Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: n/a	SERFF Tr Num: ARKS-125717364	State: Arkansas
TOI: 09.0 Inland Marine	SERFF Status: Closed	State Tr Num: #104906 $250
Sub-TOI: 09.0005 Other Commercial Inland Marine	Co Tr Num: CM-2008-RLA1	State Status: Fees verified and received
Filing Type: Rate	Co Status:	Reviewer(s): Betty Montesi, Llyweyia Rawlins
	Author:	Disposition Date: 07/01/2008
	Date Submitted: 06/30/2008	Disposition Status: Filed
Effective Date Requested (New): 08/01/2008		Effective Date (New): 08/01/2008
Effective Date Requested (Renewal):		Effective Date (Renewal):

State Filing Description:

Revision of Commercial Inland Marine Loss Costs

General Information

Project Name:	Status of Filing in Domicile:
Project Number:	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 07/01/2008	
State Status Changed: 07/01/2008	Deemer Date:
Corresponding Filing Tracking Number:	

Filing Description:

Company and Contact

Filing Contact Information

NA NA,	NA@NA.com
NA	(123) 555-4567 [Phone]

NA, AR 00000

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, INC.	CoCode: 6	State of Domicile: Arkansas
No Address	Group Code:	Company Type:
City, AR 99999	Group Name:	State ID Number:
(999) 999-9999 ext. [Phone]	FEIN Number: 99-9999999	

Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	
Per Company:	No

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Llyweyia Rawlins	07/01/2008	07/01/2008

Disposition

Disposition Date: 07/01/2008

Effective Date (New): 08/01/2008

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number:	*ARKS-125717364*	*State:*	*Arkansas*
Filing Company:	*00006 - INSURANCE SERVICES OFFICE, INC.*	*State Tracking Number:*	*#104906 $250*
Company Tracking Number:	*CM-2008-RLA1*		
TOI:	*09.0 Inland Marine*	*Sub-TOI:*	*09.0005 Other Commercial Inland Marine*
Product Name:	*n/a*		
Project Name/Number:	*/*		

Item Type	Item Name	Item Status	Public Access
Supporting Document	ARKS-125717364		Yes

Rate Information

Rate data does NOT apply to filing.

Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125717364 07/01/2008

Comments:

Attachments:

ARKS-125717364.pdf
ARKS-125717364-a.pdf
ARKS-125717364-b.pdf
ARKS-125717364-c.pdf
ARKS-125717364-d.pdf

ARKS-125717364

LR

#104906

250.00

2828 E. TRINITY MILLS ROAD SUITE 150 CARROLLTON, TX 75006
TEL: (214) 390-1825 FAX: (214) 390-1975

Kenneth J. Hill, CPCU
Regional Director, Government Relations

~~Approved until withdrawn or revoked~~

JUL 01 2008

Arkansas Insurance Department
By: LK - Filed

June 25, 2008

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

RECEIVED
JUN 30 2008
PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

Attention: William R. Lacy, Director
Property and Casualty Division

RE: Insurance Services Office, Inc.
CM 2008-RLA1
Commercial Inland Marine Loss Cost Level Revision
REFERENCE FILING
State of Arkansas

Dear Mr. Lacy:

We hereby file the enclosed advisory reference document.

ISO does not establish an effective date for Commercial Inland Marine loss costs revisions in Arkansas. Each insurer that elects to utilize this revision is responsible for determining its own effective date and complying with any applicable regulatory requirements. We will distribute this material to our participating insurers and update our electronic deliveries under cover of a Notice bearing a date of August 2008, or the earliest possible subsequent date following your acknowledgement.

Please return an acknowledged copy of this cover letter for our records. An addressed, stamped envelope is enclosed for your convenience. We have also included an additional copy of this letter and envelope; we request that you return it now with a "received" stamp to confirm that you have received the filing.

Very truly yours,

Donald J. Beckel

Donald J. Beckel, CPCU, ARM
Assistant Regional Manager
Government Relations

DJB:dlb
Encl.

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
~~Approved until withdrawn or revoked~~	a. Date the filing is received:	
JUL 01 2008	b. Analyst:	
Arkansas Insurance Department By: LK - Filed	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
	h. Subject Codes	

3.	Group Name	Group NAIC #

4.	Company Name(s)	Domicile	NAIC #	FEIN #	State #
	Insurance Services Office, Inc.	DE		13-3131412	

RECEIVED JUN 30 2008 PROPERTY AND CASUALTY DIVISION ARKANSAS INSURANCE DEPARTMENT

5.	Company Tracking Number	CM-2008-RLA1

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Donald J. Beckel Insurance Services Office, Inc. 2828 E. Trinity Mills Rd., Ste. 150 Carrollton, TX 75006	Asst. Regional Manager	(214) 390-1825 Ext. 224	(214) 390-1975	DBECKEL@iso.com

7.	Signature of authorized filer	Donald Beckel
8.	Please print name of authorized filer	Donald J. Beckel

Filing information (see General Instructions for descriptions of these fields)

9.	**Type of Insurance (TOI)**	09.0 - Inland Marine
10.	**Sub-Type of Insurance (Sub-TOI)**	09.0005
11.	**State Specific Product code(s)(if applicable)[See State Specific Requirements]**	
12.	**Company Program Title** (Marketing title)	N/A
13.	**Filing Type**	☒ Rate/Loss Cost ☐ Rules ☐ Rates/Rules ☐ Forms ☐ Combination Rates/Rules/Forms ☐ Withdrawal ☐ Other (give description)
14.	**Effective Date(s) Requested**	New: 08/01/2008 Renewal:
15.	**Reference Filing?**	☐ Yes ☒ No
16.	**Reference Organization** (if applicable)	Not Applicable
17.	**Reference Organization # & Title**	Not Applicable
18.	**Company's Date of Filing**	6/25/08
19.	**Status of filing in domicile**	☐ Not Filed ☐ Pending ☐ Authorized ☐ Disapproved

2

Property & Casualty Transmittal Document---

20.	This filing transmittal is part of Company Tracking #	CM-2008-RLA1

21.	**Filing Description** [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

Revision of Commercial Inland Marine Loss Costs.

22.	**Filing Fees** (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]

Check #: 104906
Amount: $250.00

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	**This filing transmittal is part of Company Tracking #**	CM-2008-RLA1
2.	**This filing corresponds to form filing number** (Company tracking number of form filing, if applicable)	

☐ Rate Increase ☒ Rate Decrease ☐ Rate Neutral (0%)

3.	**Filing Method (Prior Approval, File & Use, Flex Band, etc.)**	File & Use

4a. Rate Change by Company (As Proposed)

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Insurance Services Office, Inc.	-34.2%	-24.1%	N/A	N/A	N/A	-4.5%	-25.0%

4b. Rate Change by Company (As Accepted) For State Use Only

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5. Overall Rate Information (Complete for Multiple Company Filings only)

		COMPANY USE	STATE USE
5a.	**Overall percentage rate indication (when applicable)**	N/A	
5b.	**Overall percentage rate impact for this filing**	N/A	
5c.	**Effect of Rate Filing – Written premium change for this program**	N/A	
5d.	**Effect of Rate Filing – Number of policyholders affected**	N/A	

6.	**Overall percentage of last rate revision**	-2.2%
7.	**Effective Date of last rate revision**	08/01/2006
8.	**Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)**	File & Use

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	IM-MLC-1	☐ New ☒ Replacement ☐ Withdrawn	
02	IM-MLC-2	☐ New ☒ Replacement ☐ Withdrawn	
03	IM-MLC-4	☐ New ☒ Replacement ☐ Withdrawn	

RATE/RULE FILING SCHEDULE *(cont.)*

State: ARKANSAS **Company Tracking #:** CM-2006-RLA1 **Page** 2 **of** 2

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
04	IM-MLC-5	☐ New ☒ Replacement ☐ Withdrawn	
		☐ New ☐ Replacement ☐ Withdrawn	
		☐ New ☐ Replacement ☐ Withdrawn	
		☐ New ☐ Replacement ☐ Withdrawn	
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		☐ New ☐ Replacement ☐ Withdrawn	

ARKANSAS

ADVISORY PROSPECTIVE LOSS COST LEVEL REVIEW

COMMERCIAL INLAND MARINE INSURANCE
FILING CM-2008-RLA1

EXECUTIVE SUMMARY

PURPOSE

This document:

- revises advisory prospective loss costs for Commercial Inland Marine coverages. These loss costs represent a -24.1% experience level change from the current loss costs.
- provides the analyses used to derive these advisory loss costs.

DEFINITION OF THE ISO ADVISORY PROSPECTIVE LOSS COST

Advisory prospective loss costs in this document are that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit, and are based on historical aggregate losses and loss adjustment expenses projected through trending to a future point in time.

LOSS COST LEVEL CHANGES

The advisory loss cost level changes are:

Class	Indicated	Selected
Cameras and Musical Instruments	-39.9%	-25.0%
Camera Dealers and Musical Instrument Dealers	-22.1%	-20.0%
Equipment Dealers	-36.0%	-25.0%
Film and Theatrical Property	-9.3%	-9.3%
Floor Plan	-32.0%	-25.0%
Jewelers Block	-4.5%	-4.5%
Signs -- Balance of United States	-34.7%	-25.0%
Physicians & Surgeons	-19.0%	-19.0%
Accounts Receivable	-12.7%	-12.7%
Mail	(a)	(a)
Valuable Papers	-49.2%	-25.0%
Total All Filed Classes	-34.2%	-24.1%

Indicated and selected loss cost level changes are changes from the current loss costs. The total for all filed classes is based on the state's loss cost distribution by class.

(a) No review due to insufficient data.

INDICATED VS. SELECTED

Indicated changes are based on standard ISO methodology. The loss cost changes for several classes have been capped in order to limit loss cost level swings.

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ARKANSAS

ADVISORY PROSPECTIVE LOSS COST LEVEL REVIEW

COMMERCIAL INLAND MARINE INSURANCE
FILING CM-2008-RLA1

EXECUTIVE SUMMARY

HISTORICAL SOURCE DATA

The data used in this review is based on accident year experience through 12/31/2006 (evaluated as of 3/31/2007) of ISO reporting companies.

PRIOR ISO REVISIONS

The latest revisions in this state are:

Filing	CM-2006-RLA1	CM-2004-RLA1	CM-2002-RLA1
Rates/Loss Costs	LOSS COSTS	LOSS COSTS	LOSS COSTS
Dates			
Filed	1/10/2006	1/19/2004	2/1/2002
Implemented	8/1/2006	1/1/2005	8/1/2002
Changes			
Indicated	-2.2%	-16.2%	-5.9%
Filed	-2.2%	-16.2%	-5.9%
Implemented	-2.2%	-16.2%	-5.9%

ADJUSTMENTS TO REPORTED EXPERIENCE

To adjust the loss data to levels expected to prevail during the period when the revised loss costs are assumed to be in effect, historical losses have been multiplied by trend factors. These trend factors are estimates of changes in claim costs and claim frequency that are expected to arise between the historical experience period and the prospective period during which the revised loss costs are assumed to be in effect. The selected average annual change in multistate claim costs is +5.0% and the selected average annual change in multistate claim frequency is -5.0%.

The amount of insurance purchased by insureds affects the cost of insurance for Commercial Inland Marine. As inflation affects property values, insureds tend to buy higher amounts of insurance. As a result, premium revenue increases. In order to reflect the expected increase in revenue during the period when the revised loss costs are assumed to be in effect, ISO uses a premium trend procedure, the effect of which is to reduce the indicated loss costs. The premium trend factors applied to aggregate loss costs are calculated based on historical changes in premium per risk.

Standard actuarial procedures have been used in calculating the loss costs, including reflecting all loss adjustment expenses.

To trend losses and aggregate loss costs to a future level, a prospective effective date must be assumed. In this review, the assumed effective date is August 1, 2008. This assumed effective date is for trending purposes only.

ARKANSAS

ADVISORY PROSPECTIVE LOSS COST LEVEL REVIEW

COMMERCIAL INLAND MARINE INSURANCE
FILING CM-2008-RLA1

EXECUTIVE SUMMARY

COMPANY DECISION

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the loss costs contained herein are appropriate for its use. We have included within this document the information upon which ISO relied in order to enable companies to make such independent judgments.

The data underlying the enclosed material comes from companies reporting to Insurance Services Office, Inc. Therefore, the ISO experience permits the establishment of a much broader statistical ratemaking base than could be employed by using any individual company's data. A broader data base enhances the validity of ratemaking analysis derived therefrom. At the same time, however, an individual company may benefit from a comparison of its own experience to the aggregate ISO experience, and may reach valid conclusions with respect to the manner in which its own costs can be expected to differ from ISO's projections based on the aggregate data.

Some calculations included in this document involve areas of ISO staff judgment. Each company should carefully review and evaluate its own experience in order to determine whether the ISO advisory loss costs are appropriate for its use.

The material has been developed exclusively by the staff of Insurance Services Office, Inc.

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COMMERCIAL INLAND MARINE INSURANCE

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COMMERCIAL INLAND MARINE INSURANCE

SECTION A - SCOPE OF REVISION

Loss Cost Level Changes A-2
Revised Loss Costs A-3

ARKANSAS
COMMERCIAL INLAND MARINE INSURANCE
TABLE 1
LOSS COST LEVEL CHANGES

Class Codes	Class Description	Arkansas 2006 Aggregate Loss Costs at Current Level	Filed Loss Cost Level Change
191, 192, 451, 452, 453 & 454	Cameras & Musical Instruments	$ 31,446	-25.0%
220, 221, 240 & 241	Camera Dealers & Musical Instrument Dealers	2,154	-20.0%
234 & 235	Equipment Dealers	262,349	-25.0%
327 & 514	Film & Theatrical Property	269	-9.3%
328	Floor Plan	114,181	-25.0%
403	Jewelers Block	1,761	-4.5%
460	Signs Balance of US	75,405	-25.0%
482	Physicians & Surgeons	549	-19.0%
150	Accounts Receivable	37,030	-12.7%
340, 341, 342, 343 & 510	Mail	(a)	(a)
530	Valuable Papers	29,521	-25.0%
	Total All Filed Classes	554,665	-24.1% *

* Based on the state's loss cost distribution by class.

(a) No review due to insufficient volume of data

COMMERCIAL INLAND MARINE INSURANCE

TABLE 2

REVISED LOSS COSTS

Class Codes	Class Descriptions	Revised Loss Costs
191 & 192	Cameras	$ 0.435 / 0.338 0.448 / 0.355
220 & 221	Camera Dealers	0.515
234 & 235	Equipment Dealers	0.489
240 & 241	Musical Instrument Dealers	0.337
327	Film	0.090
328	Floor Plan	0.953
403	Jewelers Block	0.283
451	Musical Instruments - Individuals, Professional	0.557 / 0.164
452	Musical Instruments - Stationary Organs	0.129
453 & 454	Musical Instruments - Bands, Orchestras, etc.	0.194 / 0.086
460	Signs - Balance of U.S.	1.142 / 0.570
482	Physicians & Surgeons	0.227
514	Theatrical Property	0.229
150	Accounts Receivable	0.268
340-343 & 510	Mail	(a)
530	Valuable Papers	0.104

(a) No review due to insufficient volume of data.

COMMERCIAL INLAND MARINE INSURANCE

METHODOLOGY OVERVIEW

OBJECTIVE	Commercial Inland Marine advisory prospective loss costs are determined by evaluating the adequacy of the current loss costs to pay for our best estimate of losses and all loss adjustment expenses that will be incurred in the prospective (or future) period.
CALCULATION OF LOSS COST INDICATION	The first step in this process is the calculation of the loss cost indication by class. In other words, what percentage change on average must be made to each class in order to achieve adequacy for the prospective conditions? The volume of experience for each class at a statewide level is generally too small to provide a credible base for the determination of loss cost levels. Hence, the calculations of the loss cost level changes are based on multistate experience except for the Signs class, where separate changes are calculated for the Southeast Zone and Balance of United States. The percentage changes are presented in the tables labeled "Calculation of Advisory Loss Cost Level Change".
CALCULATION OF ADVISORY PROSPECTIVE LOSS COSTS	The advisory prospective loss costs are calculated by applying the selected loss cost level changes to the current loss costs. The resulting loss costs are rounded to three decimal places and are displayed in Section A.

COMMERCIAL INLAND MARINE INSURANCE

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGES

OBJECTIVE	The objective of this procedure is to determine the indicated advisory loss cost level changes. This procedure answers the question: what percentage changes must be made, on average, to the current loss costs in order for them to be adequate to cover indemnity losses and all loss adjustment expenses incurred in the prospective period in which the revised loss costs are expected to be in effect?
DESCRIPTION	As displayed on the following pages, this procedure compares the trended incurred losses and loss adjustment expenses with the trended aggregate loss costs at current loss cost level. The aggregate loss costs at current level are the aggregate amount that would have been collected if the current loss costs were used during the experience period. The resulting experience ratio (losses and all loss adjustment expenses divided by aggregate loss costs) is calculated for five years and a weighted average is calculated. The five year weights vary by year, giving greater weight to the more recent experience. The average experience ratio is then credibility-weighted with an expected experience ratio in order to minimize the impact of random variation in the observed losses. This credibility-weighted experience ratio is the indicated advisory loss cost level change in decimal form.
EXPERIENCE BASE	The loss cost level changes presented in the attached exhibits are determined from a review of the latest available five years of monoline and multiline experience through accident year 2006 for all companies reporting data to Insurance Services Office under the Inland Marine Module of the Commercial Statistical Plan (CSP) and the Intermediate Level of the Commercial Minimum Statistical Plan (CMSP).

COMMERCIAL INLAND MARINE INSURANCE

TABLE 3-A

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s) & Description: 191 & 192, 451-454 – Cameras & All Musical Instruments

State(s): Multistate

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	8,147,198	7,371,742	0.905
2003	8,728,882	7,261,864	0.832
2004	8,529,218	4,665,137	0.547
2005	9,645,622	5,526,817	0.573
2006	10,677,936	4,192,793	0.393

(5)	Weighted Experience Ratio	=	0.586
(6)	Credibility	=	0.956
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.601
(9)	Indicated Loss Cost Level Change	=	- 39.9%
(10)	Selected Loss Cost Level Change	=	- 25.0%

COMMERCIAL INLAND MARINE INSURANCE

TABLE 3-B

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s)
& Description: 220 & 221, 240 & 241 – Camera Dealers & Musical Instrument Dealers

State(s): Multistate

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	928,905	601,633	0.648
2003	1,084,367	517,710	0.477
2004	1,068,226	578,882	0.542
2005	1,185,827	464,483	0.392
2006	1,064,751	383,989	0.361

(5)	Weighted Experience Ratio	=	0.451
(6)	Credibility	=	0.327
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.779
(9)	Indicated Loss Cost Level Change	=	- 22.1%
(10)	Selected Loss Cost Level Change	=	- 20.0%

COMMERCIAL INLAND MARINE INSURANCE

TABLE 3-C

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s) & Description: 234 & 235 – Equipment Dealers

State(s): Multistate

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	21,175,445	11,331,485	0.535
2003	22,744,391	15,900,841	0.699
2004	23,875,422	18,368,650	0.769
2005	27,797,580	15,562,803	0.560
2006	24,836,997	15,507,579	0.624

(5)	Weighted Experience Ratio	=	0.640
(6)	Credibility	=	1.000
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.640
(9)	Indicated Loss Cost Level Change	=	- 36.0%
(10)	Selected Loss Cost Level Change	=	- 25.0%

COMMERCIAL INLAND MARINE INSURANCE

TABLE 3-D

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s) & Description: 327 & 514 – Film & Theatrical Property

State(s): Multistate

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	896,323	645,099	0.720
2003	751,085	185,609	0.247
2004	905,421	100,978	0.112
2005	494,080	1,001,277	2.027
2006	339,273	207,072	0.610

(5)	Weighted Experience Ratio	=	0.821
(6)	Credibility	=	0.260
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.907
(9)	Indicated Loss Cost Level Change	=	- 9.3%
(10)	Selected Loss Cost Level Change	=	- 9.3%

COMMERCIAL INLAND MARINE INSURANCE

TABLE 3-E

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s) & Description: 328 – Floor Plan

State(s): Multistate

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	8,157,682	9,233,656	1.132
2003	10,119,963	6,686,964	0.661
2004	8,384,586	7,552,056	0.901
2005	9,856,361	5,071,450	0.515
2006	8,548,532	4,143,570	0.485

(5)	Weighted Experience Ratio	=	0.666
(6)	Credibility	=	0.949
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.680
(9)	Indicated Loss Cost Level Change	=	- 32.0%
(10)	Selected Loss Cost Level Change	=	- 25.0%

TABLE 4

Insurance Expense Experience
Loss Adjustment Expenses: 1997-2006

Inland Marine Insurance

Agency and Direct Writers Combined

	(1) Direct Losses Incurred	(2) Direct Loss Adjustment Expenses Incurred	(3) (2) / (1) Ratio of Loss Adjustment Expenses Incurred to Losses Incurred[a]
1997	3,301,269	377,900	11.4%
1998	3,746,092	338,855	9.0%
1999	4,260,603	382,860	9.0%
2000	3,617,374	433,311	12.0%
2001	5,880,529	471,641	8.0%
2002	4,575,107	495,462	10.8%
2003	4,767,924	495,359	10.4%
2004	4,956,712	596,746	12.0%
2005	8,237,454	684,333	8.3%
2006	5,811,686	476,527	8.2%

Average Loss Adjustment Expense Ratios

	(4) 3-year 2004-2006	(5) 5-year 2002-2006	(6) 10-year 1997-2006
Agency	8.2%	8.6%	8.6%
Direct	15.3%	16.3%	15.5%
Combined	9.5%	10.0%	9.9%

NOTE: Columns (1) and (2) are based on Insurance Exhibit Information compiled by A.M. Best, and are expressed in thousands of dollars.

[a] Loss Adjustment Expense ratios are on a direct basis, rather than net of reinsurance.

COMMERCIAL INLAND MARINE INSURANCE

TREND PROCEDURE

OBJECTIVE

The prospective loss cost level established in this document reflects anticipated cost levels and changes in revenue due to increases in amount of insurance for the period that the new loss costs are assumed to be in effect.

The following is a description of the trending procedure used to reflect the effects of inflation on both losses and aggregate loss costs.

LOSS TREND

The application of loss trend factors to historical data recognizes two important ratemaking concepts. First, loss costs are being made for use in a future period based on historical experience. Second, due to economic and social factors, cost levels continue to change from those underlying the historical data.

Loss trend factors are calculated using a selected annual rate of change based on observed changes in average annual claim costs and claim frequency for multistate Commercial Inland Marine experience on monoline policies and multiline divisible premium policies.

The method of trend determination utilized in this review makes use of the Least Squares Method fitted to the reported time series data; specifically, an exponential curve represented by the equation $Y = Ae^{BX}$ is fitted to the claim cost data. The parameters A and B are calculated constants; x is the unit of time; e is the natural logarithm base with a numerical value of 2.7182818...; and Y is the fitted value on the curve. The claim cost trend is determined from the latest 10 year-ended experience periods.

The historical data and the selected annual rates of change are shown in Tables 5 and 6.

PREMIUM TREND

The formula used to develop aggregate loss costs incorporates a method which reflects changes in the amounts of insurance selected by insureds. This is needed since the policies written during the experience period, if written today, would be written at higher amounts of insurance in order to maintain an appropriate average amount of insurance coverage level.

PREMIUM TREND (Cont'd)

The procedure estimates changes in average amounts of insurance based on annual increases in earned premium (adjusted to current level) per risk. In order to mitigate the effect of large individual changes, annual changes exceeding +/- 10% are capped at that amount. Historical factors for each year are calculated as the product of annual increases for all subsequent years. The premium trend factors are the product of the historical factors and a projection factor. The projection factor is calculated as follows:

$$(1.030)^{43/12} = 1.112$$

where +3.0% is the selected annual rate of change in earned premium per risk and where 43 months is the time from the average date of writing for premiums earned in 2006 (1-1-2006) to one year beyond an assumed revision date of 8-1-2008 (assuming biennial reviews).

The historical data and premium trend factors are shown in Table 7.

COMMERCIAL INLAND MARINE INSURANCE

TABLE 5

MULTISTATE CLAIM COST TREND

(1) Accident Year	(2) Losses Including All Loss Adjustment Expenses	(3) Number of Claims	(4) Average Claim Cost (2) / (3)
1997	$29,118,454	4,123	$7,062
1998	32,755,432	4,862	6,737
1999	30,510,928	3,596	8,485
2000	25,592,438	2,878	8,892
2001	31,698,759	2,609	12,150
2002	23,849,363	2,789	8,551
2003	26,366,900	2,954	8,926
2004	28,905,210	2,381	12,140
2005	25,194,963	1,899	13,267
2006	21,800,287	1,849	11,790

Observed annual rate of change (10 pts) = +6.8%
Observed annual rate of change (8 pts) = +5.3%

Selected annual rate of change = +5.0%

COMMERCIAL INLAND MARINE INSURANCE

TABLE 6

MULTISTATE CLAIM FREQUENCY TREND

(1) Accident Year	(2) Trended Aggregate Loss Costs at Current Level	(3) Number of Claims	(4) Average Claim Frequency (3) / (2) x 1000
1997	34,917,676	4,123	0.1181
1998	34,561,547	4,862	0.1407
1999	34,985,357	3,596	0.1028
2000	29,522,967	2,878	0.0975
2001	34,046,208	2,609	0.0766
2002	37,999,034	2,789	0.0734
2003	40,610,715	2,954	0.0727
2004	45,782,120	2,381	0.0520
2005	49,110,797	1,899	0.0387
2006	46,985,209	1,849	0.0394

Observed annual rate of change (10 pts.) = -13.1%
Observed annual rate of change (8 pts.) = -13.8%

Selected annual rate of change = -5.0%

COMMERCIAL INLAND MARINE INSURANCE

TABLE 7

DEVELOPMENT OF PREMIUM TREND FACTORS

Accident Year	Annual Increase (ALCCL/Risk) *	Historical Factor	Premium Trend Factor
1997		1.301	1.447
1998	-1.4%	1.320	1.467
1999	2.1%	1.293	1.437
2000	10.0%	1.175	1.307
2001	-1.2%	1.189	1.323
2002	10.0%	1.081	1.202
2003	7.1%	1.009	1.123
2004	-6.6%	1.081	1.202
2005	7.6%	1.005	1.117
2006	0.5%	1.000	1.112

* ALCCL is aggregate loss costs at current level.

COMMERCIAL INLAND MARINE INSURANCE

SECTION D - REVISED MULTISTATE LOSS COSTS

Revised Multistate Loss Costs..... D-2-6

SECTION I
GENERAL RULES

9. POLICY WRITING MINIMUM PREMIUM

++

10. ADDITIONAL PREMIUM CHANGES

B. Waiver of Premium

Waive additional premium of $++ or less.

11. RETURN PREMIUM CHANGES

B. Waiver of Premium

Waive return premium of $++ or less.

SECTION II
ACCOUNTS RECEIVABLE

36. PREMIUM DETERMINATION

A. Modified Base Rate ++

4. Minimum Modified Base Rate

E. Loss Cost $.268

38. MINIMUM PREMIUM

	Annual
Reporting	++

SECTION III
CAMERA & MUSICAL INSTR. DEALERS

52. PREMIUM DETERMINATION

B. Premium Calculation

1. Premium Determination

	Loss Costs
Camera Dealers	$.515
Musical Instrument Dealers	$.337

2. Optional Additional Property Forms

a.(2)

	Loss Costs
Camera Dealers	$.515
Musical Instrument Dealers	$.337

53. MINIMUM PREMIUM

	Annual
Nonreporting	++
Reporting	++

++Refer to company.

SECTION IV
COMMERCIAL ARTICLES

64. PREMIUM DETERMINATION

A. Premium Development

1. Cameras

	Commercial (Ex. Motion Picture Producers) (Class Code 191)	Motion Picture Producers (Class Code 192)
Loss Cost for 1st $15,000	$.435	$.448
Loss Cost for All Over $15,000	$.338	$.355

2. Musical Instruments

a. Individual – Professional

(Class Code 451)

Loss Cost for 1st $1500	$.557
Loss Cost for All Over $1500	$.164

b. Other than Individuals

	Dance Bands, Orchestras (Class Code 453)	All Other Bands, Orchestras, Chamber Music Ensembles and Similar Groups and Boards of Education or Municipalities (Class Code 454)
Loss Cost	$.194	$.086

B. Premium Calculation

2. Organs Not of a Mobile Nature

Loss Cost $.129

SECTION V
EQUIPMENT DEALERS

78. PREMIUM DETERMINATION

B. Premium Calculation

1. Premium Determination

Loss Cost $.489

2. Optional Additional Property Forms

a.(2)

Loss Cost $.489

38

79. MINIMUM PREMIUM

	Annual
Nonreporting	++
Reporting	++

SECTION VI
FILM

92. PREMIUM DETERMINATION

B. Premium Calculation

Loss Cost	$.090

93. MINIMUM PREMIUM

++

SECTION VII
FLOOR PLAN

107. PREMIUM DETERMINATION

B. Premium Calculation

Loss Cost	$.953

108. MINIMUM PREMIUM

++

SECTION VIII
JEWELERS BLOCK

124. PREMIUM DETERMINATION

Loss Cost	$.283

L. Jewelers Security Alliance Credit

++ flat credit per policy

125. MINIMUM PREMIUM

++

SECTION IX
MAIL

135. PREMIUM DETERMINATION

A. Countrywide Rates

1. Basic Forms

a. First Class Mail Loss Costs (Per $1,000)

The following loss costs are for limits of insurance of up to $250,000 for each shipping package and up to $1,100,000 for any one addressee on any one day:

(1) Covered Property sent between your offices or sent between your offices and banks, trust companies, insurance companies, security brokers, investment firms or corporations, stock clearing corporations or corporations which act as transfer agents or registrars for their own security issues.

Negotiable Securities	Non-Negotiable Securities	Detached Coupons
$.013	$.003	$.026

(2) Covered Property sent from your offices to others not described in Paragraph **(1)**.

Negotiable Securities	Non-Negotiable Securities	Detached Coupons
Not Covered	$.013	$.078

b. Certified Mail Loss Costs (Per $1,000)

The following loss costs are for limits of insurance of up to $250,000 for each shipping package and up to $1,100,000 for any one addressee on any one day:

(1) Covered Property sent between your offices or sent between your offices and banks, trust companies, insurance companies, security brokers, investment firms or corporations, stock clearing corporations or corporations which act as transfer agents or registrars for their own security issues.

Negotiable Securities	Non-Negotiable Securities	Detached Coupons
$.010	$.002	$.019

++Refer to company.

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135. PREMIUM DETERMINATION (Cont'd)

(2) Covered Property sent from your offices to others not described in Paragraph **(1)**.

Negotiable Securities	Non-Negotiable Securities	Detached Coupons
Not Covered	$.007	$.048

c. U.S. Postal Service Express Mail Loss Costs (Per $1,000)

The following loss costs are for limits of insurance of up to $250,000 for each shipping package and up to $1,100,000 for any one addressee on any one day:

(1) Covered Property sent between your offices or sent between your offices and banks, trust companies, insurance companies, security brokers, investment firms or corporations, stock clearing corporations or corporations which act as transfer agents or registrars for their own security issues.

Negotiable Securities	Non-Negotiable Securities	Detached Coupons
$.007	$.002	$.015

(2) Covered Property sent from your offices to others not described in Paragraph **(1)**.

Negotiable Securities	Non-Negotiable Securities	Detached Coupons
$.023	$.007	$.045

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135. PREMIUM DETERMINATION (Cont'd)

d. Registered Mail Loss Costs (Per $1,000)

	Covered Property			
	Non-Negotiable Securities	**Bullion and Other Property Described in Paragraph d. Under Covered Property**	**Currency and Other Property Described in Paragraph e. Under Covered Property**	**All Other Covered Property**
Reporting Period				
(1) Annual				
(a) All Except Within Alaska	$.002	$.010	$.010	$.010
(b) Within Alaska	$.011	$.048	$.048	$.048
(2) Monthly or Other				
(a) All Except Within Alaska	$.002	$.013	$.013	$.006
(b) Within Alaska	$.007	$.066	$.066	$.032

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135. PREMIUM DETERMINATION (Cont'd)

2. Coverage Options

a. Transfer Agents Mail Loss Cost (Per Shipping Package)

	Value Per Shipping Package	Loss Cost Per Shipping Package
First Class Mail	Up to $ 100,000	$ .011
Certified Mail	Up to $ 100,000	$ .007
U.S. Postal Service		
Express Mail	Up to $ 100,000	$ .006
Registered Mail	Up to $ 100,000	$ .005
	$ 100,001 – $ 500,000	$ .118
	$ 500,001 – $ 1,000,000	$ .292
	$1,000,001 – $ 2,000,000	$ 1.089
	$2,000,001 – $ 3,000,000	$ 1.886
	$3,000,001 – $ 4,000,000	$ 2.687
	$4,000,001 – $ 5,000,000	$ 3.483

b. Securities Sent Under Air Bill Endorsement

Use Registered Mail Rates for All Other Covered Property from Rule **135.A.1.d.**

c. Securities Sent by the Treasury Department Endorsement

Use Registered Mail Rates for Non-Negotiable Securities or All Other Covered Property from Rule **135.A.1.d.**

d. Flat Loss Cost Per Shipping Package Endorsement

	Loss Cost Per Shipping Package
First Class Mail	$.018
Certified Mail	$.011

When Paragraph **B.b.(2)** Valuation is deleted, the following premiums apply:

First Class Mail	$.015
Certified Mail	$.010

136. MINIMUM PREMIUM

++

SECTION X
PHYSICIANS AND SURGEONS

145. PREMIUM DETERMINATION

A. Premium Development

1. Basic Coverage Premium Development

c. Loss Cost $.227

++Refer to company.

2. Additional Coverage Extensions

Loss Cost $5.640

3. Coverage Limited to Property Usually Carried by Insured

Loss Cost for First $1,000	$ 1.062
Loss Cost for All Over $1,000	$ .526

4. Artificially Generated Current Coverage

Deductible	Loss Cost
$ 1,000	.056
2,500	.045
5,000	.028
10,000	.011

SECTION XI
SIGNS

155. PREMIUM DETERMINATION

A. Premium Development

1. Outside Signs

	Loss Costs Full Coverage	Loss Costs Deductible Coverage
Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Texas, Virginia	$2.174	$1.087
Balance of United States	$1.142	$.570

SECTION XII
THEATRICAL PROPERTY

164. PREMIUM DETERMINATION

B. Premium Calculation

Loss Cost $.229

SECTION XIII
VALUABLE PAPERS

174. DEFINITION

Minimum Loading ++

175. PREMIUM DETERMINATION

D. Premium Calculation

Loss Cost $.104

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COMMERCIAL INLAND MARINE INSURANCE

TABLE 3-F

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s) & Description: 403 – Jewelers Block

State(s): Multistate

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	1,234,670	888,550	0.720
2003	1,182,527	830,598	0.702
2004	1,232,340	897,145	0.728
2005	1,126,580	1,620,635	1.439
2006	1,110,440	1,126,742	1.015

(5)	Weighted Experience Ratio	=	0.987
(6)	Credibility	=	0.343
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.955
(9)	Indicated Loss Cost Level Change	=	- 4.5%
(10)	Selected Loss Cost Level Change	=	- 4.5%

COMMERCIAL INLAND MARINE INSURANCE

TABLE 3-G

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s) & Description: 460 – Signs

State(s): Balance of United States

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	2,294,878	1,293,080	0.563
2003	2,723,694	1,525,129	0.560
2004	2,898,107	1,071,608	0.370
2005	2,962,192	714,531	0.241
2006	2,845,926	1,128,599	0.397

(5)	Weighted Experience Ratio	=	0.394
(6)	Credibility	=	0.524
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.653
(9)	Indicated Loss Cost Level Change	=	- 34.7%
(10)	Selected Loss Cost Level Change	=	- 25.0%

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TABLE 3-H

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s) & Description: 482 – Physicians & Surgeons

State(s): Multistate

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	1,340,475	729,576	0.544
2003	1,429,461	419,398	0.293
2004	1,241,319	953,842	0.768
2005	1,185,058	863,926	0.729
2006	1,090,834	516,814	0.474

(5)	Weighted Experience Ratio	=	0.577
(6)	Credibility	=	0.355
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.810
(9)	Indicated Loss Cost Level Change	=	- 19.0%
(10)	Selected Loss Cost Level Change	=	- 19.0%

COMMERCIAL INLAND MARINE INSURANCE

TABLE 3-I

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s) & Description: 150 – Accounts Receivable

State(s): Multistate

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	3,366,806	3,202,775	0.951
2003	3,776,970	2,530,307	0.670
2004	3,571,527	2,777,111	0.778
2005	3,300,909	3,397,228	1.029
2006	2,959,222	2,151,849	0.727

(5)	Weighted Experience Ratio	=	0.827
(6)	Credibility	=	0.583
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.873
(9)	Indicated Loss Cost Level Change	=	- 12.7%
(10)	Selected Loss Cost Level Change	=	- 12.7%

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TABLE 3-J

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

Class Code(s) & Description: 530 – Valuable Papers

State(s): Multistate

(1) Accident Year	(2) Aggregate Loss Costs at Current Level	(3) Incurred Losses and Loss Adjustment Expenses	(4) Experience Ratio (3)/(2)
2002	4,976,452	1,484,261	0.298
2003	7,112,745	2,083,537	0.293
2004	7,879,127	4,519,311	0.574
2005	8,319,707	6,312,756	0.759
2006	7,832,092	1,412,045	0.180

(5)	Weighted Experience Ratio	=	0.432
(6)	Credibility	=	0.850
(7)	Expected Experience Ratio	=	0.938
(8)	Credibility Weighted Experience Ratio	=	0.508
(9)	Indicated Loss Cost Level Change	=	- 49.2%
(10)	Selected Loss Cost Level Change	=	- 25.0%

COMMERCIAL INLAND MARINE INSURANCE

EXPLANATORY NOTES TO TABLES 3A-3J

Col. (1) ACCIDENT YEARS

The experience for the latest five available accident years are displayed.

Col (2) AGGREGATE LOSS COSTS AT CURRENT LEVEL

Since the objective of the review procedure is to test the adequacy of the current loss costs, the aggregate loss costs for each year in the review period must be adjusted to the levels which would have been earned had the current loss costs applied throughout the experience period. Reported premiums are adjusted to current level on an individual policy basis by applying a factor equal to all loss cost level changes that have been implemented subsequent to the policy being written. These adjusted premiums are then converted to a loss cost at current level. In order to eliminate the impact of company deviations from the manual level and individual risk modifications which were in effect at the time the policy was written, aggregate loss costs are further adjusted based on reported Rating Modification Factors and Rate Departure Factors/Loss Cost Multipliers.

Aggregate loss costs are also adjusted to reflect changes in the average amount of insurance, from the average date of writing in each year, to the average date of writing for policies using the revised loss costs. The method used to accomplish this adjustment is described in Section C.

The multiline aggregate loss costs are further adjusted to the level of the current Commercial Package Policy (CPP) Implicit Package Modification Factor (IPMF). The IPMF reflects the underlying multiline modification based on the Inland Marine experience for these classes alone. This differs from the published Package Modification Factors which are averages of the IPMFs for the various coverages included in the CPP. The multiline aggregate loss costs in this review have been adjusted by an IPMF of 0.597

COMMERCIAL INLAND MARINE INSURANCE

EXPLANATORY NOTES TO TABLES 3A-3J (Cont'd)

Col (3)

INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

In order to determine future loss cost level needs, incurred losses must be adjusted to the levels expected to apply during the period the revised loss costs are anticipated to be in effect. Losses are adjusted to reflect changes in claim costs and claim frequency from the average date of loss of each year under review to the average date of loss under the revised loss costs. The method used to accomplish this adjustment is described in Section C. Incurred losses are loaded for all loss adjustment expenses by applying a factor of 1.10 to the incurred losses. Refer to Section C for the derivation of this factor.

Col (4)

EXPERIENCE RATIOS

Experience ratios are developed by dividing incurred losses and loss adjustment expenses (column 3) by aggregate loss costs at current level (column 2).

Line (5)

WEIGHTED EXPERIENCE RATIO

The experience ratios shown in column (4) are weighted using weights of .10, .15, .20, .25 and .30 from earliest to most recent accident year.

Line (6)

CREDIBILITY

Credibility is determined by the formula $Z = \sqrt{P / 50{,}000{,}000}$, where P is the total aggregate loss costs for the five-year period under review.

Line (7)

EXPECTED EXPERIENCE RATIO

The expected experience ratio is our best prediction of the experience ratio if the most recent data was not available. For this review we have assumed that the current loss costs were adequate when implemented and will be inadequate for the prospective period to the extent of net trend. The net trend is calculated as the trend factor projected for the number of years between the assumed effective date for the last review and the assumed effective date for this review.

COMMERCIAL INLAND MARINE INSURANCE

EXPLANATORY NOTES TO TABLES 3A-3J (Cont'd)

Line (8)

CREDIBILITY WEIGHTED EXPERIENCE RATIO

The credibility weighted experience ratio is calculated using the formula:

$$(WER)(Z) + (EER)(1-Z)$$

where
WER = Weighted Experience Ratio
Z = Credibility Factor
EER = Expected Experience Ratio

Line (9)

INDICATED LOSS COST LEVEL CHANGE

The indicated loss cost level change is equal to the credibility weighted experience ratio. The indication is converted to a percentage by subtracting one, and multiplying by 100.

Line (10)

SELECTED LOSS COST LEVEL CHANGE

The selected loss cost level change is displayed.

COMMERCIAL INLAND MARINE INSURANCE

MULTISTATE LOSS ADJUSTMENT EXPENSE EXPERIENCE

OBJECTIVE

The reported indemnity losses must be loaded for both allocated and unallocated loss adjustment expenses (LAE).

A factor representing the ratio of the sum of the incurred indemnity losses plus all LAE to the sum of the incurred indemnity losses was selected based on the multistate financial data shown in Table 4. In this review we have selected a factor of 1.10.

COMMERCIAL INLAND MARINE INSURANCE

SECTION B - CALCULATION OF CHANGES

Methodology Overview B-2
Calculation of Advisory Loss Cost Level Changes B-3-16

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SECTION C - SUPPORTING MATERIAL

Multistate Loss Adjustment Expense Experience C-2-3
Trend Procedure C-4-8

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