL Recycling Inc | 489 | - | 34 | 522 | Colorado | Fire Believed To Have Started In Metal |
| 2009 | 2-2-162 | | 6262707 | 5091 | 4/10/2010 | Rubino Brothers, I | 256 | - | 17 | 272 | Connecticut | Piece Of Steel Caused Damage To Insure |
| 2009 | 2-2-166 | | 3593241 | 823 | 3/20/2010 | Investments IN Act | 196 | - | 43 | 239 | California | Fire OR Lightning |
| 2009 | 2-2-166 | | 9349898 | 2346 | 9/21/2009 | Conigliaro Industr | 194 | - | 35 | 228 | Massachusetts | Fire Started AT Appx 6 20 PM 9 21 09 I |
| 2009 | 2-2-162 | | 6262708 | 1554 | 4/6/2010 | Prime Materials Re | 156 | - | - | 156 | Connecticut | Copper WAS Stolen |
| 2009 | 2-2-164 | | 6262628 | 4820 | 6/4/2010 | Second Street Iron | 105 | - | 1 | 105 | Massachusetts | 1997 Linkbelt 4300 WAS Destroyed When |
| 2010 | 2-2-162 | | 9658251 | 6629 | 8/2/2011 | Ed's Recycling Cen | 450 | - | 8 | 458 | Texas | Machine Over Heated After Being Used O |
| 2010 | 2-2-166 | | 9273983 | 2598 | 10/21/2010 | Global Tire Recycl | 157 | - | 18 | 175 | Florida | Fire AT Plant Fire Investigation IS CU |
| 2010 | 2-2-166 | | 3321555 | 9264 | 10/5/2010 | Glendale Iron & ME | 113 | - | 2 | 116 | Arizona | Damage To Roof |
| 2010 | 2-2-166 | | 7321707 | 2889 | 10/28/2010 | West Coast Recycli | 100 | - | 5 | 105 | California | Insured Employee Using Company Vehicle |
| 2010 | 2-2-166 | | 7321707 | 8891 | 2/11/2010 | West Coast Recycli | 99 | - | 1 | 101 | California | 6 Suspects Gained Entry Into Yard Tied |
| 2011 | 2-2-162 | | 6263791 | 6399 | 3/17/2012 | State Rubber & Env | 1,997 | - | 146 | 2,143 | Texas | Warehouse Of Main Location WAS Burnt D |
| 2011 | 2-2-166 | 1104 | 7321709 | 1607 | 4/27/2011 | Tuscaloosa Iron AN | 945 | - | 50 | 994 | Alabama | Tornado Damage Total Loss To Three BUI |
| 2011 | 2-2-162 | | 6263478 | 3861 | 6/6/2011 | United Milwaukee S | 515 | - | 33 | 548 | Wisconsin | Building Caught Fire |
| 2011 | 2-2-166 | | 6477899 | 5737 | 3/2/2012 | Secured Fibres Kau | 265 | - | 27 | 292 | Nevada | Inventory Department Caught ON Fire |
| 2011 | 2-2-98 | | 5050639 | 6235 | 8/23/2012 | Reliable Waste Man | 273 | - | - | 273 | Misc Foreign | Fire |
| 2011 | 2-2-162 | | 6263712 | 2270 | 8/12/2012 | Ideal Metal & Salv | 256 | - | 13 | 269 | California | Break In Burglars Damaged Insureds BEA |
| 2011 | 2-2-162 | | 6263478 | 1137 | 12/25/2011 | United Milwaukee S | 199 | - | 67 | 266 | Wisconsin | Tenant Caused Damage To Building |
| 2011 | 2-2-166 | | 2853160 | 9520 | 6/3/2012 | Metro East Recycli | 219 | - | 5 | 224 | Missouri | Fire AT Insured Location UNK Cause FIR |
| 2011 | 2-2-162 | 1105 | 3832775 | 7984 | 8/27/2011 | MID-South Metals, | 187 | - | 35 | 222 | North Carolina | Hurricane Irene Warehouse IS Unihabita |
| 2011 | 2-2-162 | | 9659882 | 1130 | 3/25/2011 | Gamtex Industries | 112 | - | - | 112 | Texas | Property In Transit IS Currently Missi |
| 2012 | 2-2-166 | 1209 | 7563372 | 5835 | 10/29/2012 | Galaxy Recycling I | 170 | 470 | 79 | 719 | New Jersey | Wind Blew BOX From Concrete Platform, |
| 2012 | 2-2-162 | 1309 | 3832775 | 8221 | 1/30/2013 | MID-South Metals, | 402 | - | 18 | 421 | North Carolina | Insured HAS Sustained Wind Damage. |
| 2012 | 2-2-166 | 1301 | 7321410 | 1138 | 5/28/2013 | Document Shredding | 258 | - | 13 | 271 | Texas | Hail Damage To Insured Building. |
| 2012 | 2-2-166 | 1209 | 5848151 | 5250 | 10/29/2012 | U.S. Recycling, IN | 194 | - | 14 | 208 | New York | DUE TO Hurricane Sandy The Insured SUS |
| 2012 | 2-2-162 | | 6262566 | 7046 | 10/15/2012 | Jack Engle & Co. S | 200 | - | 6 | 206 | Minnesota | Former Employee Allegedly Stole Insure |
| 2012 | 2-2-166 | | 7562198 | 5758 | 11/9/2012 | Ecocore RIO Grande | 186 | - | 9 | 195 | Texas | Insured Sustained Damages To Equipment |
| 2012 | 2-2-166 | | 3593006 | 7767 | 1/14/2013 | Belmont Fibers Inc | 105 | - | 24 | 130 | California | Insrued Sustained Damages When Part O |
| 2012 | 2-2-162 | | 6479345 | 6397 | 3/3/2012 | BLS Inc DBA Intern | 100 | - | 14 | 114 | Rhode Island | Employee Kenneth Serpagilia HAS Been P |
| 2012 | 2-2-166 | | 9349910 | 250 | 4/30/2013 | Comax Enterprises | 98 | - | 8 | 106 | Illinois | Copper Wiring WAS Stolen OUT Of The BU |
| 2012 | 2-2-162 | | 3832775 | 1719 | 7/27/2012 | MID-South Metals, | 78 | - | 22 | 100 | North Carolina | Employee Brought A JAR Of Mercury Into |
| 2012 | 2-2-166 | | 6481911 | 285 | 3/28/2013 | World Recycling Co | 95 | - | 2 | 98 | Maryland | Vehicle Dumping Paper Inside Insured B |
| 2012 | 2-2-166 | | 9793062 | 4321 | 10/17/2012 | MAX B. Mullins Sal | 94 | - | 4 | 97 | Illinois | Property Stolen From Insured Location |
| 2013 | 2-2-166 | 1403 | 1738879 | 5543 | 1/5/2014 | 938 Crescent AVE L | 1,081 | 1,219 | 105 | 2,405 | Connecticut | Freeze UP Occured AT Premises. |
| 2013 | 2-2-166 | | 7563372 | 6471 | 2/19/2014 | Galaxy Recycling I | 1,032 | 729 | 24 | 1,785 | New Jersey | The Insured 'S Roof Collapsed. |
| 2013 | 2-2-166 | | 6479754 | 301 | 5/3/2013 | Cereal City Recycl | 701 | - | 35 | 736 | Michigan | Massive Fire, Paper Products Outside B |
| 2013 | 2-2-166 | | 2849761 | 5063 | 12/12/2013 | Fort Smith Waste P | 290 | 100 | 13 | 403 | Arkansas | Insured 'S Motor Shorted OUT Causing AN |
| 2013 | 2-2-162 | | 6262523 | 5546 | 1/12/2014 | Tzeng Long USA Inc | 313 | - | 22 | 335 | California | Fire Loss AT The Insured 'S Location. |
| 2013 | 2-2-162 | | 6262903 | 9966 | 6/28/2014 | Millens Metal Recy | 290 | - | 13 | 303 | New York | Insured HAD A Bail Ignited And The MAC |
| 2013 | 2-2-162 | | 9908055 | 8131 | 4/24/2014 | Standard Iron & ME | 234 | - | 18 | 252 | Oklahoma | Insured Sustained A Loss To Industrial |
| 2013 | 2-2-162 | | 6262924 | 5218 | 12/17/2013 | River City Iron & | 194 | - | 12 | 206 | Louisiana | Explosion In Insured Shredder |
| 2013 | 2-2-162 | | 9908079 | 9478 | 6/10/2014 | Canusa Corporation | 132 | - | 13 | 144 | California | Multiple Components Of A Baler Were St |
| 2013 | 2-2-166 | | 7321712 | 4224 | 10/25/2013 | United Metals Llc | 98 | - | 3 | 100 | Idaho | Employees Were Collecting Recycling MO |
| 2014 | 2-2-166 | | 5848153 | 4314 | 11/14/2014 | Certified Document | 2,162 | 508 | 1 | 2,671 | Ohio | Estimated Of Over A Million In Damages |
| 2014 | 2-2-166 | | 7561226 | 6294 | 1/22/2015 | Security Mobile SH | 555 | 100 | 16 | 671 | Louisiana | Building Burned Completely. Inventory |
| 2014 | 2-2-166 | | 6262659 | 9738 | 6/19/2014 | ALL State Paper & | 470 | 59 | 2 | 531 | California | Fire Damaged Insured Inventory And For |
| 2014 | 2-2-166 | | 6481911 | 4603 | 11/25/2014 | World Recycling Co | 216 | 234 | 7 | 457 | Maryland | A Vehicle Struck The Insured 'S Buildin |
| 2014 | 2-2-166 | | 6479384 | 4553 | 11/21/2014 | Evergreen Recyclin | 250 | - | 3 | 253 | New Jersey | Tractor Caught ON Fire. |
| 2014 | 2-2-166 | 1506 | 9199821 | 7330 | 2/22/2015 | National Paper Rec | 44 | 54 | 5 | 103 | New Jersey | Sprinkler Pipe Burst DUE To LOW Temper |
| 2015 | 2-2-162 | 1506 | 6479345 | 7982 | 2/20/2015 | BLS Inc DBA Intern | - | 185 | 0 | 185 | Massachusetts | CAT 68 - Excessive Snow HAS Severly DA |

APD

Rate Need Indications

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|--------------|----------|------------|-------------|-------------|----------|-------------|------------|-----------|
| | | | Before 2015 | Before 2015 | | After 2015 | | |
| | Target | Target | Rate Change | Rate Change | PY 2015 | Rate Change | PY 2016 | PY 2016 |
| | Combined | ILAE Ratio | PY 2015 | PY 2015 | Rate | PY 2015 | Ultimate | Rate Need |
| | Ratio | ILAE Ratio | ILAE Ratio | Rate Need | Achieved | ILAE Ratio | ILAE Ratio | Rate Need |
| RAP Neutral: | 97.9% | 62.2% | 76.1% | 21.2% | 5.8% | 72.0% | 72.0% | 14.9% |

Expense Ratio calculated as follows:

| | |
|-------------------------|--------------|
| Commission: | 24.0% |
| Prem Tax: | 3.9% |
| Other Acquisition Fees: | 0.9% |
| Direct Expense: | 3.5% |
| Indirect Expense: | 3.4% |
| | <u>35.7%</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

APD

Indexing - PY 2015 Ultimate Loss & LAE Selection

| | | | | | Policy Limits | | |
|------|-------|--------------------|--------------------------------|--------------|---------------------|-----------------------|------------------------------|
| PY | GWP | Annual PY Rate Chg | Cumulative PY Rate Chg | On-Level GWP | Ultimate ILAE Ratio | 0.0% Trend to PY 2015 | On-Level Ultimate ILAE Ratio |
| 2005 | 0 | 1.2% | 1.012 | - | - | 1.000 | - |
| 2006 | 0 | -1.0% | 1.002 | - | - | 1.000 | - |
| 2007 | 1,390 | -8.4% | 0.918 | 1,429 | 92.6% | 1.000 | 90.1% |
| 2008 | 1,614 | -8.1% | 0.843 | 1,805 | 60.5% | 1.000 | 54.1% |
| 2009 | 1,521 | -5.5% | 0.797 | 1,800 | 74.0% | 1.000 | 62.5% |
| 2010 | 1,609 | -0.8% | 0.791 | 1,920 | 53.2% | 1.000 | 44.6% |
| 2011 | 1,797 | -1.8% | 0.776 | 2,183 | 97.1% | 1.000 | 79.9% |
| 2012 | 1,902 | 3.0% | 0.800 | 2,244 | 89.6% | 1.000 | 75.9% |
| 2013 | 2,104 | 5.8% | 0.846 | 2,347 | 77.8% | 1.000 | 69.8% |
| 2014 | 2,346 | 5.4% | 0.892 | 2,481 | 78.8% | 1.000 | 74.5% |
| 2015 | 2,035 | 5.8% | 0.943 | 2,035 | 74.7% | 1.000 | 74.7% |
| | | 0.0% | 0.943 | | | | |
| | | | All Yr Wtd: | | | | 69.6% |
| | | | Last 7 Wtd: | | | | 69.5% |
| | | | Last 5 Wtd: | | | | 74.9% |
| | | | Last 3 Wtd: | | | | 72.9% |
| | | | Frequency/Severity Indication: | | | | 70.8% |

* Averages include PY 2015

PY 2015 Selected:

Adjustment:

PY 2015:

ULE: 1.0%

Claims Fees: 0.0%

PY 2015 Ultimate ILAE Ratio: 72.0%

APD

Large Losses - Incurred + Legal > 100k

| PY | DSP | Cat # | Policy # | Case # | DOL | Insured | Ind Paid | Ind OS | Legal | I+Legal | Acc State | Description |
|------|---------|-------|----------|--------|------------|---------------------|----------|--------|-------|---------|-------------|-------------------------------------|
| 2008 | 2-2-162 | | 9348840 | 5289 | 10/28/2008 | Emanuel Tire Compa | 120 | - | 1 | 120 | Maryland | Trailer GOT Flat Tire Caught ON Fir |
| 2008 | 2-2-100 | | 9348774 | 2219 | 9/3/2008 | Niagara Metals Llc | 103 | - | 1 | 104 | New York | While Unloading Load Shifted Causi |
| 2009 | 2-2-162 | | 6269864 | 2553 | 10/20/2010 | CJdml, Inc DBA Stan | 132 | - | 2 | 134 | California | ONE Vehicle Caught ON Fire Which |
| 2011 | 2-2-166 | | 6269328 | 7869 | 8/20/2011 | A M D Recycling IN | 585 | - | 5 | 590 | California | While Arguing With The Passenger T |
| 2011 | 2-2-162 | | 6269544 | 2182 | 5/9/2011 | American Auto Salv | 117 | - | 7 | 125 | New Jersey | IV Struck A Bridge DUE To Leaving T |
| 2011 | 2-2-166 | | 6269955 | 2291 | 5/6/2011 | Western Pacific PU | 122 | - | 1 | 124 | Nevada | Insured Truck Caught ON Fire Unkn |
| 2012 | 2-2-166 | | 9047241 | 9949 | 6/12/2012 | Evergreen Recyclin | 137 | - | 1 | 138 | New Jersey | IV WAS AT Land Fill And IV Filpped |
| 2012 | 2-2-166 | 1209 | 6269029 | 5437 | 10/29/2012 | ALL American Recyc | 117 | - | 1 | 117 | New York | CAT 90 Flood Damage To Insured Hi |
| 2012 | 2-2-162 | | 9046398 | 2985 | 9/4/2012 | Calamari Recycling | 110 | - | 3 | 113 | Connecticut | IV Caught Fire ON Insured Property |
| 2012 | 2-2-166 | | 9048361 | 2472 | 7/3/2013 | Wright's Auto Part | - | 100 | 3 | 103 | Tennessee | Collision |

Excess Liability

Rate Need Indications

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|--------------|-----------------------------|----------------------|---|--|-----------------------------|--|-----------------------------------|----------------------|
| | Target Combined Ratio | Target ILAE Ratio | 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: | 98.8% | 62.5% | 61.3% | -1.9% | 4.5% | 58.6% | 61.6% | -1.5% |

Expense Ratio calculated as follows:

| | |
|-------------------------|--------------|
| Commission: | 24.0% |
| Prem Tax: | 3.9% |
| Other Acquisition Fees: | 0.9% |
| Direct Expense: | 2.9% |
| Indirect Expense: | 4.5% |
| | <u>36.3%</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

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 | 0 | 0.0% | 1.000 | - | - | 1.551 | - | - | 1.486 | - | - | 1.423 | - |
| 2007 | 2,578 | 0.0% | 1.000 | 2,979 | 24.8% | 1.477 | 31.7% | 24.1% | 1.422 | 29.6% | 23.7% | 1.369 | 28.0% |
| 2008 | 3,472 | 0.0% | 1.000 | 4,011 | 0.3% | 1.407 | 0.4% | 0.3% | 1.361 | 0.3% | 0.3% | 1.316 | 0.3% |
| 2009 | 3,166 | 5.0% | 1.050 | 3,484 | 28.7% | 1.340 | 35.0% | 27.2% | 1.302 | 32.1% | 25.6% | 1.265 | 29.4% |
| 2010 | 3,106 | -7.0% | 0.977 | 3,675 | 20.3% | 1.276 | 21.9% | 9.3% | 1.246 | 9.8% | 5.2% | 1.217 | 5.3% |
| 2011 | 3,413 | -2.1% | 0.956 | 4,125 | 27.5% | 1.216 | 27.7% | 12.6% | 1.193 | 12.4% | 7.3% | 1.170 | 7.1% |
| 2012 | 3,620 | 3.2% | 0.987 | 4,240 | 100.0% | 1.158 | 98.8% | 79.5% | 1.141 | 77.5% | 52.2% | 1.125 | 50.1% |
| 2013 | 3,727 | 6.8% | 1.054 | 4,087 | 128.2% | 1.103 | 128.9% | 66.3% | 1.092 | 66.0% | 36.8% | 1.082 | 36.3% |
| 2014 | 4,053 | 4.9% | 1.105 | 4,237 | 55.5% | 1.050 | 55.8% | 33.6% | 1.045 | 33.5% | 22.5% | 1.040 | 22.3% |
| 2015 | 3,551 | 4.5% | 1.155 | 3,551 | 56.0% | 1.000 | 56.0% | 34.1% | 1.000 | 34.1% | 23.1% | 1.000 | 23.1% |
| | | 0.0% | 1.155 | | | | | | | | | | |
| | | | All Yr Wtd: | | | | 52.2% | | | 33.5% | | | 22.5% |
| | | | Last 7 Wtd: | | | | 62.0% | | | 38.7% | | | 25.1% |
| | | | Last 5 Wtd: | | | | 73.9% | | | 45.1% | | | 28.0% |
| | | | Last 3 Wtd: | | | | 81.0% | | | 44.9% | | | 27.4% |
| | | | Selected Ultimate: | | | | 62.0% | | | 38.0% | | | 25.0% |
| | | | ILF: | | | | 1.00 | | | 1.64 | | | 2.42 |
| | | | Capped @ \$10M Ultimate: | | | | 62.0% | | | 62.3% | | | 60.4% |
| | | | | | | | 26% | | | 37% | | | 37% |

* Averages include PY 2015

| | |
|---|-------|
| Frequency/Severity Indication: | 57.0% |
| Weighted Average: | 61.5% |
| PY 2015 Selected - Capped @ \$10M: | 61.0% |
| Adjustment: | 0.0% |
| PY 2015 - Capped @ \$10M: | 61.0% |
| ILF: | 1.003 |
| Catastrophe/Latency Load: | 5.0% |
| ULE: | 1.0% |
| PY 2015 Ultimate ILAE Ratio: | 67.2% |
| Credibility: | 22% |
| Complement of Credibility: | 56.2% |
| Credibility Weighted PY 2015 Ultimate ILAE Ratio: | 58.6% |

Compliment of Credibility

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

Excess Liability

Large Losses - Incurred + LAE

| PY | DSP | Policy # | Case # | DOL | Insured | Ind Paid | Ind OS | LAE | ILAE | Acc State | Description |
|------|---------|----------|--------|------------|--------------------|----------|--------|-----|-------|----------------|--|
| 2007 | 2-2-163 | 399157 | 5306 | 6/10/2008 | American Auto Salv | 448 | - | 0 | 448 | New Jersey | IV Rear-Ended CV While CV WAS Stopped |
| 2007 | 2-2-163 | 684842 | 2736 | 11/28/2007 | Sprint Recycling, | 100 | - | - | 100 | New York | IV Vehicle Struck Clmt Vehicle While M |
| 2007 | 2-2-163 | 399157 | 8758 | 8/29/2008 | American Auto Salv | - | - | 0 | 0 | New Jersey | EE Removing Crushed Vehicle With Crane |
| 2008 | 2-2-163 | 399188 | 2444 | 6/5/2009 | T.A. Predel & Co, | - | - | 1 | 1 | New York | Insured Making Right Turn Collided W B |
| 2008 | 2-2-163 | 5845451 | 2235 | 10/1/2008 | Atlas Metal & Iron | - | - | 1 | 1 | Illinois | Alleged Disposal Of Hazardous Material |
| 2008 | 2-2-163 | 5845651 | 4431 | 4/1/2009 | Gershow Recycling | - | - | 0 | 0 | New York | IV Struck CV Ins Left Scene Then Stopp |
| 2008 | 2-2-168 | 3593454 | 3776 | 3/10/2008 | Advanced Steel Rec | - | - | 0 | 0 | California | Alleges Mercury Leaked From TOP Of CRY |
| 2008 | 2-2-101 | 6019475 | 1962 | 3/11/2009 | Summit Recycling L | - | - | 0 | 0 | Virginia | Independent Contractor WAS Hauling SCR |
| 2008 | 2-2-101 | 6079931 | 3867 | 9/3/2008 | Niagara Metals Llc | - | - | 0 | 0 | New York | Ins Driver Injured In Auto Accident |
| 2008 | 2-2-163 | 5845651 | 6399 | 6/17/2009 | Gershow Recycling | - | - | 0 | 0 | New York | Clmt Injured In Accident |
| 2009 | 2-2-168 | 7266352 | 4310 | 12/29/2009 | MAX B. Mullins Sal | 650 | - | 7 | 657 | Illinois | Insd EE Started A Fire ON The Clmt PRO |
| 2009 | 2-2-163 | 5845451 | 2243 | 10/1/2009 | Atlas Metal & Iron | - | - | 1 | 1 | Illinois | Alleged Disposal Of Hazardous Material |
| 2009 | 2-2-168 | 407584 | 5418 | 5/30/2009 | Martin Demasco Com | - | - | 0 | 0 | New York | Ins VEH Rear Ended Clmts VEH |
| 2009 | 2-2-168 | 7266352 | 0 | 12/30/2009 | MAX B. Mullins Sal | - | - | 0 | 0 | Illinois | Incident Only Location Caught Fire WHE |
| 2010 | 2-2-168 | 3593461 | 255 | 10/6/2010 | Accurate Recycling | - | - | 3 | 3 | Delaware | Allegedly without warning a part on th |
| 2010 | 2-2-163 | 5845451 | 2236 | 10/1/2010 | Atlas Metal & Iron | - | - | 1 | 1 | Illinois | Alleged Disposal Of Hazardous Material |
| 2010 | 2-2-168 | 794384 | 2005 | 8/11/2011 | Basin Haulage, Inc | - | - | 0 | 0 | New York | CR File RAL 08453A1 IV Struck Claimant |
| 2010 | 2-2-168 | 3593461 | 8421 | 10/6/2010 | Accurate Recycling | - | - | 0 | 0 | Delaware | Claimant WAS Operating A Bailing Machi |
| 2011 | 2-2-163 | 5845451 | 2250 | 10/1/2011 | Atlas Metal & Iron | - | - | 1 | 1 | Illinois | Insured Identified AS Potential Respon |
| 2011 | 2-2-168 | 3593461 | 4070 | 10/21/2011 | Accurate Recycling | - | - | 0 | 0 | Pennsylvania | Intersection Collision / Disputed Liab |
| 2011 | 2-2-163 | 619580 | 2251 | 10/12/2011 | Nathan H. Kelman, | - | - | 0 | 0 | New York | Claimant Alleges IV Struck HIM While H |
| 2011 | 2-2-168 | 2856528 | 1323 | 9/23/2011 | Sunshine Recycling | - | - | 0 | 0 | South Carolina | Claimant WAS Struck By The Collapse Of |
| 2012 | 2-2-168 | 3593461 | 8502 | 8/20/2012 | Accurate Recycling | - | 2,000 | 4 | 2,004 | Pennsylvania | Claimant WAS Struck By Insured Vehicle |
| 2012 | 2-2-163 | 6146636 | 19 | 7/3/2013 | Wright's Auto Part | - | 1,000 | 4 | 1,004 | Tennessee | The Claimant WAS HIT By A 3RD Party In |
| 2012 | 2-2-168 | 5846714 | 9376 | 10/1/2012 | Circosta Iron & ME | - | 0 | 2 | 2 | California | Coverage. Rental Dispute |
| 2012 | 2-2-163 | 407528 | 1016 | 6/6/2013 | Rubino Brothers, I | - | - | 0 | 0 | New York | Insured Backed UP Into Claimant Motorc |
| 2012 | 2-2-163 | 407530 | 8077 | 1/28/2013 | Alderman DOW Iron | - | - | 0 | 0 | Connecticut | Insured Vehicle Struck A Jaywalking PE |
| 2012 | 2-2-168 | 5846701 | 7942 | 1/22/2013 | Resource Center | - | - | 0 | 0 | Illinois | Insured Vehicle Struck A Pedestrian. C |
| 2013 | 2-2-168 | 2857030 | 1422 | 3/13/2014 | American Equipment | - | 4,000 | 5 | 4,005 | California | Insured's driver allegedly crossed ove |
| 2013 | 2-2-163 | 5845451 | 1187 | 9/5/2014 | Atlas Metal & Iron | - | - | 4 | 4 | Colorado | Claimant Alleges Traumatic Death AT ME |
| 2013 | 2-2-168 | 5846102 | 6959 | 3/5/2014 | Liberty Recycling | - | 0 | 2 | 2 | Alabama | Alleged Contamination DUE To Discharge |
| 2014 | 2-2-168 | 6146608 | 8501 | 4/16/2015 | World Recycling Co | - | 7 | - | 7 | California | Alleged acoverage issue for Arbitratio |