Southern Fidelity Insurance Company
Homeowners Take Out Program
Explanatory Memorandum

Overview

This memorandum provides an overview of the proposed changes to the Southern Fidelity Property & Casualty ("SFPC" or "Company") Homeowners Take Out ("HO TO") Legacy Program and a detailed explanation of the supporting documentation. Pursuant to the conditions of the consent order approving the merger of Capitol Preferred Insurance Company ("CPIC") into and with Southern Fidelity Insurance Company ("SFIC"), the experience data in this filing reflects the combined experience of the SFPC HO TO Legacy Program, the CPIC HO TO Program and the SFIC HO TO Program. This combined business will now be written in SFPC HO TO Legacy Program. The CPIC HO TO Program and SFIC HO TO Program were initiated by the respective companies for a policy assumption from Citizens Property Insurance Corporation ("Citizens") in 2008. The policy assumptions were initiated throughout 2009 and no subsequent policy assumptions from Citizens were initiated in these programs. The proposed changes have been determined on a territorial and statewide basis for the HO-3 and HO-6 policy forms. This filing reflects a use and file effective date of August 15, 2021

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Background

The SFPC homeowners take out program was initiated in January of 2012 as a vehicle to depopulate policies from Citizens. The initial rates, rules and underwriting guidelines were submitted to the Florida Office of Insurance Regulation ("FL OIR") in filing 12-00378 and approved by the FL OIR on January 24, 2012.

Upon approval of the forms and rates, SFPC executed successful take-outs in March, May and November of 2012. The approved rate manual and forms in the initial submission were essentially a "me-too" of the Citizens rate manual and forms effective January 1, 2012, except the initial rates for this program were slightly higher than Citizens rates to account for the difference between the projected SFPC expense provisions and Citizens' expense provisions reflected in Citizens filing FCP 11-12403.

The CPIC and SFIC homeowners take out programs were initiated in November of 2008 as a vehicle to depopulate policies from Citizens. The initial rates, rules and underwriting guidelines were submitted to the FL OIR in filings 08-25809 for CPIC and 08-25858 for SFIC. These filings were approved on December 15, 2008 with a February 24, 2009 effective date.

Upon approval of the forms and rates, CPIC and SFIC executed successful take-outs in March, May and November of 2009. The approved rate manual and forms in the initial submissions were essentially a "me-too" of the Citizens rate manual and forms approved in Citizens filings 07-06836 and 08-14865, except the initial rates for these programs were set at 2% less than the approved Citizens rates.

The statewide and territory indications included in this submission reflect the combined experience from all 3 programs. The supporting exhibits for premium on-level factors, trend amounts, loss development, non-hurricane catastrophe and hurricane catastrophe are based on the combined experience as well. Please note that the SFPC data comprises approximately 95% of the experience data while the CPIC and SFIC data combine to comprise the remaining 5% of the experience data. The charts below provide a breakout by company of the exposure, premium, incurred loss excluding catastrophes and in-force data reflected in the rate indication analysis.

Earned House Years								
Acc. Year Ending	HO-3 Policy Type				HO-6 Policy Type			
	SFPC	CPIC	SFIC	**Total**	SFPC	CPIC	SFIC	**Total**
9/30/2016	27,170	535	655	**28,360**	5,750	239	245	**6,234**
9/30/2017	23,048	469	580	**24,097**	4,918	208	212	**5,337**
9/30/2018	19,541	414	516	**20,470**	4,194	179	177	**4,550**
9/30/2019	16,312	372	462	**17,145**	3,457	151	148	**3,756**
9/30/2020	13,207	3338	401	**13,946**	2,697	126	126	**2,949**
Total	99,277	2,128	2,613	**104,018**	21,015	903	907	**22,824**

Earned Premium (000's)								
Acc. Year Ending	HO-3 Policy Type				HO-6 Policy Type			
	SFPC	CPIC	SFIC	**Total**	SFPC	CPIC	SFIC	**Total**
9/30/2016	$55,422	$879	$1,298	**$57,599**	$3,184	$104	$111	**$3,398**
9/30/2017	$47,818	$801	$1,157	**$49,776**	$2,800	$92	$102	**$2,993**
9/30/2018	$42,725	$711	$1,036	**$44,471**	$2,606	$77	$87	**$2,770**
9/30/2019	$38,835	$658	$918	**$40,411**	$2,238	$64	$75	**$2,377**
9/30/2020	$33,211	$612	$830	**$34,654**	$1,925	$55	$65	**$2,045**
Total	$218,011	$3,660	$5,240	**$226,911**	$12,753	$391	$439	**$13,583**

Incurred Loss Excluding Catastrophes								
Acc. Year Ending	HO-3 Policy Type				HO-6 Policy Type			
	SFPC	CPIC	SFIC	**Total**	SFPC	CPIC	SFIC	**Total**
9/30/2016	$19,005	$269	$551	**$19,826**	$1,161	$56	$68	**$1,285**
9/30/2017	$20,338	$528	$259	**$21,125**	$1,501	$38	$1	**$1,541**
9/30/2018	$13,322	$248	$438	**$14,009**	$1,630	$45	$66	**$1,741**
9/30/2019	$15,054	$330	$394	**$15,778**	$1,010	$24	$89	**$1,123**
9/30/2020	$11,018	$212	$556	**$11,786**	$764	$34	$10	**$808**
Total	$78,738	$1,588	$2,198	**$82,524**	$6,067	$197	$235	**$6,498**

9/30/2020 On-Level Inforce Premium and Policy Count								
Inforce	HO-3 Policy Type				HO-6 Policy Type			
	SFPC	CPIC	SFIC	**Total**	SFPC	CPIC	SFIC	**Total**
Premium (000's)	$29,425	$628	$775	**$30,828**	$1,942	$56	$60	**$2,057**
Count	11,653	321	367	**12,341**	2,282	116	115	**2,513**

Summary of Rate Level Changes

The indicated and selected statewide base rate changes by policy form are provided in the chart below. All proposed changes are being made with consideration for the impact on individual policyholders as well as the degree of rate adequacy in each territory, the amount business in each territory or business segment and the desire to keep the overall and territorial rate level at a reasonable level.

Policy Form	Indicated Rate Level Change	Selected Base Rate Change
HO-3	+12.5%	+12.4%
HO-6	+1.0%	0.9%
Overall	+11.7%	+11.7%

Experience Data

Company Experience
The enclosed rate analysis is based on a review of the Company's underwriting experience for the accident years 9/30/2016 through 9/30/2020 with loss experience valuated as of December 31, 2020. There are no material differences between the data reflected in this analysis and the data included in previous rate filings other than the additional accident year of experience and the inclusion of the CPIC and SFIC experience. This submission relies on company experience in the areas of loss development and trend selections. The experience data used in this analysis excludes punitive damages and the associated LAE costs.

In-force policy data that is used to determine the "Projected Hurricane Loss & LAE Ratio" per the requirements in the FL OIR Insurance Regulation Filing System ("IRFS") Standardized Rate Level Indications Workbook includes an in-force policy count and current level in-force premium, separately for full coverage policies and ex-wind policies, and projected hurricane losses underlying the in-force policy counts and premiums. In-force data reflected in this section of the filing is as of September 30, 2020.

There have been no material changes in underwriting, marketing or claims handling practices that would cause future claims experience to deviate from historical claims experience. Therefore, we have not made any adjustments to the historical data within this analysis.

Supporting Data and Exhibits

Data and supporting exhibits for this filing have been uploaded into the IRFS system per Rule 69O-170.014(2)(a), FAC, and are referenced in the appropriate sections within this memorandum.

Supporting Data
The following documents have been uploaded in Microsoft Excel format for your review due to the significant amount of data and/or calculations contained in the exhibits:

- Standardized Rate Indication Workbook
- HO3 RLIW Support
- HO6 RLIW Support
- HO3 Rate Support by Territory
- HO6 Rate Support by Territory
- CPIC_SFPC 2020 Net Reinsurance Cost Exhibit
- SFIC 2020 Net Reinsurance Cost Exhibit
- Model Output Data - *CPIC_20200930_GRAAL_AIR_TSv7_LTwDS_TerrPolFormPolType– Trade Secret*
- Model Output Data - *SFIC_20200930_GRAAL_AIR_TSv7_LTwDS_TerrPolFormPolType– Trade Secret*
- Model Output Data - *SFPC_20200930_GRAAL_AIR_TSv7_LTwDS_TerrPolFormPolType– Trade Secret*

The following documents have been uploaded as Adobe PDFs for your review of the filing:

- IRFS documents (reinsurance cost, filing certification, etc.)
- Reinsurance Contracts and supporting documentation
- Manual Pages
- MGA Agreement

Rate Level Indications

Separate statewide rate level indications for forms HO-3 and HO-6 are developed using the rate indication spreadsheet developed by the FL OIR for use in all personal residential filings submitted via the FL OIR's IRFS system.

The following paragraphs provide a description of the various data sources and factors used to complete the FL OIR spreadsheet.

Premium/Exposure Data

Columns (3) through (5) provide actual earned house years, direct written premium and direct earned premium.

Current Level Earned Premium

The statewide current level factors in Column (6) are based on the earned premium weighted rate changes for each accident year in the review period. The earned premiums for each program were brought to current rate level using the parallelogram method and historical rate changes (from prior RCS submissions) by policy form and company. These calculations are provided separately for each program in the rate support by territory workbook for each policy form. The statewide rate level factors were determined as the combined on-level earned premium divided by the combined earned premium. These

factors are determined in row (20) of the "Premium and Exposure by Territory Exhibit – Combined" located in the rate support by territory workbooks.

Premium Trend

The annual premium trend percentages were selected from a review of the annual change in quarterly average Coverage A (Coverage C for HO-6) and the on-level average earned premium amounts for both policy forms. This methodology is consistent with the methodology employed in previous rate filings. For the HO-3 policy form, the average Coverage A trend is relatively flat while the average premium trend is increasingly negative. The selection of 0.7% reflects the 3-year average Coverage A trend and appears reasonable as compared to the other average Coverage A trend amounts. For the HO-6 policy form, the average Coverage C amount has remained relatively flat while the average premium trend is increasingly negative. The selection of 0.3% reflects the 2-year average Coverage C trend which appears reasonable as compared to the average Coverage C trend for the other periods shown. We believe the selected trend amounts are reasonable and do not result in a significant impact on the statewide rate indication for either policy form.

Loss Data

Columns (9), (10) and (11) provide total direct incurred losses, total direct incurred non-hurricane catastrophe losses and total direct incurred hurricane catastrophe losses, respectively. SFPC, CPIC and SFIC define non-hurricane catastrophe losses as losses for which a Property Claims Service ("PCS") catastrophe number has been assigned that are not due to a named hurricane. As required by FL OIR, the losses are valued at 15, 27, 39, etc. months.

Columns (13) through (15) provide total allocated loss adjustment expenses ("ALAE"), non-hurricane catastrophe ALAE and hurricane catastrophe ALAE. Columns (17) through (19) provide total unallocated loss adjustment expenses ("ULAE"), non-hurricane catastrophe ULAE and hurricane catastrophe ULAE.

Loss Adjustment Expense Exhibit

Per the MGA agreement, non-catastrophe loss adjustment expenses ("LAE") are handled by the MGA while catastrophe LAE is paid by the Company. The MGA classifies the LAE by state and line of business. Therefore, the non-catastrophe Florida total homeowners specific (voluntary and take out) ALAE and ULAE incurred amounts have been provided by the MGA (refer to Columns (1) and (10)). The catastrophe ALAE values reflected in Columns (2) and (3) reflect actual amounts incurred by the Company. The catastrophe ULAE values are estimated based on the ratio of ALAE catastrophe to ALAE non-catastrophe loss (refer to notes in columns (11) and (12)). Columns (7) through (9) reflect the ALAE ratio to incurred losses separated by non-catastrophe, non-hurricane catastrophe and hurricane catastrophe. Columns (16) through (18) reflect the same calculations applied to ULAE. Page 2 of the Loss Adjustment Expense Exhibit applies the Florida total homeowners specific LAE percentages to the Florida Take Out Homeowners incurred loss data to determine the ALAE and ULAE amounts reflected in the SRIW.

Loss Trend

The annual loss trend percentages that are used to calculate the loss trend factors in Column (36) of the FL OIR's spreadsheet are based upon the review of the Company's paid claim and loss experience using exponential trend methodologies. We have also included loss trend calculations based on the Styrsky method. Support for the loss trend selections can be found in the "Loss Trend Exhibit" included in the RLIW support by policy form.

The indicated loss trends, from Company experience, are based on the annual change in year-ending quarterly claim frequency, claim severity and pure premium from a paid loss perspective. Trend amounts have been determined for the most recent 1 year, 2 year, 3 year, 4 year and 5 year periods. The paid loss trend calculations were performed on all paid loss experience excluding catastrophes (Columns (2) through (6) of the Paid Loss Trend Exhibit) and paid loss experience excluding catastrophe and individual shock losses of $100,000 and greater (Columns (7) through (11) of the Paid Loss Trend Exhibit). Removing the shock losses increased the calculated loss trends for certain time periods.

For the HO-3 policy form, the 2 and 3 year loss trends are lower than the 4 and 5 year loss trends, however, the 1 year time period is showing a somewhat higher loss trend. These results were similar regardless of whether shock losses were included or not included in the loss trend calculation. The Styrsky methodology results in higher loss trends for the 4 and 5 year periods but lower loss trends for the more recent periods. The selected up-to-date loss trend of 11.7% is the average of the 3 and 4 year experience paid loss trend amounts of 9.9% and 13.6%, respectively. The projected loss trend of 8.6% is based on the 2 year experience paid loss trend. We believe these selections are reasonable and do not result in excessive loading of loss trend in the indication.

For the HO-6 policy form, removing the shock losses had a significant impact on the resulting loss trends for each time period. The 2 and 3 year loss trends are lower than the 4 and 5 year loss trends, however, the 1 year loss trend is showing a significantly higher loss trend. The Styrsky methodology results in higher loss trends for the 3,4 and 5 year periods but lower loss trends for the more recent periods. The selected up-to-date loss trend of 12.4% reflects 25% of the 3-year experience paid loss trend of 4.8% and 75% of the 4 year experience paid loss trend of 14.9%. The projected loss trend of 8.7% is the average of the 1 and 2 year experience paid loss trend amounts of 17.2% and 0.3%, respectively. We believe these selections are reasonable and do not result in excessive loading of loss trend in the indication.

Loss Development

The loss development factors in Column (35) are based on the Company's actual incurred loss experience as shown in the loss development triangles. Note that the loss development triangles do not include LAE since non-catastrophe LAE is handled strictly by the MGA. This methodology is consistent with the methodology reflected in previous rate filings. The selected development factors in Column (35) are based on the Company experience 3-year volume weighted average factors for HO-3 and Company experience all year volume weighted average factors for HO-6. The resulting loss development factors are lower than our industry peers but are consistent with prior methodology. The vast majority of claims are processed in-house allowing the MGA to employ its expertise in accurately reserving and closing covered claims in a timely manner. These actions have historically resulted in minimal claims development and lower loss development factors than the industry. The loss development triangles,

factors and selections are provided in the "Loss Development Factor Exhibit" included in the RLIW support for each policy form.

Non-Hurricane Catastrophe Provision

This filing includes a provision for non-hurricane catastrophes. The ISO excess wind factor methodology has been applied to the Company's limited experience resulting in a minimal factor amount for each policy form. For the HO-3 policy form, the selected excess wind factor is based on Company experience. For the HO-6 policy form, the selected excess wind factor is based on the average of the Company experience and the average of competitors (excluding ISO). The excess wind factor accounts for catastrophe wind events other than hurricanes while the statewide rate level indication reflects the exposure for the entire book of business. Therefore, it is necessary to adjust the excess wind factor to account for ex-wind exposure. The adjusted excess factor is applied to the trended and developed incurred loss (excluding LAE and catastrophes) to arrive at the expected non-hurricane catastrophe incurred loss reflected in Column (25) of the rate indication form. Similar methodology was applied to the HO-3 and HO-6 policy forms.

The non-hurricane catastrophe ALAE and ULAE have been allocated into ALAE and ULAE components based on competitor non-hurricane catastrophe ALAE and ULAE experience. The allocation procedure is provided in the "Competitors Non-Hurricane Catastrophe Loss Adjustment Expense Exhibit."

Hurricane Catastrophe Provision

The treatment of the provision for hurricane losses and LAE is prescribed by FL OIR's IRFS Standardized Rate Indication Workbook ("SRIW"). This provision for hurricane exposure is determined by dividing projected hurricane losses and LAE on in-force policies by current level in-force premiums. This is shown in Row (50). The in-force data is valued at September 30, 2020 and is shown in Columns (26) through (33) of the SRIW. The amount in Row (50) is added to the weighted projected incurred loss and LAE ratio including non-hurricane catastrophe losses and LAE (Column (45)) to produce a projected incurred loss and LAE ratio including all catastrophes (Row (51)). Hurricane loss projections were determined using AIR v17.0.1 as implemented in Touchstone Version 7.3.0 (With Demand Surge, No Storm Surge, Long Term Perspective) which has been accepted by the Florida Commission on Hurricane Loss Projection Methodology. The catastrophe model does not include the projection of LAE. Support for LAE loads has been provided in the "Competitor Hurricane Catastrophe Loss Adjustment Expense Support" included in the RLIW support for each policy form.

Catastrophe Model Support

We have uploaded all of the necessary documents for the FL OIR to review the results of the catastrophe modeling.

Underwriting Expenses

Columns (47) and (48) of the Underwriting Expense Exhibit show the selected underwriting expense provisions derived from the Company's Florida homeowners-specific expense experience for calendar years 2017 through 2019. Consistent with previous analyses, the selected underwriting expense ratios were determined as the weighted average of the three most recent calendar years for

commission/brokerage and general expenses. The other acquisition and general expenses were split 50/50 between fixed and variable components, consistent with previous rate analyses.

The total underwriting expense ratio (excluding profit and the net cost of reinsurance) in this analysis is 15.2% (the fixed expense component is 2.1% while the variable component is 13.1%). The "Underwriting Expense Exhibit" is included in the SRIW support for each policy form.

Note we have added an additional table to this exhibit from the previous version labeled "MGA Commission Reconciliation." The table reflects those provisions covered by the MGA agreement (commissions/brokerage, other acquisition, general and non-catastrophe LAE) for the most recent 3 calendar years and the resulting percentage to written premium of 26.0%. These amounts reconcile to OIR Consent Order (CASE NO.: 269310-20-CO) mandating the revised MGA commission of 26.0% of written premium.

Profit and Contingencies

An underwriting profit and contingencies provision of 4.2% was selected for this rate indication. 4.2% is the profit and contingencies factor that was approved by FL OIR in Memorandum OIR-17-02M.

Provision for Net Cost of Reinsurance

The rate change indications include a provision for the net cost of reinsurance based on the cost of catastrophe reinsurance purchased up to the exit point of coverage, including coverage provided by the Florida Hurricane Catastrophe Fund ("FHCF"). Documentation of the net cost of reinsurance is provided separately by Company in the files labeled: "SFIC 2020 Net Reinsurance Cost Exhibit.xlsx" and "CPIC_SFPC 2020 Net Reinsurance Cost Exhibit.xlsx". A detailed description of these exhibits and the methodology used in determining the net reinsurance cost is provided in the "Reinsurance Cost Memorandum."

Calendar/Accident Year Weights & Credibility

Column (44) displays the selected calendar/accident year weights. The weights are based on a 10%/15%/20%/25%/30% distribution which applies greater weight to the most recent accident years. Due to the increase in the projected incurred loss ratios of the most recent accident years we believe this is an appropriate weighting. This is a commonly accepted actuarial method to determine a weighted loss and LAE ratio across multiple accident years.

Row (55) displays the credibility of the data. The credibility standard reflected in this filing is the square root of total earned house years divided by 40,000 (25,000 for HO-6). This procedure is a generally accepted method for determining credibility and is consistent with the credibility procedure used in previous filings for this program.

Adjustment Factor for Law and/or Coverage Changes

Column (41) shows the adjustment factors from the HB 7065 law change.

HB 7065 Law Change

In the RLIW Support workbooks, the exhibit "Homeowners Historical Claim Count and Claim Severity by Month" shows the underlying claim counts and severity split out by Assignment of Benefits ("AOB") and non-AOB claims for each form, and the exhibit "HB7065 Adjustment Factor Exhibit" shows how the adjustment factor was derived and selected for each form. The indicated adjustment factor was calculated to determine how AOB claim severity is expected to behave after the law change versus before the change. An adjustment factor of 0.95 was judgmentally selected for accident years 2016-2018. For accident year 2019 the factor was adjusted to account for the law changes' effective date of July 1, 2019. No adjustment was included in accident 2020 as all AOB claims were settled based on the HB 7065 provisions.

Water Damage Coverage Limitation

This filing includes adoption of the Heritage Property & Casualty Insurance Company Water Damage Coverage Limitation. This endorsement limits water damage coverage of the policy in exchange for a reduced premium. This endorsement is mandatory for homes over 40 years of age.

In the RLIW Support workbooks, the exhibit "Water Damage Coverage Limitation Adjustment" determines the estimated impact this endorsement would have had for the experience reflected in the SRIW. The SRIW adjustment factors are based on the change in the loss and ALAE ratio with and without the water damage coverage limitation applied to historical water losses for homes greater than 40 years of age. Application of the water damage limitation reduces the 5-year historical non-catastrophe incurred loss and ALAE from $89.7M to $82.6M or approximately 8%. Note the exhibit also includes an adjustment to the historical earned premium to account for the premium credit of 30% from the endorsement. The resulting adjustment factors reflected in the SRIW range from a minimum of 0.932 to a maximum of 0.988.

Territory Rate Level Indication

Territory rate level indications were prepared separately for the HO-3 and HO-6 policy forms. Identical procedures were applied to each analysis. Therefore, the discussion below is applicable to each policy form. Note those exhibits containing premium, exposure, incurred loss, inforce premium, modeled hurricane loss, etc. have be provided separately for each company and on a combined basis. The rate level indications by territory and supporting documentation are provided in the attachments labeled:

- HO-3 Rate Support by Territory.xlsx
- HO-6 Rate Support by Territory.xlsx

The territorial indications are based on relativities applied to the statewide change. The rate support by territory documentation contains the following exhibits:

- Selected Change Exhibit. In determining the selected rate changes by territory, Company management focused primarily on rate caps that would result in reasonable changes by territory while avoiding significant increases. For the HO-3 policy form the selected changes by territory were capped between 0% and +25% for all territories. For the HO-6 policy form the selected changes by territory were capped between 0% and +8% for all territories.

- Indicated Rate Change. This exhibit contains the trended on-level premium, projected ultimate loss & LAE ratio and projected hurricane loss & LAE ratio by rating territory. The resulting combined loss ratio by territory is used in determining the rate relativity for each rating territory. The statewide indicated change is applied to the rate relativity to determine the indicated rate change for each territory.

- Credibility Weighted Loss & LAE Ratio. The projected ultimate loss & LAE ratio is based on the following three-way credibility procedure:
  $W_t = [z_t \times L_t + z_g \times L_g + (1 - z_t - z_g) \times L_p]$, where
  W_t = territorial credibility weighted loss & LAE ratio,
  z_t = territory credibility,
  z_g = territory group credibility,
  L_t = territory loss & LAE ratio,
  L_g = territory group loss & LAE ratio,
  L_p = proj. incurred loss & LAE ratio (incl. all catastrophes).

  Credibility is based on the square root rule applied to earned exposures and a 40,000 full credibility standard. In this three-way credibility procedure, the territory credibility is assigned to the territory results, the territory group credibility is assigned to the territory group results and the complement of the territory credibility and territory group credibility is assigned to the statewide projected incurred loss and LAE ratio. This allows for variation by territory that is better related to the modeled hurricane exposures.

  The final column of the exhibit off balances the calculated projected ultimate loss & LAE ratio to the statewide loss & LAE ratio shown in the statewide RLI workbook for each policy form.

- On-Level Territorial Loss & LAE Ratio. The trended ultimate loss ratio (including hurricane) is based on the combination of the statewide trended ultimate loss ratio and projected loss ratio by rating territory. The statewide trended ultimate loss (including hurricane) reconciles to row (51) of the RLIW.

- Trended On-Level Earned Premium and Exposure by Territory. This exhibit reflects the actual earned premiums by territory for the period under review. The earned premiums are adjusted by the current rate level and premium trend factors to determine the trended on-level earned premium. The total trended on-level earned premium shown in column (12) reconciles with the statewide RLIW.

- Trended Ultimate Loss & LAE. This exhibit reflects the actual incurred loss by territory for the experience period under review. The incurred losses are adjusted by the LAE factors, trend factors, development factors and excess wind factors to determine the trended ultimate loss & LAE including non-hurricane catastrophe losses. The total trended ultimate loss & LAE shown in column (12) reconciles with the statewide RLIW.

- Trended Ultimate Loss & LAE by Territory Group. This exhibit is a summary by territory group of the premium and loss experience discussed above.

- Projected Hurricane Loss & LAE Ratio by Territory. The projected hurricane loss ratio is derived in row (50) of the statewide RLI workbook based on columns (28) and (33). The statewide projected hurricane loss ratio has been allocated to territory groups based on the distribution of modeled hurricane losses. Given the varying levels of credibility by territory, we elected to allocate the loss ratio to territory groups based on geographic location.

- Reinsurance Expense Ratio. This exhibit allocates the total cost of reinsurance to territory group based on the distribution of AAL because wind reinsurance costs are expected to by proportional to AAL.

- Current Rate Level Factor by Territory. The current rate level factors by rating territory are based on the approved territory rate changes from the most recent rate filings. The rate changes by territory for the prior filings reconcile to the Rate Collection System Rate Level Effect Exhibit for each filing. Support for these changes is provided in the tabs subsequent to the Current Rate Level Factor by Territory Exhibit which contain the rate level effect exhibits from prior filings.

- Territory Relativity Table. The territory relativity table reflects the current territory relativities by rating territory and cause of loss from approved filing 20-017328. The selected change by territory is applied to the current territory relativity to determine the proposed territory relativity for each cause of loss.

Closing

The Company believes this filing demonstrates that the proposed rates are not excessive, inadequate or unfairly discriminatory and comply with the laws of the State of Florida. The Company understands that pursuant to Section 627.062, Florida Statutes, FL OIR may request additional information necessary to evaluate the condition of the Company and the reasonableness of the rate request. The Company looks forward to working with the FL OIR to provide any additional information that FL OIR may request in connection with this review.

The methods used, judgments made and selections of any percentages, factors, or provisions including, but not limited to, link ratios related to the loss development patterns, trend percentages, provisions for expected non-hurricane loss and LAE, underwriting expenses and profit and contingency provisions should not be considered to be the setting of any precedents that would prohibit the Company from using different methods or alternative selections in future rate level indications or filings.