

# Memorandum

From: Div 66 Actuarial  
Michael Tranfaglia  
Emily Turek  
Michael Liston

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

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

Date: 04/14/2015

Re: Division 66 - VOS Forest US Profitability Study

---

## I. Executive Summary

### A. Introduction -

The Forest Program provides Commercial Auto, General Liability, Umbrella and Property coverages for risks in the logging and lumbering industry. Coverage is ISO based and written on admitted paper via The New Hampshire Group(National Union for Umbrella). The program is written nationwide excluding New York State.

Last year's analysis resulted in an overall PY 2015 Ultimate Loss Ratio indication of 68.3% which yielded a RAP neutral rate need of 4.6% based on **2014** RAP values.

The year to date rate change for 2015 is **7.8%** in total, varying by LOB.

The targeted rate change for 2015 is **2.0%** in total, varying by LOB.

For purposes of this analysis we have used a 2015 forecasted rate change of **5.3%** in total, varying by LOB.

### B. Summary of Results

IL and LAE evaluated as of: 4<sup>th</sup> Quarter 2014  
Currency Employed: USD

#### Exhibit 1:

Line of Business	Sub-Segment	Policy Year	2015	Projected	RAP			
			Forecasted	Ultimate	Target	RAP Rate	Projected	
			GWP (000)	IL and LAE Ratio*	Combined Ratio*	Combined Ratio	Need	RAP \$ **
GL	N/A	2015	2,749	64.8%	98.2%	98.7%	-0.8%	10
AL	N/A	2015	7,318	67.0%	97.8%	97.6%	0.4%	(12)
Property	N/A	2015	320	43.1%	76.1%	96.1%	-30.4%	43
APD	N/A	2015	1,628	83.0%	113.5%	97.7%	22.6%	(171)
Excess Liability	N/A	2015	1,352	59.7%	92.5%	98.8%	-9.1%	56
<b>TOTAL</b>			<b>13,366</b>	<b>67.2%</b>	<b>98.8%</b>	<b>97.9%</b>	<b>1.2%</b>	<b>(75)</b>

\* Includes PY 2015 rate change achieved

\*\* Assumes a tax rate of 35%

- I. **Discussion of Material Findings-** The results for AL have deteriorated since the latest indication. This is being driven by adverse development on several large losses. Large losses in PY's 12-13 increased from \$1.1M in the previous study to \$3.9M in this year's study. On a prospective, on-leveled basis, this adverse development has been largely offset by positive rate changes over the past 3 years averaging about 10% per year. APD continues to require a significant rate need. GL, Property and XS remain in line with expectations. Per underwritings' request, we broke out the California business (-17% of the book) and estimated the CA PY15 pre-RC ULR to be around +10% higher than non-CA business. The non-renewed Joel Olsen account has had less and less of an impact on the book as we move forward as this account only affected PY's 08-11. This is reflected implicitly through LDF selections.

## 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. 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 forecasted rate change for 2015 will be consistent throughout the remainder of the year. To the extent that the annual rate change does not equal the forecasted rate change, then the results of this report will vary. Besides that, there are no significant limitations/weaknesses with regards to this study outside of standard actuarial caveats that normally apply to projecting future losses. These include, but are not limited to, actual emerged actuarial parameters (LDF's, ILF's, ELR's, trend, etc.) not being in line with selected parameters; miss-coding/inaccurate representation of the data relied upon in this analysis; and future regulatory/judicial changes affecting the frequency/severity of the results.

Data Quality - The data for all lines of business in this analysis is pulled from Sandbox which aggregates the data from CRS. There was an adjustment made for one account, Joel Olsen, because the insured changed its exposure from local hauling to long hauling; when this was discovered the policy was non-renewed. There were no other material adjustments made to the data.

- C. 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 M. Stembridge.

This program is performing well and continues to improve. We continue to push for rate while the market supports it and to diversify away from the west coast. The accounts we do have in the west continue to benefit from fire watch laws instituted by the states. The auto line, specifically the APD needs rate in all states. Our initiative was hampered by rate reductions in a lot of states. We continue to use all available tools to obtain as much as possible along with utilizing LC to improve our risks. I expect this program to continue improving in 2015.

## 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 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 2004 - 2014 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 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 2015

(1) LOB	(2) PY 2015 Forecasted		(3) Before 2015 Rate Change PY 2015 Ultimate ILAE Ratio	RAP Neutral		(6) PY 2015 Rate Forecast	(7) After 2015 Rate Change PY 2015 Ultimate ILAE Ratio
	GWP	Direct		(4) Target Ratio	(5) Before 2015 Rate Change PY 2015 Rate Need		
GL	2,749	3.4%	66.8%	65.4%	2.1%	3.1%	64.8%
AL	7,318	2.9%	70.9%	66.7%	6.0%	5.8%	67.0%
Property	320	2.9%	46.3%	63.2%	-25.6%	7.2%	43.1%
APD	1,628	2.9%	87.4%	67.2%	28.9%	5.3%	83.0%
Excess Liability	1,352	2.8%	63.5%	65.9%	-3.5%	6.4%	59.7%
Total Casualty	11,419	3.0%	69.0%	66.3%	3.9%	5.2%	65.6%
Total Property	1,948	2.9%	80.6%	66.5%	20.3%	5.6%	76.5%
All Lines Combined	13,366	3.0%	70.7%	66.3%	6.3%	5.3%	67.2%

- (1) = Input
- (2) = Exhibit 2
- (3) = (7) \* [1 + (6)]
- (4) = Exhibit 1
- (5) = [(3) + (Direct Expense)] / [(4) + (Direct Expense)] - 1
- (6) = Exhibit 1
- (7) = Exhibit 1

Program Summary by LOB - PY 2016

(1)	(2)	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
LOB	PY 2015 Forecasted GWP				
GL	2,749	3.4%	67.1%	65.4%	2.5%
AL	7,318	2.9%	69.7%	66.7%	4.2%
Property	320	2.9%	43.1%	63.2%	-30.4%
APD	1,628	2.9%	83.0%	67.2%	22.6%
Excess Liability	1,352	2.8%	62.6%	65.9%	-4.8%
Total Casualty	11,419	3.0%	68.2%	66.3%	2.8%
Total Property	1,948	2.9%	76.5%	66.5%	14.3%
All Lines Combined	13,366	3.0%	69.4%	66.3%	4.4%

(1) = Input

(2) = Exhibit 2

(3) = Exhibit 1

(4) = Exhibit 1

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

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
2005	1,683	618	36.7%	643	38.2%	3,120	1,443	46.2%	1,448	46.4%	143	68	47.5%	68	47.5%	811	479	59.1%	479	59.1%
2006	1,286	289	22.5%	306	23.8%	2,811	961	34.2%	969	34.5%	120	2	2.0%	2	1.7%	636	453	71.2%	453	71.2%
2007	983	4,048	411.6%	4,400	447.4%	2,260	1,182	52.3%	1,194	52.8%	120	28	23.3%	28	23.4%	550	266	48.3%	266	48.4%
2008	980	573	58.5%	640	65.3%	2,748	2,525	91.9%	2,593	94.4%	161	255	158.3%	255	158.1%	693	457	66.0%	457	66.0%
2009	851	1,188	139.7%	1,380	162.3%	2,518	1,543	61.3%	1,625	64.5%	281	0	0.0%	0	0.0%	545	581	106.7%	581	106.7%
2010	1,163	1,160	99.7%	1,620	139.2%	3,223	2,013	62.5%	2,254	69.9%	355	609	171.8%	609	171.7%	741	991	133.7%	991	133.7%
2011	1,319	342	25.9%	610	46.2%	3,731	2,489	66.7%	2,869	76.9%	298	5	1.6%	0	0.0%	1,025	1,067	104.1%	1,067	104.1%
2012	1,484	518	34.9%	1,100	74.1%	4,005	3,635	90.8%	4,103	102.4%	305	169	55.5%	170	55.7%	1,094	856	78.2%	857	78.3%
2013	1,921	81	4.2%	1,230	64.0%	5,430	2,436	44.9%	4,331	79.8%	388	142	36.6%	140	36.1%	1,555	1,671	107.5%	1,659	106.7%
2014	2,345	81	3.4%	1,500	64.0%	6,809	508	7.5%	4,615	67.8%	456	2	0.5%	90	19.7%	2,005	1,171	58.4%	1,816	90.6%
2015	2,749	0	0.0%	1,704	62.0%	7,318	0	0.0%	4,830	66.0%	320	0	0.0%	128	40.0%	1,628	0	0.0%	1,335	82.0%

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
2005	262	0	0.0%	0	0.0%	5,065	2,061	40.7%	2,091	41.3%	954	547	57.4%	547	57.3%	6,019	2,609	43.3%	2,638	43.8%
2006	217	0	0.0%	0	0.0%	4,314	1,251	29.0%	1,275	29.6%	756	455	60.2%	455	60.1%	5,070	1,706	33.6%	1,730	34.1%
2007	425	2,000	470.7%	2,000	470.7%	3,669	7,230	197.1%	7,594	207.0%	670	293	43.8%	294	43.9%	4,338	7,523	173.4%	7,888	181.8%
2008	517	0	0.0%	0	0.0%	4,246	3,097	73.0%	3,233	76.2%	854	712	83.4%	712	83.4%	5,100	3,810	74.7%	3,945	77.4%
2009	453	0	0.0%	0	0.0%	3,822	2,732	71.5%	3,005	78.6%	826	581	70.3%	581	70.3%	4,648	3,313	71.3%	3,586	77.2%
2010	556	0	0.0%	200	36.0%	4,942	3,173	64.2%	4,074	82.4%	1,096	1,600	146.1%	1,600	146.0%	6,037	4,774	79.1%	5,674	94.0%
2011	671	0	0.0%	300	44.7%	5,720	2,831	49.5%	3,779	66.1%	1,323	1,072	81.0%	1,067	80.6%	7,044	3,903	55.4%	4,846	68.8%
2012	691	3	0.4%	300	43.4%	6,180	4,155	67.2%	5,503	89.0%	1,400	1,026	73.3%	1,027	73.4%	7,580	5,181	68.3%	6,530	86.1%
2013	908	0	0.0%	500	55.1%	8,259	2,517	30.5%	6,061	73.4%	1,943	1,813	93.3%	1,799	92.6%	10,202	4,330	42.4%	7,860	77.1%
2014	1,243	0	0.0%	700	56.3%	10,397	589	5.7%	6,815	65.5%	2,461	1,173	47.7%	1,906	77.5%	12,858	1,762	13.7%	8,720	67.8%
2015	1,352	0	0.0%	473	35.0%	11,419	0	0.0%	7,007	61.4%	1,948	0	0.0%	1,463	75.1%	13,366	0	0.0%	8,470	63.4%

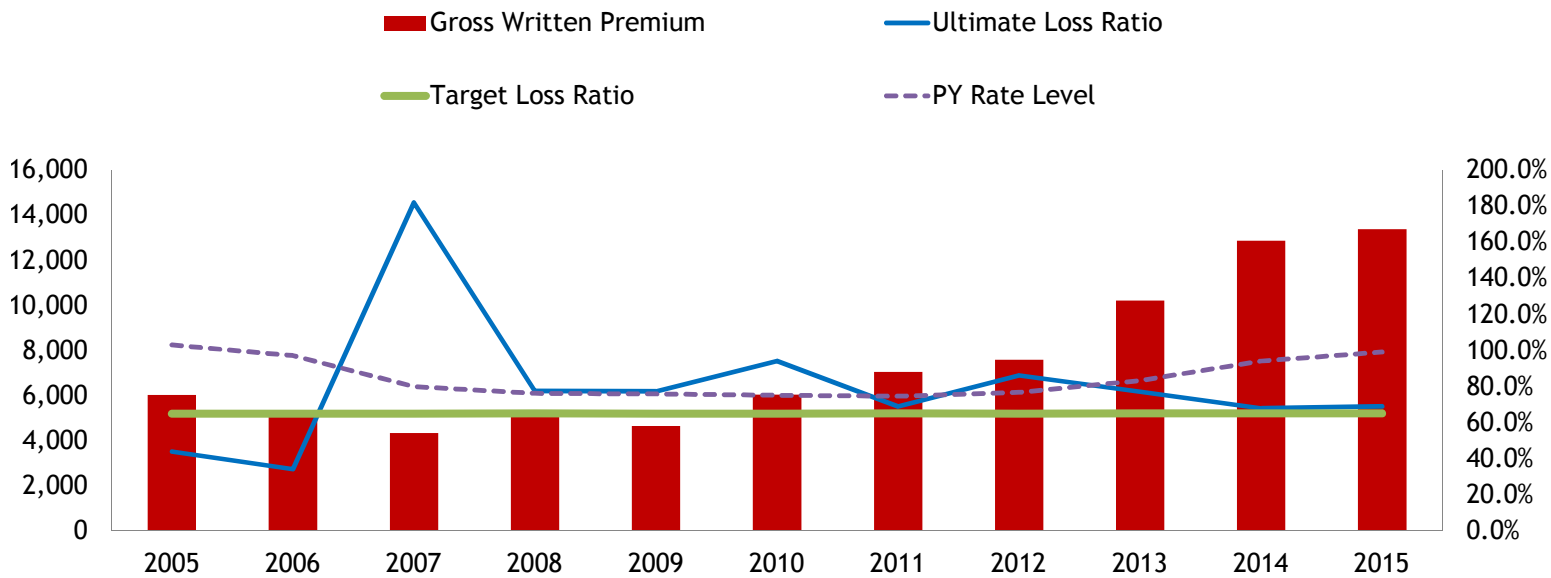
Program Summary by LOB - Prior Profitability Study Indications

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	1,683	79.7%	75.9%	38.2%	3,120	35.1%	35.0%	46.4%	143	2.7%	2.7%	47.5%	811	51.0%	51.1%	59.1%
2006	1,286	41.0%	38.8%	23.8%	2,811	49.4%	49.2%	34.5%	120	48.3%	47.5%	1.7%	636	64.0%	64.1%	71.2%
2007	983	26.7%	24.1%	447.4%	2,260	37.4%	36.8%	52.8%	120	1.7%	1.7%	23.4%	550	75.2%	75.2%	48.4%
2008	980	176.9%	467.7%	65.3%	2,748	58.3%	57.1%	94.4%	161	23.3%	23.4%	158.1%	693	51.3%	51.3%	66.0%
2009	851	90.6%	68.4%	162.3%	2,518	92.7%	89.7%	64.5%	281	116.7%	158.1%	0.0%	545	72.8%	71.3%	106.7%
2010	1,163	60.3%	184.6%	139.2%	3,223	74.9%	72.2%	69.9%	355	0.0%	0.0%	171.7%	741	114.0%	114.3%	133.7%
2011	1,319	61.7%	48.1%	46.2%	3,731	59.2%	80.5%	76.9%	298	175.3%	172.0%	0.0%	1,025	130.9%	140.8%	104.1%
2012	1,484	85.4%	59.1%	74.1%	4,005	62.3%	84.1%	102.4%	305	1.8%	0.0%	55.7%	1,094	119.1%	110.9%	78.3%
2013	1,921	84.1%	62.8%	64.0%	5,430	71.6%	78.4%	79.8%	388	77.7%	55.7%	36.1%	1,555	78.3%	79.5%	106.7%
2014	2,345	74.0%	60.6%	64.0%	6,809	63.0%	70.2%	67.8%	456	66.0%	43.1%	19.7%	2,005	85.0%	95.9%	90.6%
2015	2,749		56.0%	62.0%	7,318		61.0%	66.0%	320		54.0%	40.0%	1,628		82.0%	82.0%

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	262	0.0%	0.0%	0.0%	5,065	48.1%	46.8%	41.3%	954	43.8%	43.9%	57.3%	6,019	47.4%	46.3%	43.8%
2006	217	0.0%	0.0%	0.0%	4,314	44.4%	43.6%	29.6%	756	61.5%	61.4%	60.1%	5,070	47.0%	46.3%	34.1%
2007	425	0.0%	0.0%	470.7%	3,669	30.2%	29.1%	207.0%	670	62.0%	62.1%	43.9%	4,338	35.1%	34.2%	181.8%
2008	517	470.6%	470.7%	0.0%	4,246	135.9%	202.3%	76.2%	854	46.0%	46.0%	83.4%	5,100	120.8%	176.1%	77.4%
2009	453	20.6%	0.0%	0.0%	3,822	83.7%	74.3%	78.6%	826	87.8%	100.9%	70.3%	4,648	84.4%	79.0%	77.2%
2010	556	47.6%	22.1%	36.0%	4,942	68.4%	93.0%	82.4%	1,096	77.1%	77.3%	146.0%	6,037	70.0%	90.2%	94.0%
2011	671	38.3%	36.0%	44.7%	5,720	57.3%	67.8%	66.1%	1,323	140.9%	147.8%	80.6%	7,044	73.0%	82.9%	68.8%
2012	691	50.3%	44.7%	43.4%	6,180	66.5%	73.7%	89.0%	1,400	93.5%	86.7%	73.4%	7,580	71.5%	76.1%	86.1%
2013	908	57.7%	57.8%	55.1%	8,259	73.0%	72.5%	73.4%	1,943	78.2%	74.7%	92.6%	10,202	74.0%	72.9%	77.1%
2014	1,243	64.7%	54.8%	56.3%	10,397	65.7%	66.2%	65.5%	2,461	81.5%	86.1%	77.5%	12,858	68.7%	70.0%	67.8%
2015	1,352		55.0%	35.0%	11,419		59.1%	61.4%	1,948		77.4%	75.1%	13,366		61.8%	63.4%

Total Program Summary

PY	GWP	-----Loss Ratio-----			-----Combined Ratio-----		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	6,019	43.3%	43.8%	64.7%	77.0%	97.9%	835	2.9%	1.03	20.7%
2006	5,070	33.6%	34.1%	64.8%	67.2%	97.9%	1,033	-5.8%	0.97	20.6%
2007	4,338	173.4%	181.8%	64.8%	214.9%	97.9%	-3,368	-17.7%	0.80	20.7%
2008	5,100	74.7%	77.4%	64.9%	110.3%	97.9%	-421	-4.6%	0.76	20.7%
2009	4,648	71.3%	77.2%	64.8%	110.2%	97.8%	-382	-0.4%	0.76	20.7%
2010	6,037	79.1%	94.0%	64.8%	127.0%	97.8%	-1,171	-1.0%	0.75	20.7%
2011	7,044	55.4%	68.8%	64.9%	101.8%	97.9%	-183	-0.9%	0.74	20.6%
2012	7,580	68.3%	86.1%	64.9%	119.1%	97.9%	-1,071	2.9%	0.77	20.7%
2013	10,202	42.4%	77.1%	64.9%	110.0%	97.9%	-822	8.7%	0.83	20.6%
2014	12,858	13.7%	67.8%	64.9%	100.8%	97.9%	-246	13.0%	0.94	20.6%
2015	13,366	0.0%	68.9%	64.9%	101.9%	97.9%	-357	5.3%	0.99	20.7%
Total	82,261	47.3%	76.1%				-6,152			

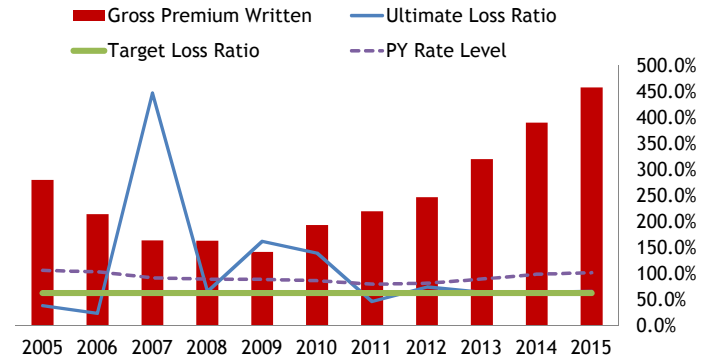


\* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load)  
 \* Ultimate Loss Ratios exclude modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

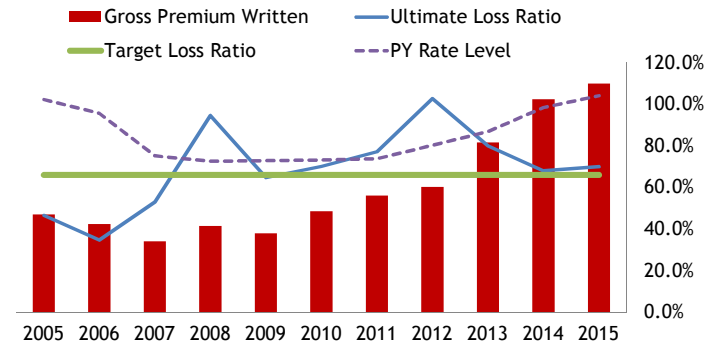


Program Summary by LOB - Casualty Lines

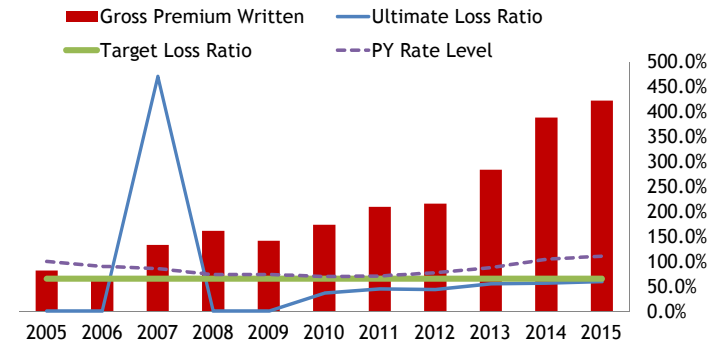
PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	1,683	36.7%	38.2%	62.6%	74.4%	98.7%	270	6.0%	1.06	22.0%
2006	1,286	22.5%	23.8%	62.6%	60.0%	98.7%	328	-1.9%	1.04	22.0%
2007	983	411.6%	447.4%	62.6%	483.6%	98.7%	-2,492	-11.4%	0.92	22.0%
2008	980	58.5%	65.3%	62.6%	101.5%	98.7%	-18	-2.6%	0.90	22.0%
2009	851	139.7%	162.3%	62.6%	198.4%	98.7%	-558	-0.7%	0.89	22.0%
2010	1,163	99.7%	139.2%	62.6%	175.4%	98.7%	-587	-3.1%	0.86	22.0%
2011	1,319	25.9%	46.2%	62.6%	82.4%	98.7%	142	-7.5%	0.80	22.0%
2012	1,484	34.9%	74.1%	62.6%	110.3%	98.7%	-113	2.3%	0.82	22.0%
2013	1,921	4.2%	64.0%	62.6%	100.2%	98.7%	-19	9.6%	0.90	22.0%
2014	2,345	3.4%	64.0%	62.6%	100.1%	98.7%	-22	10.4%	0.99	22.0%
2015	2,749	0.0%	65.5%	62.6%	101.6%	98.7%	-53	3.1%	1.02	22.0%
Total	16,765	53.1%	90.8%				-3,122			



PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	3,120	46.2%	46.4%	65.7%	78.3%	97.6%	402	2.0%	1.02	20.0%
2006	2,811	34.2%	34.5%	65.7%	66.3%	97.6%	585	-6.5%	0.95	20.0%
2007	2,260	52.3%	52.8%	65.7%	84.7%	97.6%	194	-21.4%	0.75	20.0%
2008	2,748	91.9%	94.4%	65.7%	126.2%	97.6%	-524	-3.5%	0.72	20.0%
2009	2,518	61.3%	64.5%	65.7%	96.4%	97.6%	20	0.5%	0.73	20.0%
2010	3,223	62.5%	69.9%	65.7%	101.8%	97.6%	-90	0.4%	0.73	20.0%
2011	3,731	66.7%	76.9%	65.7%	108.8%	97.6%	-277	0.7%	0.74	20.0%
2012	4,005	90.8%	102.4%	65.7%	134.3%	97.6%	-979	8.8%	0.80	20.0%
2013	5,430	44.9%	79.8%	65.7%	111.6%	97.6%	-507	8.4%	0.87	20.0%
2014	6,809	7.5%	67.8%	65.7%	99.6%	97.6%	-92	13.3%	0.98	20.0%
2015	7,318	0.0%	69.7%	65.7%	101.6%	97.6%	-193	5.8%	1.04	20.0%
Total	43,972	42.6%	70.7%				-1,461			



PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	262	0.0%	0.0%	64.9%	33.8%	98.8%	112	0.0%	1.00	22.0%
2006	217	0.0%	0.0%	64.9%	33.8%	98.8%	93	-9.9%	0.90	22.0%
2007	425	470.7%	470.7%	64.9%	504.5%	98.8%	-1,135	-4.9%	0.86	22.0%
2008	517	0.0%	0.0%	64.9%	33.8%	98.8%	221	-14.6%	0.73	22.0%
2009	453	0.0%	0.0%	64.9%	33.8%	98.8%	194	0.8%	0.74	22.0%
2010	556	0.0%	36.0%	64.9%	69.8%	98.8%	106	-5.3%	0.70	22.0%
2011	671	0.0%	44.7%	64.9%	78.6%	98.8%	89	1.3%	0.71	22.0%
2012	691	0.4%	43.4%	64.9%	77.3%	98.8%	98	9.5%	0.78	22.0%
2013	908	0.0%	55.1%	64.9%	88.9%	98.8%	59	12.7%	0.87	22.0%
2014	1,243	0.0%	56.3%	64.9%	90.2%	98.8%	70	19.1%	1.04	22.0%
2015	1,352	0.0%	59.2%	64.9%	93.0%	98.8%	51	6.4%	1.11	22.0%
Total	7,295	27.5%	65.8%				-43			

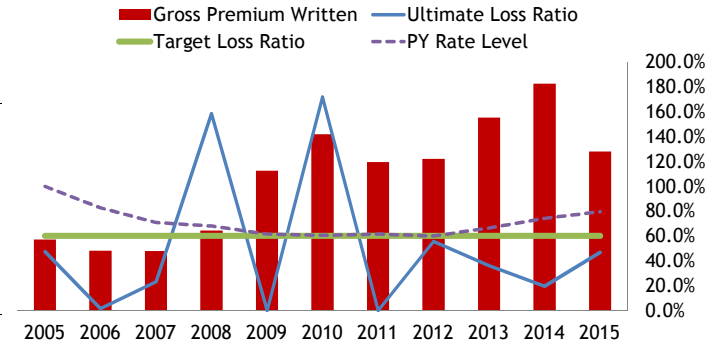


\* Target Ratio = 1 - (Expense Ratio) - (AAL) - (XOL) - (Corporate Cat Reinsurance) - (ULE) - (Claim Fees) - (Risk Load)

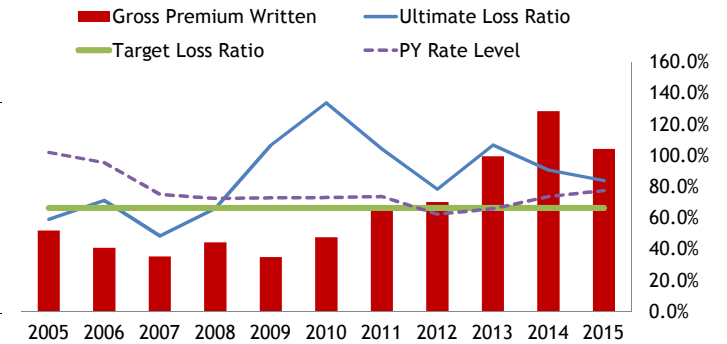
\* Ultimate Loss Ratios exclude modeled cats, ULE, non-machine claims fees and the impact of XOL/corporate cat reinsurance

Program Summary by LOB - Property Lines

PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	143	47.5%	47.5%	60.1%	83.5%	96.1%	12	0.0%	1.00	22.0%
2006	120	2.0%	1.7%	60.1%	37.7%	96.1%	48	-17.4%	0.83	22.0%
2007	120	23.3%	23.4%	60.1%	59.4%	96.1%	30	-14.3%	0.71	22.0%
2008	161	158.3%	158.1%	60.1%	194.2%	96.1%	-107	-3.9%	0.68	22.0%
2009	281	0.0%	0.0%	60.1%	36.1%	96.1%	114	-9.5%	0.61	22.0%
2010	355	171.8%	171.7%	60.1%	207.8%	96.1%	-268	-1.6%	0.61	22.0%
2011	298	1.6%	0.0%	60.1%	36.1%	96.1%	121	1.8%	0.62	22.0%
2012	305	55.5%	55.7%	60.1%	91.7%	96.1%	9	-2.6%	0.60	22.0%
2013	388	36.6%	36.1%	60.1%	72.1%	96.1%	63	10.8%	0.67	22.0%
2014	456	0.5%	19.7%	60.1%	55.8%	96.1%	124	11.3%	0.74	22.0%
2015	320	0.0%	46.9%	60.1%	83.0%	96.1%	28	7.2%	0.79	22.0%
Total	2,948	43.5%	51.3%				175			



PY	GWP	Loss Ratio			Combined Ratio		Normalized RAP Dollars	Rt Chg	Rt Lvl	Commission
		Reported	Ultimate	Target *	Ultimate	BECR				
2005	811	59.1%	59.1%	66.2%	90.6%	97.7%	38	2.0%	1.02	20.0%
2006	636	71.2%	71.2%	66.2%	102.7%	97.7%	-21	-6.5%	0.95	20.0%
2007	550	48.3%	48.4%	66.2%	79.9%	97.7%	65	-21.4%	0.75	20.0%
2008	693	66.0%	66.0%	66.2%	97.5%	97.7%	1	-3.5%	0.72	20.0%
2009	545	106.7%	106.7%	66.2%	138.2%	97.7%	-147	0.5%	0.73	20.0%
2010	741	133.7%	133.7%	66.2%	165.3%	97.7%	-333	0.4%	0.73	20.0%
2011	1,025	104.1%	104.1%	66.2%	135.6%	97.7%	-259	0.7%	0.74	20.0%
2012	1,094	78.2%	78.3%	66.2%	109.8%	97.7%	-88	-15.3%	0.62	20.0%
2013	1,555	107.5%	106.7%	66.2%	138.3%	97.7%	-419	5.8%	0.66	20.0%
2014	2,005	58.4%	90.6%	66.2%	122.1%	97.7%	-326	11.8%	0.74	20.0%
2015	1,628	0.0%	83.8%	66.2%	115.3%	97.7%	-190	5.3%	0.77	20.0%
Total	11,281	70.8%	88.5%				-1,679			



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

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

GL

Rate Need Indications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Target	Target	Before 2015 Rate Change PY 2015 Ultimate ILAE Ratio	Before 2015 Rate Change PY 2015 Rate Need	PY 2015 Rate Forecast	After 2015 Rate Change PY 2015 Ultimate ILAE Ratio	PY 2016 Ultimate ILAE Ratio	PY 2016 Rate Need
RAP Neutral:	98.7%	65.4%	66.8%	2.1%	3.1%	64.8%	67.1%	2.5%

Expense Ratio calculated as follows:

Commission:	22.0%
Prem Tax:	2.7%
Other Acquisition Fees:	1.6%
Direct Expense:	3.4%
Indirect Expense:	3.7%
	<u>33.4%</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 + LAE > 100k

PY	DSP	Policy #	Case #	DOL	Insured	Ind Paid	Ind OS	LAE	ILAE	Acc State	Description
2005	1-6-327	487181	541	9/2/2006	Arens Mechanical H	399	-	46	445	California	46 Acre Operations Fire
2006	1-6-327	7308576	7510	7/25/2006	Floyd J. Lundberg,	86	-	32	117	Oregon	Fire Broke OUT ON Site
2007	1-6-327	7307848	2071	9/3/2007	W.M. Beaty & Assoc	81	-	2,510	2,591	California	Fire ON Timberlands
2007	1-6-327	9271382	9926	8/16/2007	J.M. Browning Logg	1,000	-	178	1,178	Oregon	Lawsuti Copy Of Suit Given To Insd WHO
2007	1-6-327	9271382	1376	8/16/2007	J.M. Browning Logg	-	-	115	115	Oregon	Lawsuit Copy Of Suit Given To Insd WHO
2008	1-6-327	5849245	4227	1/7/2009	DON Zepp Logging F	-	25	223	248	Washington	Lawsuit Clmt Alleges That OUR Insd LOG
2008	1-6-327	964080	5076	9/30/2008	Osborn's Resource	150	-	77	227	California	Clmt Alleges Property Damage By The In
2009	1-6-327	5848923	6461	3/16/2010	Associated Califor	671	-	353	1,025	California	Fatality Insured Driver WAS Driving PE
2009	1-6-327	7307651	110	9/19/2009	Soper Company (See	-	110	28	138	California	Small Fire ON Property
2010	1-6-327	7559707	3007	5/20/2011	Michael L Harvey L	725	-	62	787	South Carolina	Fatality Employee WAS Driving A Skidde
2010	1-6-327	487179	9051	5/10/2011	DAN Arens & SON, I	150	-	59	209	California	Claimant HIT By Someone WHO Alleges HE
2012	1-6-327	6438078	8872	7/31/2013	H/M Logging, Inc	-	200	16	216	California	Claimant WAS Riding AN ATV When IT OVE
2012	1-6-327	3321215	3536	9/19/2012	Martin Fischer Log	-	155	4	159	California	Insured Accidentally Started Fire ON C

AL

Rate Need Indications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Target	Target	Before 2015 Rate Change PY 2015 Ultimate ILAE Ratio	Before 2015 Rate Change PY 2015 Rate Need	PY 2015 Rate Forecast	After 2015 Rate Change PY 2015 Ultimate ILAE Ratio	PY 2016 Ultimate ILAE Ratio	PY 2016 Rate Need
	Combined Ratio	ILAE Ratio	ILAE Ratio	Rate Need	Forecast	ILAE Ratio	ILAE Ratio	Rate Need
RAP Neutral:	97.6%	66.7%	70.9%	6.0%	5.8%	67.0%	69.7%	4.2%

Expense Ratio calculated as follows:

Commission:	20.0%
Prem Tax:	2.7%
Other Acquisition Fees:	1.6%
Direct Expense:	2.9%
Indirect Expense:	3.7%
	<u>30.8%</u>

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

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

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

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

(5) = Input

(6) = Exhibit 3

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

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







AL

Large Losses - Incurred + Legal > 100k

PY	DSP	Policy #	Case #	DOL	Insured	Ind Paid	Ind OS	Legal	I+Legal	Acc State	Description
2005	1-6-327	3980491	6848	7/13/2006	Hayden Enterprises	942	-	50	992	California	IV Pulling OUT Of Driveway When CV COL
2005	1-6-327	7307795	6829	6/27/2006	Franklin Logging,	130	-	43	173	California	IV Rear Ended CV
2006	1-6-327	6341331	7696	7/28/2006	Holt Transportatio	641	-	102	743	California	Head ON Collision OV Driving ON Wrong
2007	1-6-327	410460	8127	7/18/2007	Gary Foglio Trucki	331	-	26	357	Oregon	IV Trailer HIT OV
2007	1-6-327	6263483	8568	5/30/2008	Gene Whitaker, Inc	200	-	49	249	Oregon	CV HIT IV
2008	1-6-327	8998847	1175	8/11/2008	Henarie Trucking,	649	-	113	762	Oregon	IV Trailer Spring HIT CV
2008	1-6-327	5847727	1630	9/1/2009	Gene Whitaker, Inc	483	-	44	527	Oregon	IV Rearended OV Causing Serious Injuri
2008	1-6-327	9655477	2859	7/21/2009	A L R T Corp (See	235	-	183	418	Washington	OV WAS Behind IV And Could NOT Stop In
2008	1-6-327	5849772	9405	7/20/2009	Janicki Logging &	320	-	54	374	Washington	Fatality IV WAS ON The Side Of The RD
2009	1-6-327	9656464	3762	10/19/2009	Greg Petersen Truc	509	-	55	564	Oregon	IV Rearended CV
2009	1-6-327	9655822	1063	8/12/2009	Laws Logging, Inc.	478	-	9	487	South Carolina	IV WAS Changing Lanes And HIT CV
2009	1-6-327	5847981	6185	5/18/2009	Joel Olson Truckin	76	-	62	138	Washington	Clmt AT Stop Light When Light Turned G
2010	1-6-327	9348663	8299	3/16/2010	Lewis Logging	237	-	242	479	California	A Passing ATV Turned Left Into The Ins
2010	1-6-327	5847981	1734	10/4/2010	Joel Olson Truckin	286	-	32	318	Washington	IV Swerved And Struck Side Of Tunnel T
2010	1-6-327	9348663	2468	4/21/2010	Lewis Logging	165	-	77	242	California	IV WAS Pulling OUT Of Parking LOT And
2010	1-6-327	9655870	492	9/6/2010	Wesson's Timber SE	136	-	22	158	Washington	IV T Boned CV ON Left Side
2010	1-6-327	6145048	893	4/12/2011	Krume Logging Co.,	134	-	7	141	Washington	CV Stopped Suddenly And IV Struck CV F
2011	1-6-327	9655722	3560	1/3/2012	Tri-W Logging Comp	600	-	83	683	Arkansas	IV Hauling A Skidder With A Wide Laod
2011	1-6-327	6145027	2466	11/30/2011	Gill Logging, Inc	225	45	26	296	Arkansas	TWO VEH Accident IV IS Totaled And ID
2011	1-6-327	9045540	3121	9/7/2012	VAN Well Timber, L	-	250	8	258	Oregon	Insured Vehicle WAS Struck By Other VE
2011	1-6-327	6143699	5586	7/14/2011	Vinson Brothers Co	176	-	66	242	Oregon	IV Crossed Center Line Causing OV To G
2011	1-6-327	6143382	4318	1/24/2012	Billy Tanner DBA:	134	1	64	199	Alabama	IV Collided With CV While Merging Lane
2011	1-6-327	9046998	2587	8/21/2012	Freeman Contractin	(1)	120	29	148	California	Insured VEH Collided With Clmt VEH AT
2011	1-6-327	9045943	5290	7/8/2011	Jerry Debraie Logg	100	15	15	131	Washington	IV HIT A Bridge Causing Metal From The
2012	1-6-327	9656313	3321	9/13/2012	Mcfarland Trucking	911	-	424	1,335	California	Insured VEH RAN Over Clmt
2012	1-6-327	9046880	9496	8/17/2013	Douglassville Timb	85	915	31	1,031	Texas	IV And Train Collided
2012	1-6-327	9045540	232	6/26/2013	VAN Well Timber LL	-	210	15	225	Oregon	EE Heading To Logging Site With Empty
2012	1-6-327	9047121	3884	1/13/2012	TAR River Thinning	120	-	2	122	North Carolina	IV RAN OFF Road And Overcorrected Caus
2012	1-6-327	9045540	8168	8/2/2013	VAN Well Timber LL	-	90	14	104	Oregon	IV WAS Traveling Under Overpass & The
2013	1-6-327	9048998	9659	8/19/2013	Beeks Trucking	37	963	95	1,095	Oregon	IV And TWO OVS Collided (Circumstances

Property

Rate Need Indications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Target	Target	Before 2015 Rate Change PY 2015 Ultimate ILAE Ratio	Before 2015 Rate Change PY 2015 Rate Need	PY 2015 Rate Forecast	After 2015 Rate Change PY 2015 Ultimate ILAE Ratio	PY 2016 Ultimate ILAE Ratio	PY 2016 Rate Need
RAP Neutral:	96.1%	63.2%	46.3%	-25.6%	7.2%	43.1%	43.1%	-30.4%

Expense Ratio calculated as follows:

Commission:	22.0%
Prem Tax:	2.7%
Other Acquisition Fees:	1.6%
Reinsurance:	0.0%
Direct Expense:	2.9%
Indirect Expense:	3.7%
	32.9%

(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	143	0.0%	1.000	114	47.5%	1.000	59.7%	47.5%	1.000	59.7%	47.5%	1.000	59.7%	47.5%	1.000	59.7%
2006	120	-17.4%	0.826	116	1.7%	1.000	1.7%	1.7%	1.000	1.7%	1.7%	1.000	1.7%	1.7%	1.000	1.7%
2007	120	-14.3%	0.708	135	23.4%	1.000	20.8%	23.4%	1.000	20.8%	23.4%	1.000	20.8%	23.4%	1.000	20.8%
2008	161	-3.9%	0.680	188	158.1%	1.000	135.3%	158.1%	1.000	135.3%	158.1%	1.000	135.3%	137.7%	1.000	117.8%
2009	281	-9.5%	0.615	363	0.0%	1.000	0.0%	0.0%	1.000	0.0%	0.0%	1.000	-	0.0%	1.000	-
2010	355	-1.6%	0.605	466	171.7%	1.000	130.8%	171.7%	1.000	130.8%	171.7%	1.000	130.8%	101.2%	1.000	77.1%
2011	298	1.8%	0.616	385	0.0%	1.000	0.0%	0.0%	1.000	0.0%	0.0%	1.000	-	0.0%	1.000	-
2012	305	-2.6%	0.600	404	55.7%	1.000	42.1%	55.7%	1.000	42.1%	55.7%	1.000	42.1%	32.8%	1.000	24.8%
2013	388	10.8%	0.666	463	36.1%	1.000	30.2%	36.1%	1.000	30.2%	36.1%	1.000	30.2%	36.1%	1.000	30.2%
2014	456	11.3%	0.741	489	19.7%	1.000	18.4%	19.7%	1.000	18.4%	17.5%	1.000	16.4%	13.2%	1.000	12.3%
2015	320	7.2%	0.795	320	46.9%	1.000	46.9%	46.9%	1.000	46.9%	43.8%	1.000	43.8%	31.3%	1.000	31.3%
		0.0%	0.795													
			All Yr Wtd excl 2015:				43.6%			43.6%			43.3%			31.4%
			Last 7 Wtd excl 2015:				45.8%			45.8%			45.5%			31.9%
			Last 5 Wtd excl 2015:				45.7%			45.7%			45.3%			29.9%
			Last 3 Wtd excl 2015:				29.5%			29.5%			28.8%			22.1%
			Selected Ultimate:				43.0%			42.0%			41.0%			30.0%
			ILF:				1.00			1.00			1.05			1.40
			Policy Limits Ultimate:				43.0%			42.0%			43.1%			42.0%
			Weight:				3%			32%			32%			32%

\* Averages exclude PY 2015

Frequency/Severity Indication:	37.8%
Weighted Average:	42.4%
PY 2015 Selected:	40.0%
Adjustment:	0.0%
PY 2015:	40.0%
All Year Avg Empirical Cat Load:	0.0%
Program Specific AAL Cat Load:	0.3%
Selected Cat Load:	0.3%
Corporate Cat Charge:	0.0%
XOL Loss Cost:	0.9%
Indicated XOL Cost:	0.0%
ULE:	1.9%
Claims Fees:	0.0%
PY 2015 Ultimate ILAE Ratio Including AAL Cat Load and Cost of Reinsurance:	43.1%

Property

Large Losses - Incurred + LAE > 100k

PY	DSP	Cat #	Policy #	Case #	DOL	Insured	Ind Paid	Ind OS	LAE	ILAE	Acc State	Description
2008	1-6-327		7321474	8986	12/29/2008	Curl Trucking, Inc	125	-	11	136	Oregon	Weight Of Snow Damaged Insured Buildin
2010	1-6-327		487176	131	3/26/2011	Arens Brothers Ent	230	-	22	252	California	Roof Caved In From Weight Of Snow
2010	1-6-327		2849307	6462	7/30/2011	Richard Brown Logg	196	-	8	204	Florida	Fire To Equipment
2012	1-6-327		7560521	2603	8/18/2012	Shasta Forests Tim	161	-	11	172	California	TWO Buildings Destryed In Fire

APD

Rate Need Indications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Target	Target	Before 2015 Rate Change PY 2015 Ultimate ILAE Ratio	Before 2015 Rate Change PY 2015 Rate Need	PY 2015 Rate Forecast	After 2015 Rate Change PY 2015 Ultimate ILAE Ratio	PY 2016 Ultimate ILAE Ratio	PY 2016 Rate Need
RAP Neutral:	97.7%	67.2%	87.4%	28.9%	5.3%	83.0%	83.0%	22.6%

Expense Ratio calculated as follows:

Commission:	20.0%
Prem Tax:	2.7%
Other Acquisition Fees:	1.6%
Direct Expense:	2.9%
Indirect Expense:	3.4%
	<u>30.5%</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

PY	GWP	Annual PY Rate Chg	Cumulative PY Rate Chg	On-Level GWP
2005	811	2.0%	1.020	616
2006	636	-6.5%	0.954	516
2007	550	-21.4%	0.750	568
2008	693	-3.5%	0.724	741
2009	545	0.5%	0.727	580
2010	741	0.4%	0.730	786
2011	1,025	0.7%	0.735	1,080
2012	1,094	-15.3%	0.622	1,362
2013	1,555	5.8%	0.659	1,829
2014	2,005	11.8%	0.736	2,111
2015	1,628	5.3%	0.775	1,628
		0.0%	0.775	
			All Yr Wtd excl 2015:	
			Last 7 Wtd excl 2015:	
			Last 5 Wtd excl 2015:	
			Last 3 Wtd excl 2015:	
			Frequency/Severity Indication:	

Policy Limits		
Ultimate ILAE Ratio	0.0% Trend to PY 2015	On-Level Ultimate ILAE Ratio
59.1%	1.000	77.8%
71.2%	1.000	87.6%
48.4%	1.000	46.8%
66.0%	1.000	61.6%
106.7%	1.000	100.1%
133.7%	1.000	126.0%
104.1%	1.000	98.8%
78.3%	1.000	62.9%
106.7%	1.000	90.7%
90.6%	1.000	86.0%
83.8%	1.000	83.8%
		84.6%
		87.5%
		89.1%
		81.7%
		82.5%

\* Averages Exclude PY 2015

PY 2015 Selected:

Adjustment:

PY 2015:

ULE: 1.0%

Claims Fees: 0.0%

PY 2015 Ultimate ILAE Ratio: 83.0%

APD

Large Losses - Incurred + Legal > 100k

PY	DSP	Cat #	Policy #	Case #	DOL	Insured	Ind Paid	Ind OS	Legal	I+Legal	Acc State	Description
2010	1-6-327		6145038	9239	9/18/2011	Barry Swanson Truc	167	-	5	172	Washington	IV Caught ON Fire And Burned
2013	1-6-327		9656264	6613	3/24/2014	DON R Hollister TR	114	-	3	117	Washington	Auto - Other ; IV (tractor and trailer
2013	1-6-327		9046632	8075	1/29/2014	Coleman Trucking,	113	-	2	114	Arkansas	IV Trlr Slide In Ditch ON Narrow Dirt
2014	1-6-327		9047440	36	2/4/2015	Taylor Timber Comp	-	100	1	101	North Carolina	Auto - Other : IV was travling E on NC

**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 Forecast	After 2015 Rate Change PY 2015 Ultimate ILAE Ratio	PY 2016 Ultimate ILAE Ratio	PY 2016 Rate Need
RAP Neutral:	98.8%	65.9%	63.5%	-3.5%	6.4%	59.7%	62.6%	-4.8%

Expense Ratio calculated as follows:

Commission:	22.0%
Prem Tax:	2.7%
Other Acquisition Fees:	1.6%
Direct Expense:	2.8%
Indirect Expense:	3.7%
	<u>32.8%</u>

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

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

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

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

(5) = Input

(6) = Exhibit 3

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

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



Excess Liability

Indexing - PY 2015 Ultimate Loss & LAE Selection

PY	GWP	Annual PY Rate Chg	Cumulative PY Rate Chg	On-Level GWP
2005	262	0.0%	1.000	290
2006	217	-9.9%	0.901	267
2007	425	-4.9%	0.857	549
2008	517	-14.6%	0.732	783
2009	453	0.8%	0.738	681
2010	556	-5.3%	0.699	881
2011	671	1.3%	0.708	1,049
2012	691	9.5%	0.776	987
2013	908	12.7%	0.874	1,151
2014	1,243	19.1%	1.041	1,322
2015	1,352	6.4%	1.108	1,352
		0.0%	1.108	
			All Yr Wtd excl 2015:	
			Last 7 Wtd excl 2015:	
			Last 5 Wtd excl 2015:	
			Last 3 Wtd excl 2015:	
			Selected Ultimate:	
			ILF:	
			Capped @ \$10M Ultimate:	

Capped @ \$10M		
Ultimate ILAE Ratio	5.0% Trend to PY 2015	On-Level Ultimate ILAE Ratio
0.0%	1.629	0.0%
0.0%	1.551	0.0%
470.7%	1.477	537.8%
0.0%	1.407	0.0%
0.0%	1.340	0.0%
36.0%	1.276	29.0%
44.7%	1.216	34.8%
43.4%	1.158	35.2%
55.1%	1.103	47.9%
56.3%	1.050	55.6%
59.2%	1.000	59.2%
		65.4%
		32.9%
		41.8%
		47.2%
		50.0%
		1.00
		50.0%

Weight: 12%

Capped @ 2M		
Ultimate ILAE Ratio	4.5% Trend to PY 2015	On-Level Ultimate ILAE Ratio
0.0%	1.553	-
0.0%	1.486	-
470.7%	1.422	517.7%
0.0%	1.361	-
0.0%	1.302	-
18.0%	1.246	14.1%
29.8%	1.193	22.7%
28.9%	1.141	23.1%
33.0%	1.092	28.5%
40.2%	1.045	39.5%
37.0%	1.000	37.0%
		53.8%
		21.0%
		26.7%
		31.2%
		30.0%
		1.62
		48.7%

Weight: 44%

Capped @ 1M		
Ultimate ILAE Ratio	4.0% Trend to PY 2015	On-Level Ultimate ILAE Ratio
0.0%	1.480	-
0.0%	1.423	-
235.3%	1.369	249.1%
0.0%	1.316	-
0.0%	1.265	-
18.0%	1.217	13.8%
14.9%	1.170	11.2%
14.5%	1.125	11.4%
22.0%	1.082	18.8%
24.1%	1.040	23.6%
29.6%	1.000	29.6%
		28.2%
		12.8%
		16.3%
		18.5%
		18.0%
		2.54
		45.7%

Weight: 44%

\* Averages exclude PY 2015

Frequency/Severity Indication: 24.0%

Weighted Average: 47.5%

PY 2015 Selected - Capped @ \$10M: 35.0%

Adjustment: 0.0%

PY 2015 - Capped @ \$10M: 35.0%

ILF: 1.000

Catastrophe/Latency Load: 5.0%

ULE: 1.0%

PY 2015 Ultimate ILAE Ratio: 41.0%

Credibility: 11%

Complement of Credibility: 61.9%

Credibility Weighted PY 2015 Ultimate ILAE Ratio: 59.7%

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	1-6-923	274318	8514	8/16/2007	J.M. Browning Logg	2,000	0	0	2,000	Oregon	Claimant Injured In Logging Accident