

SERFF Tracking Number: NGMC-126850376 State: Rhode Island  
 Filing Company: NGM Insurance Company State Tracking Number:  
 Company Tracking Number:  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: NGM Insurance Company-Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing  
 Project Name/Number: Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing/

## Filing at a Glance

Company: NGM Insurance Company

Product Name: NGM Insurance Company- Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing  
 SERFF Tr Num: NGMC-126850376 State: Rhode Island

TOI: 04.0 Homeowners

SERFF Status: Closed-(02)  
 Approved

State Tr Num:

Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations

Co Tr Num:

State Status: (08) Closed -  
 Approved With Review

Filing Type: Form/Rate/Rule

Reviewer(s): Candy Casala, CIC,  
 Debra Stein, Ronald Make,  
 Augustine Park

Authors: Eileen Kuharich, Nancy  
 Murdough, Nancy Palmisano,  
 Susan Fastenberg, Miranda Doyle,  
 Hollie Carter, Amber May

Disposition Date: 01/28/2011

Date Submitted: 10/08/2010

Disposition Status: (02) Approved

Effective Date Requested (New): 04/26/2011

Effective Date (New):

Effective Date Requested (Renewal): 05/31/2011

Effective Date (Renewal):

## General Information

Project Name: Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing

Status of Filing in Domicile: Not Filed

Project Number:

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 01/28/2011

State Status Changed: 01/28/2011

Deemer Date:

Created By: Susan Fastenberg

Submitted By: Susan Fastenberg

Corresponding Filing Tracking Number:

Filing Description:

Re: NGM Insurance Company-Homeowners –Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing

NGM NAIC Number 311-14788

SERFF Tracking Number: NGMC-126850376 State: Rhode Island  
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NGM Insurance Company (NGM) proposes to revise overall rate levels for Homeowners in Rhode Island by +1.5%.

Included in this filing are the rating components we propose to change:

- Replace the New Home Discount with the Age of Home Rule  
 ----- Revise discounts for new homes aged 0 to 15;  
 ----- Introduce increases for preferred dwellings 26 years of age or older; and
- Include \$2,000 Water Back-Up Coverage in the Gold endorsement and increase the factor for the additional coverage.

NGM proposes to revise the following rules:

Rule	Description
407	-----Age of Home
523	-----Homeowners Enhanced Package Endorsement-HO 00 03 and HO 00 06 Only

In addition, NGM proposes an amendment to our form 61-8550 – Gold Homeowner Endorsement-Rhode Island. We are introducing additional coverage by adding \$2,000 in water back up and sump overflow coverage to the endorsement.

Enclosed please find the actuarial explanatory memorandum, rule explanatory, form explanatory and associated exhibits which explain the revisions in more detail.

This filing applies to all New Business policies effective on and after April 26, 2011 and to all Renewal policies on and after May 31, 2011.

Please find finished manual rule pages: HO-19 and HO-33 all (04/11) edition. Form 61-8550 Gold Homeowner Endorsement-Rhode Island (04/11) is attached in the Form Schedule in SERFF.

## Company and Contact

### Filing Contact Information

Nancy Palmisano, State Filings Manager	palmisan@msagroup.com
4601 Touchton Rd East	800-207-0446 [Phone] 351 [Ext]
Suite 3400	904-486-7850 [FAX]
Jacksonville, FL 32245	

### Filing Company Information

NGM Insurance Company	CoCode: 14788	State of Domicile: Florida
4601 Touchton Road East	Group Code: 311	Company Type: Property and

SERFF Tracking Number: NGMC-126850376 State: Rhode Island  
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**Casualty**

PO Box 16000, Suite 3400

Group Name: Main Street America State ID Number:  
Group

Jacksonville, FL 32245

FEIN Number: 02-0170490

(800) 207-0446 ext. 225[Phone]

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**Filing Fees**

Fee Required? Yes  
Fee Amount: \$25.00  
Retaliatory? No  
Fee Explanation: Florida has no retaliatory fee, therefore we use Rhode Island's required filing fee.  
Per Company: Yes

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
NGM Insurance Company	\$25.00	10/08/2010	40443306

**State Specific**

This is a rate filing and I have completed the Rate Data fields on the Rate/Rule Schedule (Yes/No).: Yes

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
(02) Approved	Candy Casala, CIC	01/28/2011	01/28/2011

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## Disposition

Disposition Date: 01/28/2011  
 Effective Date (New):  
 Effective Date (Renewal):  
 Status: (02) Approved  
 Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
NGM Insurance Company	1.800%	1.500%	\$90,365	1,851	\$5,990,093	10.000%	-12.800%

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Schedule	Schedule Item	Schedule Item Status	Public Access
<b>Supporting Document (revised)</b>	Actuarial Support- RI Rate Procedural Informational Summary Form		Yes
<b>Supporting Document</b>	Actuarial Support- RI Rate Procedural Informational Summary Form		Yes
<b>Supporting Document</b>	Actuarial Support- RI Rate Procedural Informational Summary Form		Yes
<b>Supporting Document</b>	Actuarial Memorandum and Exhibit		Yes
<b>Supporting Document</b>	Rule Explanatory Memorandum		Yes
<b>Supporting Document</b>	Rules Exhibits		Yes
<b>Supporting Document</b>	Form Explanatory Memorandum		Yes
<b>Supporting Document</b>	Form Exhibit		Yes
<b>Supporting Document</b>	Statement of Compliance		Yes
<b>Supporting Document</b>	Cover Letter		Yes
<b>Supporting Document</b>	Deemer Letter		Yes
<b>Form</b>	Gold Homeowner Endorsement-Rhode Island		Yes
<b>Rate</b>	Finished Manual Rule Pages		Yes

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## Form Schedule

Schedule Item Status	Form Name	Form #	Edition Date	Form Type Action	Action Specific Data	Readability	Attachment
	Gold Homeowner Endorsement-Rhode Island	61-8550	04/11	Endorsement/Amendment/Conditions Replaced	Replaced Form #: 61-8550 (06/06) Previous Filing #: SERT-6LEK6E728 (Disposition Date 1-30-06)		61-8550 (4-11) RI Gold HO Endorsement.pdf

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## GOLD HOMEOWNER ENDORSEMENT-RHODE ISLAND

Form HO 00 03 Only

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### **REPLACEMENT OR REPAIR COST PROTECTION – COVERAGE A – DWELLING**

We agree to amend the present Coverage A amount indicated on the declarations page in accordance with the following provisions:

1. If you have:
  - A. Allowed us to adjust the Coverage A Limit of Liability and the premium in accordance with:
    - (1) The property evaluation we make; and
    - (2) Any increases in inflation; and
  - B. Notified us, within 30 days of completion, of any alterations to the dwelling which increase the replacement cost of the dwelling by 5% or more.

We will:

- A. Increase the Coverage A Limit of Liability to equal the current replacement cost of the dwelling if the amount of loss to the dwelling is more than the limit of liability indicated on the Declarations page;
  - B. Adjust the policy premium from the time of loss for the remainder of the policy term based on the increased limits of liability.
2. If you comply with the provisions of this endorsement and there is a loss to a building insured under Coverage "A"; Section 1 Condition 3. Loss Settlement paragraph b., subparagraphs (1), (2), and (3) are deleted, but only with regard to buildings under Coverage A, and is replaced by paragraph b. as follows:
    - b. Buildings under Coverage A at replacement cost without deduction for depreciation. We will pay no more than the smallest of the following amounts, but in no case more than 125% of your Coverage A limit of liability shown on your declarations, for equivalent construction and use on the same premises;
      - (1) The replacement cost of the building or any parts of it;
      - (2) The amount actually and necessarily spent to repair or replace the buildings or any parts of it;
      - (3) The applicable limit of liability whether increased or not, adjusted in accordance with paragraph 1. above.

This policy does not apply to land, including land on which the building or structures are located.

All other provisions of this policy apply.

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### **PERSONAL PROPERTY REPLACEMENT COST**

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#### **SECTION I**

Covered losses to the following property are settled at replacement cost at the time of loss:

- A. Coverage C – Personal Property;
- B. If covered in this policy, awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings.

Personal Property Replacement Cost coverage also applies to articles or classes of property separately described and specifically insured in this policy:

- A. Jewelry;
- B. Furs and garments trimmed with fur or consisting principally of fur;
- C. Cameras, projection machines, films and related articles of equipment;
- D. Musical equipment and related articles of equipment;
- E. Silverware, silver-plated ware, goldware, gold-plated ware and pewterware, but excluding pens, pencils, flasks, smoking implements or jewelry; and
- F. Golfer's equipment meaning golf clubs, golf clothing and golf equipment.

Personal Property Replacement Cost coverage will not apply to other classes of property separately described and specifically insured.

#### **1. PROPERTY NOT ELIGIBLE**

Property listed below is not eligible for replacement cost settlement. Any loss will be settled at actual cash value at the time of loss but not more than the amount required to repair or replace.

- A. Antiques, fine arts, paintings and similar articles of rarity or antiquity which cannot be replaced.
- B. Memorabilia, souvenirs, collectors items and similar articles whose age or history contribute to their value.
- C. Articles not maintained in good or workable condition.
- D. Articles that are outdated or obsolete and are stored or not being used.



## 2. REPLACEMENT COST

The following loss settlement procedure applies to all property insured under this endorsement:

- A.** We will pay no more than the least of the following amounts:
1. Replacement cost at the time of loss without deduction for depreciation;
  2. The full cost of repair at the time of loss;
  3. The limit of liability that applies to Coverage C, if applicable;
  4. Any applicable special limits of liability stated in this policy; or
  5. For loss to any item separately described and specifically insured in this policy, the limit of liability that applies to the item.
- B.** When the replacement cost for the entire loss under this endorsement is more than \$500, we will pay no more than the actual cash value for the loss or damage until the actual repair or replacement is complete.
- C.** You may make a claim for loss on an actual cash value basis and then make claim within 180 days after the loss for any additional liability in accordance with this endorsement.

All other provisions of this policy apply.

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### INCREASED COVERAGE C

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Coverage C is increased to 70% of the Coverage A amount shown on your policy.

All other provisions of this policy apply.

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### INCREASED COVERAGE D

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Coverage D is increased to 30% of the Coverage A amount shown on your policy.

All other provisions of this policy apply.

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### ORDINANCE OR LAW COVERAGE

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Loss for damage by a Peril Insured Against to covered property or the building containing the covered property will be settled on the basis of any ordinance or law that regulates the construction, repair or demolition of this property.

All other provisions of this policy apply.

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### FIRE DEPARTMENT SERVICE CHARGE – INCREASED LIMIT

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Section I – Property Coverage, Additional Coverages, 4. Fire Department Service Charge. The first sentence is deleted and replaced by the following:

We will pay up to \$1,000 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against.

All other provisions of this policy apply.

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### LOCK REPLACEMENT PROTECTION COVERAGE

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We will pay up to \$500, subject to a \$50 deductible to replace house locks if any family member's keys are lost or stolen.

Special Deductible – We will pay only that part of the loss that exceeds \$50.

All other provisions of this policy apply.

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### WATER BACK UP AND SUMP OVERFLOW

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1. We insure, up to \$2,000, for direct physical loss, not caused by the negligence of any "insured," to property covered under Section I caused by:
  - a. Water which backs up through sewers or drains; or
  - b. Water which overflows from a sump even if such overflow results from the mechanical breakdown of the sump pump. This coverage does not apply to direct physical loss of the sump pump, or related equipment, which is caused by mechanical breakdown.

This endorsement does not increase the limits of liability for Coverages A, B, C or D stated in the policy Declarations.

#### 2. Special Deductible

The following deductible provision replaces any other deductible provision in the policy with respect to loss covered under this endorsement.

We will pay only that part of the loss which exceeds \$250. No other deductible applies to this coverage. This deductible does not apply with respect to Coverage D – Loss of Use.

#### 3. Section I – Perils Insured Against

In Form **HO 00 03**, paragraph **2.e.(2)** under Coverage A – Dwelling and Coverage B – Other Structures is deleted, with respect to coverage for loss caused by overflow of sumps, and replaced by the following:

- (2) Inherent vice, latent defect;

#### 4. Section I – Exclusions

3. **Water Damage** is deleted and replaced by the following:

3. **Water Damage**, meaning:

- a. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind; or

- b. Water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.

Direct loss by fire or explosion resulting from water damage is covered.

(In Form **HO 00 03**, this is item **1.c.**)

All other provisions of this policy apply.

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### **REFRIGERATED PRODUCTS COVERAGE**

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We insure up to \$1,000 covered property stored in freezers or refrigerators on the "residence premises" for direct loss caused by:

1. Interruption of electrical service to the refrigeration unit. The interruption must be caused by damage to the generating or transmitting equipment; or
2. Mechanical failure of the unit storing the property.

Coverage will apply only if you have maintained the refrigeration unit in proper working condition immediately prior to the loss.

This endorsement does not increase the limit of liability for Coverage C – Personal Property.

The Section I – Power Failure exclusion does not apply to this coverage.

#### **Special Deductible**

The following deductible applies to covered loss to refrigerated property:

We will pay only that part of the loss that exceeds \$100. No other deductible applies to this coverage.

All other provisions of this policy apply.

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### **LOSS ASSESSMENT COVERAGE**

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#### **1. Increased Limit – Residence Premises**

The limit of liability for Section I Additional Coverage 7 and Section II Additional Coverage 4, Loss Assessment, is increased to \$5,000.

**SPECIAL LIMIT** – We will not pay more than \$1,000 of your assessment that results from a deductible in the policy of insurance purchased by a corporation or association of property owners.

All other provisions of this policy apply.

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### **INCREASED SPECIAL LIMITS OF LIABILITY – COVERAGE C**

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Section I – Property Coverage, Coverage C – Personal Property, Special Limits of Liability is replaced by the following:

#### **Special Limits or Liability**

These limits do not increase the Coverage C limit of liability. The special limit for each numbered category below is the total limit for each loss for all property in that category.

1. \$300 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum coins and medals.
2. \$2,500 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.
3. \$2,500 on watercraft, including their trailers, furnishings, equipment and outboard engines or motors.
4. \$2,500 on trailers not used with watercraft.
5. \$5,000 (no more than \$2,500 of this limit will be available for any one item) for loss by theft, misplacing, or losing of jewelry, watches, furs, precious and semi-precious stones.
6. \$3,000 for loss by theft, misplacing, or losing of firearms.
7. \$5,000 for loss by theft, misplacing, or losing of silverware, silver-plated ware, goldware, gold-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.
8. \$5,000 on property, on the "residence premises," used at any time or in any manner for any "business" purpose.
9. \$500 on property, away from the "residence premises," used at any time or in any manner for any "business" purpose. However, this limit does not apply to loss to adaptable electronic apparatus as described in Special Limits 10. and 11. below.
10. \$1,500 for loss to electronic apparatus, while in or upon a motor vehicle or other motorized land conveyance, if the electronic apparatus is equipped to be operated by power from the electrical system of the vehicle or conveyance while retaining its capability of being operated by other sources of power.  
Electronic apparatus includes:  
**A.** Accessories and antennas; or

B. Tapes, wires, records, discs or other media; for use with any electronic apparatus.

11. \$1,500 for loss to electronic apparatus, while not in or upon a motor vehicle or other motorized land conveyance, if the electronic apparatus:

A. Is equipped to be operated by power from the electrical system of the vehicle or conveyance while retaining its capability of being operated by other sources of power;

B. Is away from the "residence premises"; and

C. Is used at any time or in any manner for any "business" purpose.

Electronic apparatus includes:

A. Accessories and antennas; or

B. Tapes, wires, records, discs or other media; for use with any electronic apparatus.

All other provisions of this policy apply.

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#### **CREDIT CARD, FUND TRANSFER CARD, FORGERY AND COUNTERFEIT MONEY - INCREASED LIMIT**

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Section I, Property Coverages, Additional Coverages Item 6. Credit Card, Fund Transfer Card, Forgery and Counterfeit Money. The first sentence is deleted and replaced by the following:

We will pay up to \$2,500 for:

All other provisions of additional coverages apply.

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#### **PERSONAL LIABILITY AND MEDICAL PAYMENTS TO OTHERS - INCREASED LIMIT OF LIABILITY**

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**SECTION II – CONDITIONS 1. Limit Of Liability** is deleted and replaced with the following:

1. **Limit of Liability.** Our total liability under Coverage E for all damages resulting from any one "occurrence" will not be more than the limit of liability for Coverage E as shown in the Declarations plus \$100,000. This limit is the same regardless of the number of "insureds," claims made or persons injured. All "bodily injury", "personal injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one "occurrence."

Our total liability under Coverage F for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the limit of liability for Coverage F as shown in the Declarations plus \$1,000.

All other provisions of this policy apply.

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#### **PERSONAL INJURY**

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Under Coverage E – Personal Liability, the definition "bodily injury" is amended to include personal injury.

"Personal injury" means injury arising out of one or more of the following offenses:

1. False arrest, detention or imprisonment, or malicious prosecution;
2. Libel, slander or defamation of character; or
3. Invasion of privacy, wrongful eviction or wrongful entry.

Section II Exclusions do not apply to personal injury. Personal injury insurance does not apply to:

1. Liability assumed by the "insured" under any contract or agreement except any indemnity obligation assumed by the "insured" under a written contract directly relating to the ownership, maintenance or use of the premises;
2. Injury caused by a violation of a penal law or ordinance committed by or with the knowledge or consent of an "insured";
3. Injury sustained by any person as a result of an offense directly or indirectly related to the employment of this person by the "insured";
4. Injury arising out of or in connection with a "business" engaged in by an "insured." This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business";
5. Civic or public activities performed for pay by an "insured"; or
6. Injury to you or an "insured" within the meaning of part a. or b. of "insured" as defined.

All other provisions of this policy apply.

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#### **DAMAGE TO PROPERTY OF OTHERS - INCREASED LIMIT**

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Section II – Additional Coverages, 3. Damage To Property of Others. The first sentence is deleted and replaced by the following:

We will pay, at replacement cost, up to \$1,000 per "occurrence" for "property damage" to property of others caused by an "insured".

All other provisions of this policy apply.

**WATERCRAFT LIABILITY OUTBOARD ENGINE  
OR MOTOR INCREASED HORSEPOWER  
COVERAGE**

**SECTION II – EXCLUSIONS, 1. g.** is deleted and replaced with the following:

**g.** Arising out of:

- (1)** The ownership, maintenance, use, loading or unloading of an excluded watercraft described below;
- (2)** The entrustment by an "insured" of an excluded watercraft described below to any person; or
- (3)** Vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using an excluded watercraft described below.

Excluded watercraft are those that are principally designed to be propelled by engine power or electric motor, or are sailing vessels, whether owned by or rented to an "insured." This exclusion does not apply to watercraft:

- (1)** That are not sailing vessels and are powered by:
  - (a)** Inboard or inboard-outdrive engine or motor power of 50 horsepower or less not owned by an "insured";
  - (b)** Inboard or inboard-outdrive engine or motor power of more than 50 horsepower not owned by or rented to an "insured";

- (c)** One or more outboard engines or motors with 50 total horsepower or less;
- (d)** One or more outboard engines or motors with more than 25 total horsepower if the outboard engine or motor is not owned by an "insured";
- (e)** Outboard engines or motors of more than 25 total horsepower owned by an "insured" if:
  - (i)** You acquire them prior to the policy period; and
    - (a)** You declare them at policy inception; or
    - (b)** Your intention to insure is reported to us in writing within 45 days after you acquire the outboard engines or motors.
  - (ii)** You acquire them during the policy period.

This coverage applies for the policy period.

- (2)** That are sailing vessels, with or without auxiliary power:
  - (a)** Less than 26 feet in overall length;
  - (b)** 26 feet or more in overall length, not owned by or rented to an "insured."
- (3)** That are stored;

All other provisions of this policy apply.

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**Rate Information**

Rate data applies to filing.

**Filing Method:** Prior Approval  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** 4.600%  
**Effective Date of Last Rate Revision:** 09/01/2010  
**Filing Method of Last Filing:** File and Use - (FLEX)

**Company Rate Information**

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
NGM Insurance Company	N/A	1.800%	1.500%	\$90,365	1,851	\$5,990,093	10.000%	-12.800%

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## Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
	Finished Manual Rule	HO-19 and HO-	Replacement	Finished Manual Rule
	Pages	33 (04/11)		Pages.pdf

RHODE ISLAND (38)

- f. For the remainder of the state, a "hurricane" begins at the time a "hurricane" warning is issued for any location in the state of Rhode Island other than Block Island by the National Weather Service and ends 24 hours following the termination of the last "hurricane" warning for any location in the state of Rhode Island other than Block Island by the National Weather Service.
- g. The hurricane deductible does not apply when the policy deductible is equal to or greater than the actual dollar amount of the hurricane deductible.
- h. The policy deductible applies to covered losses when the hurricane deductible does not apply.

Use Hurricane Percentage Deductible Endorsement 61-8404.

407. AGE OF HOME - FORMS HO 00 02 and HO 00 03

- A. A dwelling fifteen (15) years of age or less may be eligible for a discount.

The age of the dwelling is determined by subtracting the year in which the construction of the house was completed from the year which includes the current effective date of the policy.

Select the factor shown below according to age of dwelling. Apply the factors listed below to the BASE PREMIUM.

<u>Dwelling Age (Years)</u>	<u>Factor</u>	<u>Dwelling Age (Years)</u>	<u>Factor</u>
0	0.65	8	0.91
1	0.68	9	0.92
2	0.71	10	0.93
3	0.77	11	0.94
4	0.80	12	0.95
5	0.83	13	0.96
6	0.86	14	0.97
7	0.90	15	0.98

This discount plan does not apply to: Additional premiums for optional or additional coverages.

- B. The following factors will apply to Dwellings in the Preferred Tier only.

<u>Dwelling Age (Years)</u>	<u>Factor</u>
16-25	1.00
26-35	1.05
36+	1.10

408. HOMEOWNERS BUILDERS RISK THEFT COVERAGE

Coverage for loss caused by theft in or to a dwelling under construction or by theft of materials and supplies for use in the construction of the dwelling while on the described premises may be provided for an additional premium. Coverage must apply from policy inception date and cannot be added mid-term. Coverage will apply for a period not exceeding one hundred eighty (180) days from the inception date of the policy, or until the dwelling is occupied, whichever occurs first.

The premium for the attachment of this form is \$.50 per thousand of Coverage A. The premium developed shall be the full premium for the 180 days and shall be fully earned. No coverage extension beyond 180 days is available.

Use Endorsement 61-N268 - Homeowner's Builders Risk Theft Coverage.

04/11

RHODE ISLAND (38)

523. HOMEOWNERS ENHANCED PACKAGE ENDORSEMENTS – HO 00 03 AND HO 00 06 ONLY

To offer enhanced coverages provided under the Homeowners policy under one endorsement. The premium for this endorsement shall be developed by applying the appropriate endorsement factor to the BASE PREMIUM subject to a minimum premium as noted in the premium section below. This factor and minimum premium shall apply in place of any other premium charges in this manual for corresponding coverages.

COVERAGES	Silver Homeowners HO 00 03 Endorsement 61-8549	Gold Homeowners HO 00 03 Endorsement 61-8550	Platinum Homeowners HO 00 03 Endorsement 61-8551	Condominiums Protection Plus HO 00 06 Endorsement 61-8503
Repair/Replace Coverage A	Up to 125% of Coverage A	Up to 125% of Coverage A	Up to 150% of Coverage A	
Coverage C-Personal Property Replacement	X	X	X	X
Coverage C-Open Peril			X	
Ordinance & Law Coverage		X	X	X
Coverage D-Loss of Use		X	X	X
Fire Department Service	X	X	X	X
Lock Replacement Protection	X	X	X	X
Fire Extinguisher Recharge			X	X
Mortgage Extra Expense			X	X
Water Backup and Sump		X	X	X
Debris Removal			X	
Tree shrub coverage			X	
Refrigerated Property Coverage	X	X	X	X
Loss Assessment	X	X	X	X
Jewelry & Furs	X	X	X	X
Silverware	X	X	X	X
Money & Coins	X	X	X	X
Securities and Valuable paper	X	X	X	X
Firearms	X	X	X	X
Electronic Apparatus (In motor vehicle)	X	X	X	X
Electronic Apparatus (Not in a motor vehicle)	X	X	X	X
Business Property-At Home		X	X	X
Business Property-Away		X	X	X
Credit Card, Forgery, counterfeit	X	X	X	X
Special Computer Coverage			X	
Watercraft Including Trailers	X	X	X	X
Trailers Not used with Watercraft	X	X	X	X
Coverage E-Personal Liability	X	X	X	
Coverage F-Medical Payments	X	X	X	
Personal Injury	X	X	X	X
Damage To Property of Others	X	X	X	X
Outboard motors 50hp	X	X	X	
Premium*	1.10 Minimum Premium \$25	1.16 Minimum Premium \$25	1.35 Minimum Premium \$35	1.23 Minimum Premium \$35



SERFF Tracking Number: NGMC-126850376 State: Rhode Island  
 Filing Company: NGM Insurance Company State Tracking Number:  
 Company Tracking Number:  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: NGM Insurance Company-Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing  
 Project Name/Number: Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing/

## Supporting Document Schedules

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> Actuarial Support- RI Rate Procedural Informational Summary Form		

**Comments:**

Please see Revised Rate Procedural Summary attached.

**Attachment:**

RI Rate Procedural Summary.pdf

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> Actuarial Memorandum and Exhibit		

**Comments:**

Please see Actuarial Memorandum with Exhibit attached.

**Attachment:**

Actuarial Explanatory Memorandum and Exhibits.pdf

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> Rule Explanatory Memorandum		

**Comments:**

Please see Rule Explanatory Memorandum attached.

**Attachment:**

Rule Explanatory.pdf

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> Rules Exhibits		

**Comments:**

Please see Rules Exhibits attached.

**Attachment:**

Rules Exhibit.pdf

SERFF Tracking Number: NGMC-126850376 State: Rhode Island  
Filing Company: NGM Insurance Company State Tracking Number:  
Company Tracking Number:  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: NGM Insurance Company-Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing  
Project Name/Number: Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing/

**Item Status:** **Status Date:**

**Satisfied - Item:** Form Explanatory Memorandum

**Comments:**

Please see form explanatory memorandum attached.

**Attachment:**

Form Explanatory Memorandum.pdf

**Item Status:** **Status Date:**

**Satisfied - Item:** Form Exhibit

**Comments:**

Please see form exhibit attached.

**Attachment:**

61-8550 (4-11) RI Gold HO Endorsement Exhibit.pdf

**Item Status:** **Status Date:**

**Satisfied - Item:** Statement of Compliance

**Comments:**

Please see Statement of Compliance attached.

**Attachment:**

RI-Statement Of Compliance.pdf

**Item Status:** **Status Date:**

**Satisfied - Item:** Cover Letter

**Comments:**

Please see cover letter attached.

**Attachment:**

Cover Letter.pdf

**Item Status:** **Status Date:**

SERFF Tracking Number: NGMC-126850376 State: Rhode Island  
Filing Company: NGM Insurance Company State Tracking Number:  
Company Tracking Number:  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: NGM Insurance Company-Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing  
Project Name/Number: Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing/  
**Satisfied - Item:** Deemer Letter

**Comments:**

Please see Deemer Letter attached. NGM is responding to the 3rd deemer letter.

**Attachment:**

Deemer Letter.pdf

STATE OF RHODE ISLAND  
RATE PROCEDURAL INFORMATIONAL SUMMARY FOR ALL NEW  
AND REVISED RATE FILINGS

Insurers must provide a reply to the following interrogatories for all **new** and **revised** rate filings in accordance with the instructions provided below. While the insurer may attach/link exhibits to respective interrogatories, referring the Department to other exhibits to "find" information is not proper protocol for form completion. Further, if a question is not applicable, please so indicate and provide the basis for such position. Wherever the word "proposed rate" appears, the requirements also apply to all new or revised rate filings where applicable.

1. Provide a general description of the filing; i.e., list all factors and proposed rates or proposed changes to rates and rating factors. In doing so, include the current and proposed territory base rates for each coverage for which a rate level change is being proposed, the current and proposed territory definitions for each rating territory for which a change in definition is being proposed, and the current and proposed rating factors for each set of rating factors for which a new factor or change is being proposed.

**With this filing, NGM Insurance Company proposes to increase overall rate levels for its Homeowners program in Rhode Island by 1.5%. The 1.5% change is comprised of the following changes:**

- **The overall +1.5% is comprised of an overall +1.6% for the Owners forms and no changes for the Tenants and Condos forms.**
- **Please see Exhibit I, Page 1 for the overall impact by form.**
- **NGM is proposing to replace the New Home Discount with the Age of Home Rule. The Age of Home rule will consist of discounts for all homes aged 0-15 and charges for all Preferred homes aged 26 or older. Exhibit I, Page 2 details the changes and support for Age of Home proposed changes. The overall impact of these changes is 1.6% for the owners forms. This change does not impact the tenant or condo forms.**
- **With this filing, NGM is revising its Gold Endorsement to include \$2,000 Water back-Up Coverage. To account for the additional coverage within the Gold Endorsement we are revising the factor from 1.15 to 1.16. This addition does not impact the tenant or condo forms.**

2. Provide the indicated rate level changes (where applicable), proposed rate level changes, and premium weights using premiums adjusted to current rate level for each coverage (e.g. bodily injury, property damage), subline (e.g. liability, physical damage), and all coverages combined.

**Please see Exhibit I, Page 1 for the indicated rate level changes, proposed rate level changes, and premium weights using premiums adjusted to current rate level for each coverage, and all coverages combined.**

\*Describe components of proposed change, e.g., class, increased limits, deductibles, age and symbols, territories, policy coverage, rules, etc.

3. Provide actuarially based rate level indications to support the proposed rate or proposed rate

level changes by coverage. In so doing, provide the underlying data, assumptions, and derivation of each of the following components of the indications: **Please see Exhibits II - IX**

- a) premiums adjusted to the current rate level;  
**Please see Exhibit II for the premiums adjusted to current rate level.**
- b) premium trend;  
**Please see Exhibit III for the premium trend.**
- c) losses and allocated loss adjustment expense (ALAE, which is now referred to as defense and cost containment expense) developed to an ultimate basis including the loss development triangles and the selected loss development factors;  
**Please see Exhibit IV for the loss adjustment expense. Please see Exhibit V for the loss development triangles and the selected loss development factors.**
- d) losses and ALAE adjusted to reflect prospective cost levels, including selected trend factors;  
**ALAE are included with the Incurred Loss numbers. Consequently, the same loss trend is applied as in the incurred losses. Please see Exhibit VI for these trends.**
- e) any adjustments made for large, catastrophic, or weather related losses;  
**Please see Exhibit VII, Page 1, for the adjustment made for large losses. Large losses are considered to be single claims greater than \$75,000.**

**NGM's CAT Load is a combination of Modeled\* Hurricane losses (6.6%) and historical Non-Hurricane Cat Losses (1.3%) as a percent of premium. The Hurricane load is calculated by taking the modeled Rhode Island Homeowners Average Annual Retained Losses, adding 5% for an ALAE load, and then dividing by the Direct Earned Premium.**

**The Non-Hurricane load is calculated by taking a 10 year average of our actual RI HO non-hurricane cat losses and dividing by the RI HO Direct Earned Premium. NGM then caps this percentage for all states by 1.5 x the total states average and redistributes the capped losses by direct earned premium. For RI, this adds an additional 0.3%.**

**Please see Exhibit VII, Page 2, for the data and the calculation of the RI Catastrophe Load.**

**\* The catastrophe model used was RiskLink® Version 8.0**

- f) any adjustments made to reflect the credibility of the experience;  
**Credibility has been incorporated based on the number of claims in the experience period for the indications by form, with a minimum credibility of 50%. The complement of credibility is the expected loss ratio after application of the net trend.**
- g) expense provisions – Support should include five years of expense history for each expense provision including unallocated loss adjustment expense (ULAE, which is now referred to as claim adjustment service) with an explanation if the expenses

underlying the expected loss ratio or expense multiplier vary from the company's historical expenses; recognition should be given to fixed and variable expense components; and

**Please see Exhibit VIII, Pages 1 and 2, for the expense provisions. Recognition for the fixed and variable expense components is shown.**

**NGM's reinsurance load is found on Exhibit VIII, Page 1 as well. NGM's reinsurance premium is spread to LOB by taking 70% of the LOB ratio of ceded modeled losses\* to countrywide modeled ceded losses and applying that percentage to our total CAT Premium (Per Occurrence). The remaining 30% is spread by subject premium (Aggregate).\*\***

**NGM's reinsurance premium is then spread to state by taking 70% of the state ratio of ceded modeled losses to LOB modeled ceded losses and applying that percentage to the LOB CAT Premium (Per Occurrence). The remaining 30% is spread by subject premium (Aggregate). The state's allocated reinsurance premium percentage is then capped at 200% of the LOB's allocated reinsurance premium percentage. The premium over the cap is then spread to all states by subject premium.**

**Please see Exhibit VIII, Page 3, for the data and the calculation of the RI Reinsurance Expense Load.**

**\* The catastrophe model used was RiskLink® Version 8.0**

**\*\* Both the 70/30 split and the 200% cap are based on actuarial judgment and are used to temper the Reinsurance Expense load.**

h) profit & contingency provision – Support should include rationale for the target rate of return (if applicable), and an explanation (including underlying calculations, data, and assumptions) of how investment income was considered. Data used should be the most recent available to the company.

**NGM uses an 8.0% profit and contingencies load for Homeowners. Please see Exhibit IX (Pages 1 and 2) for the support for the 8% Profit and Contingencies Provision. NGM is targeting an ROE of 12.0%. The selection of 12.0% is based off a comparison to what our competitors are targeting. Based off this, NGM's indicated Pre-Tax Underwriting Profit Provision is 12.4%. NGM has selected 8.0%.**

4. Provide actuarial support and any other considerations for any proposed factors or proposed changes in rating factors or class definitions; i.e., territory definitions or relativities, class plan definitions or relativities, increased limit factors, deductible factors, discounts, surcharges, etc. Actuarial support should reflect your company's experience. If credit history is utilized in the rating or underwriting process, for homeowner's insurance or personal motor vehicle insurance, the insurer must demonstrate the predictive nature of its insurance scoring process to the Department. Question 5 and 6 enumerates additional filing requirements to support the insurer's use of credit. In addition, a) all motor vehicle filings must include the information requested in Question 15, b) all filings for territory changes must be supported pursuant to Rhode Island Insurance Regulation 62 and c) all property insurance filings must include the information requested in Question 16.

**NGM has proposed revised rates based on the rate level indications by Form. These rate level indications are shown in Exhibit II.**

If you are proposing rates, rating factors, discounts/surcharges, class/territory definitions, etc. that are based on those currently in effect in Rhode Island for another insurance company(ies) or rating organization, provide the rates, rating factors, discounts/surcharges, class/territory definitions, etc. of that other company(ies), and explain how you have considered possible differences in coverage offered, underwriting standards, claim practices, expenses, etc. between your company and the referenced company(ies).

**NGM is proposing to replace the New Home Discount with the Age of Home Rule. The Age of Home rule will consist of discounts for all homes aged 0-15 and charges for all Preferred homes aged 26 or older. Exhibit I, Page 2 details the changes and support for Age of Home proposed changes. The overall impact of these changes is 1.6% for the owners forms.**

**NGM is proposing to revise its Gold Endorsement to include \$2,000 Water back-Up Coverage. To account for the additional coverage within the Gold Endorsement we are revising the factor from 1.15 to 1.16.**

5. In order to demonstrate the predictive nature of insurance scoring, the insurer must provide an analysis that confirms the statistical correlation between insurance score and loss experience. The analysis should be performed in such a manner that adjusts for any potential distributional biases, such as among states (if multi-state data is used) with different levels of rate adequacy, or among vehicle use risk classes with different levels of rate adequacy. In addition:

a) The source of the data must be identified, e.g., number of years of data; whether the data is by accident year or policy year; whether the data is from Rhode Island or other states; if a sample of states or a sample of risks is used, a description of how the data was collected, including data verification procedures; the percentage of the overall business that is used in the sample; etc.

**We are not proposing any changes to our Insurance Score Rules or Rates.**

b) All data adjustments must be explained and supported, e.g., loss development; adjustments for the effect of large losses; how credibility was considered in the analysis; etc.

**We are not proposing any changes to our Insurance Score Rules or Rates.**

c) The data underlying the analysis must be relatively recent.

**We are not proposing any changes to our Insurance Score Rules or Rates.**

6. Appropriate support for the rates/rating factors that reflect the use of insurance score should include an analysis that supports the appropriateness of each proposed rate/rating factor as opposed to any other rate/rating factor. As above, the source of the data must be identified, all data adjustments must be explained and supported, and the data underlying the analysis must be relatively recent. In addition,

a) An explanation must be provided as to how risks with insufficient or no credit history will be treated.

**We are not proposing any changes to this portion of the rule.**

b) An explanation must be provided as to how risks that refuse to allow access to their credit score will be treated.

**We are not proposing any changes to this portion of the rule.**

c) The company's timing and procedure for updating credit scores must be provided, e.g., at each renewal; only on the customer's request; etc.

**We are not proposing any changes to this portion of the rule.**

d) The rationale behind any grouping of credit scores for rating or underwriting purposes must be provided i.e., how the beginning and end points of any ranges of insurance score were selected.

**We are not proposing any changes to this portion of the rule.**

7. In providing the information in (3), (4), (5) and (6) above:

a) Explain all differences from the ratemaking procedures employed in your last rate filing in Rhode Island.

**There are no differences in ratemaking procedures versus our last rate filing in Rhode Island.**

b) Clearly describe or label the type of information used; e.g., calendar year, policy year, or accident year; basic limits or total limits; Rhode Island or countrywide; by coverage or all coverages combined; etc.

**The exhibits provided in this filing are accident year loss and calendar year premium data. The loss data consists of Non Catastrophe data with excess losses excluded. Excess losses are those losses that are at least \$75,000. The excess portion above \$75,000 is eliminated and a large loss load is utilized. For credibility purposes, the large loss load is calculated using at least 10 years of excess loss data. The premium and loss data is split out by each of the Forms – Owners, Tenants and Condos.**

8. Provide rationale for any proposed rate or proposed rate level change, by coverage or overall, that differs from your indicated change.

**The proposed rate level changes are based on the indications by Form. Changes have been limited to mitigate the impact to policyholders.**

9. Provide the derivation of the estimated overall premium effect of any proposed rate or proposed changes to a rating factor or definition. Explain how you have considered each of these effects in calculating the overall proposed rate level change.

**An overall rate level impact exhibit is shown in Exhibit I, Page 1. This exhibit displays each of the rating variables that was revised and the calculation of the overall proposed rate level change.**

10. Provide any additional information that you feel may be helpful to the Department of Business Regulation in its review of this filing. For example, if the company has undergone changes in its operations that affect its expense provision, then this information should be provided. **Not Applicable.**

11. Provide the length of time the proposed rates are expected to remain in effect.



**The proposed rates are expected to remain in effect for at least one year, when another rate review will be completed and possible revisions made.**

12. Provide a description of the risk that will receive the largest rate increase and a description of the risk that will receive the largest rate decrease as a result of the changes proposed in this filing. Include the amount of the rate change for each risk described.

**The largest rate increase to any policyholder will be +10.0%. The risk that will receive the largest increase is a “Preferred” home with a home age over 35 years. The risk that will receive the largest decrease is any home aged 1 year.**

13. Provide an estimate of the number and percent of exposures that will receive a rate increase in excess of 15% due to the changes proposed in this filing.

**0% (0 Policies) of the NGM insureds will receive a rate increase in excess of 15% for the State of Rhode Island.**

14. Provide a statement signed by an actuary or an officer of the company to certify that the data submitted in the filing is accurate and reliable.

**Please see Exhibit X.**

15. For all motor vehicle filings provide a copy of the relevant pages (and cite the manual page number and rule number) from your company’s rating manual that confirm that your company is in compliance with: **N/A – this is a homeowners filing**

a) RI Gen. Laws §27-9-53 & Insurance Regulation 25 (8), Motor Vehicle Insurance Rate Increases Relating to Violations and Accidents.

b) RI Gen. Laws §27-9-4, Consideration in Making of Rates: (4)(a)(1)(i), (4)(d), (4)(e), and Section 45-19-17, Operation of Emergency Vehicles – Accidents.

c) RI Gen. Laws §27-29-13, Payment of Premium – Cancellation

d) Insurance Regulation 25(5)&(6), Additive and Reductive Amounts for Policy Credits, Regulation 25(7), Chargeable Accident

e) RI Gen. Laws §27-9-7.1, Premium Reduction for Completing a Motor Vehicle Accident Prevention Course

f) RI Gen. Laws §27-9-7.2, Premium Reduction for Anti-theft Devices, and Regulation 84

g) RI Gen. Laws §27-9-56, Use of Credit Rating

h) Insurance Regulation 98, Rhode Island Automobile Insurance Plan

16. For all property insurance filings provide a copy of the relevant pages (and cite the manual page number and rule number) from your company’s rating manual that confirm that your company is in compliance with:

- a) RI Gen. Laws §27-6-53, and Bulletin 2002-16, Use of Credit  
**We are in compliance with R.I. Gen. Law § 27-6-53 as shown on Page HO-14a, Rule 307.**
- b) RI Gen. Laws §27-29-4.3, Refusal to Issue or Increased Premium Due to Nonoccupancy.  
**We are in compliance with R.I. Gen. Law § 27-29-4.3 as this is not a practice of this company.**
- c) RI Gen. Laws §27-29-4(7) (i,ii,iii), Unfair Competition and Practices, and Insurance Bulletin #2003-9“Underwriting Restriction Based on Age/Location of Property”.  
**We are in compliance with §27-29-4(7) (iii) (iv) and (vi) as this company does not participate in Unfair Competition and Practices, as shown throughout the rules manual.**
- d) RI Gen. Laws §27-5-3.7 and Insurance Regulation 110, Hurricane Deductibles, triggers and Policyholder Notices  
**We are in compliance with R.I. Gen. Law § 27-5-3.7 as shown on Page HO-17-19, Rule 406.**
- e) RI Gen. Laws §27-6-8.2 requires all insurers to include a credit or discount in premiums for commercial property insureds that install and maintain fire prevention and suppression equipment and use of fire resistant building material. **N/A – this is a homeowners filing.**
17. For all Title Insurance Filings, insurers must confirm that it offers a reduced mortgage refinance rate based upon actuarially supported rates, filed and approved for use in RI. **N/A – this is a homeowners filing.**

as of 12/31/2009

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**OVERALL CHANGES**

**BY FORM**

<u>Form</u>	<u>Distribution</u>	<u>Age of Home Rate Effect</u>	<u>Overall % Change</u>	<u>Indicated % Change</u>
OWNERS	96.4%	1.6%	1.6%	2.6%
HO-4	2.0%	0.0%	0.0%	-34.6%
<u>HO-6</u>	<u>1.6%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>-2.2%</u>
<b>Total</b>	<b>100.0%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.8%</b>

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**PROPOSED AGE OF HOME FACTORS**

Rhode Island Data - Preferred Business

Years	2005-2009	Relative
<u>Old</u>	<u>Loss Ratio</u>	<u>Loss Ratio</u>
0-25	19.4%	-37.2%
<u>26+</u>	<u>41.3%</u>	<u>33.7%</u>
Total	30.9%	0.0%

**NGM - Preferred**

Years	Premium	NGM	NGM	Rate
<u>Old</u>	<u>Distribution</u>	<u>Current</u>	<u>Proposed</u>	<u>Effect</u>
		<u>Discount</u>	<u>Discount</u>	
0	0.0%	0.75	0.65	-13.3%
1	0.0%	0.78	0.68	-12.8%
2	0.1%	0.81	0.71	-12.3%
3	0.3%	0.84	0.77	-8.3%
4	0.3%	0.87	0.80	-8.0%
5	0.3%	0.90	0.83	-7.8%
6	0.3%	0.93	0.86	-7.5%
7	0.3%	0.95	0.90	-5.3%
8	0.5%	0.96	0.91	-5.2%
9	0.5%	0.97	0.92	-5.2%
10	0.9%	0.98	0.93	-5.1%
11	1.1%	1.00	0.94	-6.0%
12	0.8%	1.00	0.95	-5.0%
13	1.0%	1.00	0.96	-4.0%
14	0.8%	1.00	0.97	-3.0%
15	0.6%	1.00	0.98	-2.0%
16-25	11.0%	1.00	1.00	0.0%
26-35	8.3%	1.00	1.05	5.0%
<u>36+</u>	<u>16.4%</u>	1.00	1.10	<u>10.0%</u>
Total	43.5%			3.8%

**NGM - Revitalized and Standard**

Years	Premium	NGM	NGM	Rate
<u>Old</u>	<u>Distribution*</u>	<u>Current</u>	<u>Proposed</u>	<u>Effect</u>
		<u>Discount</u>	<u>Discount</u>	
0	0.0%	0.75	0.65	-13.3%
1	0.0%	0.78	0.68	-12.8%
2	0.0%	0.81	0.71	-12.3%
3	0.1%	0.84	0.77	-8.3%
4	0.1%	0.87	0.80	-8.0%
5	0.1%	0.90	0.83	-7.8%
6	0.2%	0.93	0.86	-7.5%
7	0.2%	0.95	0.90	-5.3%
8	0.2%	0.96	0.91	-5.2%
9	0.2%	0.97	0.92	-5.2%
10	0.1%	0.98	0.93	-5.1%
11	0.2%	1.00	0.94	-6.0%
12	0.1%	1.00	0.95	-5.0%
13	0.1%	1.00	0.96	-4.0%
14	0.2%	1.00	0.97	-3.0%
15	0.0%	1.00	0.98	-2.0%
16-25	1.8%	1.00	1.00	0.0%
26-35	2.6%	1.00	1.00	0.0%
<u>36+</u>	<u>50.5%</u>	1.00	1.00	<u>0.0%</u>
Total	56.5%			-0.2%

Total NGM Rate Effect: 1.6%

\* All revitalized business is 36+

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**SUMMARY OF RATE LEVEL ADJUSTMENTS**

	<u>On-Level Premium for Year Ending Jun-10</u>	<u>Indicated Rate Level Adjustment Prior to Cred</u>	<u>Indicated Rate Level Adjustment with Credibility</u>	<u>Overall Proposed Rate Level Adjustment</u>
OWNERS	5,953,672	5.3%	2.6%	1.6%
TENANT	121,410	-69.4%	-34.6%	0.0%
CONDO	101,808	-4.3%	-2.2%	0.0%
<b>Grand Total</b>	<b>6,176,890</b>	<b>3.7%</b>	<b>1.8%</b>	<b>1.5%</b>

Proposed Effective Date:      04/26/11    New Business  
   05/31/11    Renewal Policies

	<u>ISO Loss Cost Trend Selections</u>
OWNERS	1.3%
TENANT	0.4%
CONDO	0.4%

NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS

INDICATED RATE LEVEL ADJUSTMENT

OWNER FORM

Year-To-Date Accident Experience Ending	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Total
(1) Direct Earned Premium	3,292,435	3,622,088	4,138,869	4,563,561	5,680,985	21,297,938
(2) Premium On-Level Factor	1.366	1.320	1.257	1.070	1.048	-----
(3) Premium Trend Factor	1.361	1.297	1.235	1.176	1.120	-----
(4) Trended On-Level Earned Premium (1)*(2)*(3)	6,121,052	6,201,159	6,425,159	5,742,421	6,668,113	31,157,904
(5) Non-Catastrophe Capped Incurred Loss & ALAE	1,155,675	1,005,451	1,390,364	1,384,172	989,552	5,925,214
(6) Loss Development Factor	1.000	1.029	1.102	1.162	1.411	-----
(7) Large Loss Factor	1.200	1.200	1.200	1.200	1.200	-----
(8) Loss Trend Factor	1.085	1.071	1.057	1.044	1.030	-----
(9) Trended Ultimate Non-Cat Incurred Loss & ALAE (5)*(6)*(7)*(8)	1,504,689	1,329,679	1,943,419	2,015,013	1,725,775	8,518,575
(10) Trended Ult. Non-Cat Incurred Loss & ALAE Ratio (9)/(4)	24.6%	21.4%	30.2%	35.1%	25.9%	27.3%
(11) Accident Year Weights	0.100	0.150	0.200	0.250	0.300	
(12) Weighted Ult. Non-Cat Incurred Loss & ALAE Ratio Sum[(10)*(11)]						28.3%
(13) Unallocated Loss Adjustment Expense Ratio						3.0%
(14) Cat Load as % of Premium						7.9%
(15) Experience Loss Ratio with Cat Load (12)+(13)+(14)						39.2%
(16) Fixed Expense						30.8%
(17) Experience Loss Ratio w/ Cat Load & Fixed Expense (15)+(16)						70.1%
(18) 100% - Variable Expense						66.6%
(19) Indicated Rate Level Change prior to Credibility [(17)/(18)]-1.0						<b>5.3%</b>
(20) Number of Claims for latest 5 yrs						1,072
(21) Credibility Sq Root[(20)/5,000], Max of 100%, Min of 50%						50.0%
(22) Complement of Credibility						66.6%
(23) Credibility Weighted Ultimate Loss Ratio (17)*(21)+(22)*[1.0-(21)]						68.3%
(24) Credibility Weighted Indicated Rate Level Change [(23)/(18)]-1.0						<b>2.6%</b>

Proposed Effective Date: 04/26/11

NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS

INDICATED RATE LEVEL ADJUSTMENT

TENANT FORM HO-4

Year-To-Date Accident Experience Ending	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Total
(1) Direct Earned Premium	99,993	94,339	93,651	98,483	121,410	507,875
(2) Premium On-Level Factor	0.841	0.921	1.000	1.000	1.000	-----
(3) Premium Trend Factor	1.085	1.071	1.057	1.044	1.030	-----
(4) Trended On-Level Earned Premium (1)*(2)*(3)	91,242	93,055	98,989	102,817	125,052	511,155
(5) Incurred Loss & ALAE	15,319	1,223	6,324	5,183	11,273	39,322
(6) Loss Development Factor	1.000	1.029	1.102	1.162	1.411	-----
(7) Large Loss Factor	1.000	1.000	1.000	1.000	1.000	-----
(8) Loss Trend Factor	1.026	1.021	1.017	1.013	1.009	-----
(9) Trended Ultimate Incurred Loss & ALAE (5)*(6)*(7)*(8)	15,717	1,285	7,087	6,101	16,049	46,239
(10) Trended Ultimate Incurred Loss & ALAE Ratio (9)/(4)	17.2%	1.4%	7.2%	5.9%	12.8%	9.0%
(11) Accident Year Weights	0.100	0.150	0.200	0.250	0.300	
(12) Weighted Ultimate Incurred Loss & ALAE Ratio Sum[(10)*(11)]	-----					8.7%
(13) Unallocated Loss Adjustment Expense Ratio	-----					3.0%
(14) Cat Load as % of Premium	-----					0.0%
(15) Experience Loss Ratio with Cat Load (12)+(13)+(14)	-----					11.7%
(16) Fixed Expense	-----					8.6%
(17) Experience Loss Ratio with Fixed Expense (15)+(16)	-----					20.4%
(18) 100% - Variable Expense	-----					66.6%
(19) Indicated Rate Level Change prior to Credibility [(17)/(18)]-1.0	-----					<b>-69.4%</b>
(20) Number of Claims for latest 5 yrs	-----					22
(21) Credibility Sq Root[(20)/5,000], Max of 100%, Min of 50%	-----					50.0%
(22) Complement of Credibility	-----					66.6%
(23) Credibility Weighted Ultimate Loss Ratio (17)*(21)+(22)*[1.0-(21)]	-----					43.5%
(24) Credibility Weighted Indicated Rate Level Change [(23)/(18)]-1.0	-----					<b>-34.6%</b>

Proposed Effective Date: 04/26/11

NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS

INDICATED RATE LEVEL ADJUSTMENT

CONDO FORM HO-6

Year-To-Date Accident Experience Ending	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Total
(1) Direct Earned Premium	47,609	54,194	66,044	79,665	101,808	349,319
(2) Premium On-Level Factor	0.859	0.945	1.000	1.000	1.000	-----
(3) Premium Trend Factor	1.099	1.082	1.066	1.051	1.035	-----
(4) Trended On-Level Earned Premium (1)*(2)*(3)	44,944	55,412	70,403	83,728	105,371	359,858
(5) Incurred Loss & ALAE	21,838	9,923	34,588	46,680	41,403	154,431
(6) Loss Development Factor	1.000	1.029	1.102	1.162	1.411	-----
(7) Large Loss Factor	1.000	1.000	1.000	1.000	1.000	-----
(8) Loss Trend Factor	1.026	1.021	1.017	1.013	1.009	-----
(9) Trended Ultimate Incurred Loss & ALAE (5)*(6)*(7)*(8)	22,406	10,425	38,764	54,947	58,945	185,487
(10) Trended Ultimate Incurred Loss & ALAE Ratio (9)/(4)	49.9%	18.8%	55.1%	65.6%	55.9%	51.5%
(11) Accident Year Weights	0.100	0.150	0.200	0.250	0.300	
(12) Weighted Ultimate Incurred Loss & ALAE Ratio Sum[(10)*(11)]	-----					52.0%
(13) Unallocated Loss Adjustment Expense Ratio	-----					3.0%
(14) Cat Load as % of Premium	-----					0.0%
(15) Experience Loss Ratio with Cat Load (12)+(13)+(14)	-----					55.0%
(16) Fixed Expense	-----					8.6%
(17) Experience Loss Ratio with Fixed Expense (15)+(16)	-----					63.7%
(18) 100% - Variable Expense	-----					66.6%
(19) Indicated Rate Level Change prior to Credibility [(17)/(18)]-1.0	-----					-4.3%
(20) Number of Claims for latest 5 yrs	-----					55
(21) Credibility Sq Root[(20)/5,000], Max of 100%, Min of 50%	-----					50.0%
(22) Complement of Credibility	-----					66.6%
(23) Credibility Weighted Ultimate Loss Ratio (17)*(21)+(22)*[1.0-(21)]	-----					65.1%
(24) Credibility Weighted Indicated Rate Level Change [(23)/(18)]-1.0	-----					-2.2%

Proposed Effective Date: 04/26/11



**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**PREMIUM TREND ANALYSIS**

Annual Rate of Change		
FORM	ISO*	Selected
OWNERS	5.0%	5.0%
FORM 4	1.3%	1.3%
FORM 6	1.5%	1.5%

Period Ending	Projection Factor	Owner Trend Factor	Tenants Trend Factor	Condos Trend Factor
06/30/06	6.32	1.361	1.085	1.099
06/30/07	5.32	1.297	1.071	1.082
06/30/08	4.32	1.235	1.057	1.066
06/30/09	3.32	1.176	1.044	1.051
06/30/10	2.32	1.120	1.030	1.035

\* Based on copyrighted material from ISO, Inc., with its permission (LI-HO-2010-215).

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTOR CALCULATION**

Analysis of ULAE - P&L Report - Direct Business - Rhode Island Specific

					3 Year Average	Selected
		2007	2008	2009		
<b>Homeowners</b>						
(1)	Earned Premium	4,550,749	5,545,036	6,026,934	5,374,240	
(2)	Incurred ULAE	131,903	142,480	216,820	163,734	
(3)	Ratio of Incurred ULAE to Earned Premium	2.9%	2.6%	3.6%	3.0%	3.0%

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS  
INCURRED LOSS AND PAID ALAE TRIANGLE**

Evaluated @ 12/2009

Period	Months				
	12	24	36	48	60
2000	663,256	791,704	786,210	809,795	774,592
2001	992,521	1,077,831	1,058,194	983,213	983,591
2002	1,328,413	1,497,331	1,563,135	1,566,789	1,574,095
2003	1,390,387	1,569,780	1,559,850	1,727,274	1,808,182
2004	1,133,643	1,327,799	1,461,121	1,485,130	1,570,829
2005	1,454,180	1,959,117	2,092,319	2,132,971	2,145,383
2006	666,575	800,906	826,666	943,433	
2007	1,164,374	1,321,772	1,344,302		
2008	1,321,210	1,549,737			
2009	2,093,847				
Period	12-24	24-36	36-48	48-60	60-72
2000	1.194	0.993	1.030	0.957	1.016
2001	1.086	0.982	0.929	1.000	1.002
2002	1.127	1.044	1.002	1.005	0.992
2003	1.129	0.994	1.107	1.047	1.004
2004	1.171	1.100	1.016	1.058	0.998
2005	1.347	1.068	1.019	1.006	
2006	1.202	1.032	1.141		
2007	1.135	1.017			
2008	1.173				
Ex Hi/Lo	1.162	1.025	1.035	1.015	1.000
2 Yr. Avg.	1.154	1.025	1.080	1.032	1.001
3 Yr. Avg.	1.170	1.039	1.059	1.037	0.998
4 Yr. Avg.	1.214	1.054	1.071	1.029	0.999
Total Avg.	1.174	1.029	1.035	1.012	1.002
3 Yr. Weighted	1.165	1.044	1.041	1.033	0.998
Selected	1.214	1.054	1.071	1.029	1.000
Age-Ult.	1.411	1.162	1.102	1.029	1.000

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**LOSS TREND ANALYSIS**

Annual Rate of Change		
FORM	ISO*	Selected
OWNERS	1.3%	1.3%
FORM 4	0.4%	0.4%
FORM 6	0.4%	0.4%

Period	Projection Factor	Owner Trend Factor	Tenants Trend Factor	Condos Trend Factor
06/30/06	6.32	1.085	1.026	1.026
06/30/07	5.32	1.071	1.021	1.021
06/30/08	4.32	1.057	1.017	1.017
06/30/09	3.32	1.044	1.013	1.013
06/30/10	2.32	1.030	1.009	1.009

\* Based on copyrighted material from ISO, Inc., with its permission (LI-HO-2010-215).

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS  
LARGE LOSS FACTOR**

**OWNER FORMS**

Year	Non-Cat Incurred Losses & ALAE Excess of \$75K	Non-Cat Incurred Losses & ALAE Capped at \$75K	Large Loss Ratio
07/01/1995 - 06/30/1996	\$722,874	\$1,407,932	51.3%
07/01/1996 - 06/30/1997	\$29,434	\$891,539	3.3%
07/01/1997 - 06/30/1998	\$258,235	\$1,409,097	18.3%
07/01/1998 - 06/30/1999	\$135,191	\$725,928	18.6%
07/01/1999 - 06/30/2000	\$173,941	\$925,083	18.8%
07/01/2000 - 06/30/2001	\$0	\$863,438	0.0%
07/01/2001 - 06/30/2002	\$344,041	\$1,139,258	30.2%
07/01/2002 - 06/30/2003	\$178,576	\$1,031,213	17.3%
07/01/2003 - 06/30/2004	\$375,054	\$1,181,009	31.8%
07/01/2004 - 06/30/2005	\$666,915	\$1,384,983	48.2%
07/01/2005 - 06/30/2006	\$61,603	\$1,155,675	5.3%
07/01/2006 - 06/30/2007	\$41,469	\$1,005,451	4.1%
07/01/2007 - 06/30/2008	\$202,452	\$1,390,364	14.6%
07/01/2008 - 06/30/2009	\$240,340	\$1,384,172	17.4%
07/01/2009 - 06/30/2010	\$301,612	\$989,552	30.5%
	3,731,739	16,884,695	22.1%

5 Year Straight Average: 14.4%  
10 Year Straight Average: 19.9%  
15 Year Straight Average: 20.6%

Latest 5 Year Weighted Average: 14.3%  
Latest 10 Year Weighted Average: 20.9%  
Latest 15 Year Weighted Average: 22.1%

Selected Large Loss Factor =	20.0%
------------------------------	-------

NGM INSURANCE COMPANY  
Rhode Island Homeowners

Retained Expense Load

	(1) 10 Year Non-Hurricane <u>CAT Losses</u>	(2) 10 Year Direct Earned <u>Premium</u>	(3) Retained Non-Hurricane <u>CAT %</u>	(4) Capped Non-Hurricane <u>CAT %</u>
MSA HO	35,542,739	915,707,627	3.88%	5.82%
MSA Capped Losses	2,572,388	915,707,627	0.28%	
RI HO	400,340	40,402,051	0.99%	0.99%
(5)	RI HO Written Premium			6,106,314
(6)	RI HO Average Annual Retained Losses			389,907
(7)	RI HO 2009 Planned EP			6,188,245
(8)	LAE Load			5%

(3) = (1) / (2)

(4) = (3) x 1.5

$$\text{RI Retained Cost} = \frac{\{ [\text{RI HO Avg. Ann. Retained} \times \text{LAE Load}] + [\text{RI HO CAT \%} \times \text{RI HO WP}] + [\text{MSA CAT \%} \times \text{RI HO WP}] \}}{\text{RI HO 2009 Planned EP}}$$

$$\text{RI Retained Cost} = \frac{\{ [(6) \times (8)] + [\text{RI HO (4)} \times (5)] + [\text{MSA Capped Losses (3)} \times (5)] \}}{(7)}$$

$$\text{RI Retained Cost} = \frac{\{ [389,907 \times 5.0\%] + [0.99\% \times 6,106,314] + [0.28\% \times 6,106,314] \}}{6,188,245}$$

$$\text{RI Retained Cost} = \frac{\{ 409,403 + 60,507 + 17,154 \}}{6,188,245}$$

RI Retained Cost = **7.9%**

Hurricane 6.6%

Non-Hurricane 1.3%

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**DEVELOPMENT OF PERMISSIBLE LOSS RATIO**

**INSURANCE EXPENSE EXHIBIT DATA - - Countrywide**

**MSA Group Companies Combined (Direct Business - 000s omitted)**

	<u>Earned Premiums</u>	<u>General Expenses</u>		<u>Other Acquisition Expenses</u>	
2009	124,433	5,906	4.7%	7,117	5.7%
2008	112,889	4,774	4.2%	5,510	4.9%
2007	108,807	6,901	6.3%	6,306	5.8%
3 yr Avg	346,129	17,581	5.1%	18,933	5.5%

**ANNUAL STATEMENT EXHIBIT OF PREMIUMS AND LOSSES - - RHODE ISLAND**

**(Direct Business)**

	<u>Written Premiums</u>	<u>Commissions &amp; Brokerage Expense</u>		<u>Taxes, Licenses, and Fees</u>	
2009	5,990,093	1,185,101	19.8%	126,783	2.1%
2008	5,890,003	1,149,511	19.5%	168,254	2.9%
2007	4,978,344	1,029,029	20.7%	145,977	2.9%
3 yr Avg	16,858,440	3,363,641	20.0%	441,014	2.6%

<b>Owners Form</b>	<u>Selected Expense Provision</u>	<u>Amount Fixed</u>	<u>Fixed Expense</u>	<u>Variable Expense</u>
Comm & Brokerage	20.0%	0.0%	0.00%	20.0%
Other Acquisition Exp	5.5%	75.0%	4.10%	1.4%
General Expenses	5.3%	75.0%	3.95%	1.3%
Taxes, Licenses & Fees	2.6%	0.0%	0.00%	2.6%
Reinsurance Cost Load	22.2%	100.0%	22.20%	0.0%
Profit & Contingencies	8.0%	0.0%	0.00%	8.0%
Total	63.5%		30.25%	33.3%
Permissible Loss Ratio	36.5%			

<b>Tenants / Condos</b>	<u>Selected Expense Provision</u>	<u>Amount Fixed</u>	<u>Fixed Expense</u>	<u>Variable Expense</u>
Comm & Brokerage	20.0%	0.0%	0.00%	20.0%
Other Acquisition Exp	5.5%	75.0%	4.10%	1.4%
General Expenses	5.3%	75.0%	3.95%	1.3%
Taxes, Licenses & Fees	2.6%	0.0%	0.00%	2.6%
Reinsurance Cost Load	0.0%	0.0%	0.00%	0.0%
Profit & Contingencies	8.0%	0.0%	0.00%	8.0%
Total	41.3%		8.05%	33.3%
Permissible Loss Ratio	58.7%			

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**DERIVATION OF SELECTED GENERAL EXPENSE PROVISION**

The MSA Group 2010 planned budget incorporates an increase of \$3,603,825 in general expenses for Personal Lines from the prior year. This increase is due to the amortization of new technology software. Based on the 2010 budget planned written premiums, approximately 32.8% of the \$3,603,825 expense, or \$1,183,302, is allocated to personal automobile. This expense is not reflected in the historical general expenses, but should be accounted for in pricing the future risks this rate change contemplates. To do this the \$1,183,302 is distributed to the Liability and Physical Damage lines based on the latest available year's earned premiums. The calculated percentage is then added to the standard three year average general expense amount to yield the selected general expense provision utilized to determine the by coverage rate indications.

**MSA Group Companies Combined (Direct Business - 000s omitted)**

	(1)	(2)	(3)	(4)	(5)	(6)
	Earned Premiums	Historical General Expenses		Amoritized Increase to Gen Expenses		Selected General Expenses
<b>3 Yr Total</b>	346,129	17,581	5.08%		0.95%	6.03%
<b>2009</b>	124,433	5,906	4.75%	1,183	0.95%	
<b>2008</b>	112,889	4,774	4.23%			
<b>2007</b>	108,807	6,901	6.34%			

**Notes:**

Col (1), (2), (3) taken directly from Exhibit V, Page 1.

Col (4) = \$1,183,302 [000's omitted]

Col (5) = Col (4) / Col (1) for 2008

Col (6) = Col (3) + Col (5)



NGM INSURANCE COMPANY  
Rhode Island Homeowners

Reinsurance Expense Load

(1) RI HO 2010 Planned EP	6,188,245
(2) MSA 2010 Planned EP	111,669,998
(3) Aggregate Premium	2,400,000

	A	B	C	D	E
				= A / B x C	= D / (1)
<u>Allocation based on</u>	<u>RI HO</u>	<u>MSA</u>	<u>Reinsurance Premium</u>	<u>RI Allocated Premium</u>	<u>% of EP</u>
Layer 1	53,085	813,320	1,959,375	127,888	
Layer 2	114,164	1,534,866	3,610,000	268,514	
Layer 3	178,636	1,981,925	5,462,500	492,348	
Layer 4	163,328	1,545,919	6,175,000	652,396	
<u>Layer 5</u>	<u>93,931</u>	<u>758,541</u>	<u>6,412,500</u>	<u>794,066</u>	
(4) Modeled Ceded Losses	603,144	6,634,571	23,619,375	2,335,212	37.7%
(5) Subject Premium	5,569,421	256,496,116	23,619,375	512,859	8.3%
				<u>Allocated Premium</u>	<u>% of EP</u>
(6) RI HO Un-Capped Reinsurance Premium Allocation				1,788,506	28.9%
(7) MSA HO Un-Capped Reinsurance Premium Allocation				11,619,691	10.4%
(8) RI HO Capped Reinsurance Premium Allocation				1,287,821	20.8%
(9) MSA HO Capped Reinsurance Premium Allocation				659,577	0.6%
(10) Aggregate Reinsurance Premium Allocation				52,112	<u>0.8%</u>
(11) RI HO Reinsurance Expense Load					22.2%

Notes:

(4) Modeled Ceded Losses = the Sum of Layers 1 through 5.

(6) RI HO Un-Capped Reinsurance Premium Allocation = 70% x (4) + 30% x (5)

E(7) and E(9) are divided by (2) MSA 2010 Planned EP instead of (1) RIHO 2010 Planned EP

(8) RI HO Capped Reinsurance Premium Allocation = Minimum of [D(6) and E(7) x 2.00 x (1)]

(10) Aggregate Reinsurance Premium Allocation = [A(5) / B(5) x (3)]

(11) = Sum of [(8) through (10)]

**NGM INSURANCE COMPANY  
COUNTRYWIDE  
HOMEOWNERS**

**UNDERWRITING PROFIT PROVISION**

1. After-Tax Target Rate of Return on Equity	12.0%
2. Surplus-to-Equity Ratio	100.0%
3. Premium-to-Surplus Ratio	120.0%
4. Effective Tax Rate on Investment Income	26.4%
5. Pre-Tax Target Return on Premium (1) / (3) / (1 - (4))	13.6%
6. Pre-Tax Average Investment Return (Exhibit IX.2, Line 10)	4.4%
7. Pre-Tax UW Profit Provision (5) - (6)	9.2%
8. Selected UW Profit Provision	8.0%
	<u>2009</u>
NWP (\$ Millions)	\$807.3
Group Surplus & Equity	672.0
Group Premium to Surplus Ratio	1.20

**NGM INSURANCE COMPANY  
COUNTRYWIDE  
HOMEOWNERS**

**CALCULATION OF PRE-TAX AVERAGE INVESTMENT RETURN**

1)	Direct Earned Premium for Accident Year Ended - (Annual Statement)	\$124,434
2)	Group Premium to Surplus Ratio - (Exhibit IX, Page 1)	1.20
3)	Net Subject to Surplus - (1) / (2)	\$103,695
4)	Net Subject to Investment - (Annual Statement)	\$38,665
5)	Average Rate of Return, (Exhibit 5, Page 3)	3.8%
6)	Investment Earnings on Net Subject to Surplus - (3) x (5)	\$3,985
7)	Pre-Tax Average Investment Return on Surplus - (6) / (1)	3.2%
8)	Investment Earnings on Net Subject to Investment - (4) x (5)	\$1,486
9)	Pre-Tax Average Investment Return on Premium - (8) / (1)	1.2%
10)	Pre-Tax Average Investment Return on Premium and Surplus - (7) + (9)	4.4%

Certification of

MAIN STREET AMERICA GROUP  
NGM Insurance Company

Filing Being Certified

NGM Insurance Company - Homeowners Rate, Rule & Form

61-8550 (04/11) Gold Endorsement Filing

Proposed Effective Date


April 26, 2011 New Business & May 31, 2011 for Renewals

I certify that the data submitted in this filing is accurate and reliable to the best of my knowledge and belief.

Timothy Muzzey, FCAS

NAME

(Please Print or Type)



SIGNATURE

December 22, 2010

DATE

(904) 380-7351

TELEPHONE NUMBER

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS FILING  
ACTUARIAL MEMORANDUM**

With this filing, NGM Insurance Company (NGM) proposes to revise overall rate levels for Homeowners in Rhode Island by +1.5%. This memorandum and accompanying exhibits describe the underlying data and ratemaking methodologies used to develop our Homeowners indication of +1.8%.

The following changes are outlined in the RI Rate Procedural Summary:

- Replaced the New Home Discount with the Age of Home Rule
  1. Revised discounts for new homes aged 0 to 15
  2. Introduced increases for preferred dwellings 26 years of age or older
- Included \$2,000 Water Back-Up Coverage in the Gold endorsement and increased the factor for the additional coverage.

**EXHIBIT I – OVERALL CHANGE BY FORM**

This exhibit shows the proposed changes by form. The overall change is comprised of changes to the owners form. NGM is not proposing any changes to the Tenant or Condos forms. All experience and background data can be found within the RI Rate Filing Procedural Information Summary.

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**OVERALL CHANGES**

**BY FORM**

<u>Form</u>	<u>Distribution</u>	<u>Age of Home Rate Effect</u>	<u>Overall % Change</u>	<u>Indicated % Change</u>
OWNERS	96.4%	1.6%	1.6%	2.6%
HO-4	2.0%	0.0%	0.0%	-34.6%
<u>HO-6</u>	<u>1.6%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>-2.2%</u>
<b>Total</b>	<b>100.0%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.8%</b>

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**RULE EXPLANATORY**

NGM Insurance Company proposes an amendment to our manual rule pages. Rule 407 – New Home Discount is renamed to Age of Home. Factors within the rule are revised for dwellings age ten years or less and factors are introduced for dwellings age 11 to 15 years. A new factor table applicable only to dwellings in the Preferred Tier is also introduced in this rule for dwellings age 16 to 25, 26 to 35, and 36 and above.

In addition, Rule 523 – Homeowners Enhanced Package Endorsements is revised to reflect that Water Backup and Sump coverage is now included with the Gold Endorsement (61-8550) and the corresponding factor for the Gold Endorsement is revised.

Rate impacts from the above factor changes are included in this filing's Actuarial Exhibits.

407. NEW AGE OF HOME DISCOUNT - FORMS HO 00 02 and HO 00 03

A. A dwelling ~~ten~~fifteen (10~~5~~) years of age or less may be eligible for a discount.

The age of the dwelling is determined by subtracting the year in which the construction of the house was completed from the year which includes the current effective date of the policy.

Select the factor shown below according to age of dwelling. Apply the factors listed below to the BASE PREMIUM.

<u>Dwelling Age (Years)</u>	<u>Factor</u>	<u>Dwelling Age (Years)</u>	<u>Factor</u>
0	<u>0.7565</u>	<u>8</u>	<u>0.91</u>
1	<u>0.7868</u>	<u>9</u>	<u>0.92</u>
2	<u>0.8171</u>	<u>10</u>	<u>0.93</u>
3	<u>0.8477</u>	<u>11</u>	<u>0.94</u>
4	<u>0.8780</u>	<u>12</u>	<u>0.95</u>
5	<u>0.9083</u>	<u>13</u>	<u>0.96</u>
6	<u>0.9386</u>	<u>14</u>	<u>0.97</u>
7	<u>0.9590</u>	<u>15</u>	<u>0.98</u>
<u>8</u>	<u>0.96</u>		
<u>9</u>	<u>0.97</u>		
<u>10</u>	<u>0.98</u>		

This discount plan does not apply to:  
Additional premiums for optional or additional coverages.

B. The following factors will apply to Dwellings in the Preferred Tier only.

<u>Dwelling Age (Years)</u>	<u>Factor</u>
<u>16-25</u>	<u>1.00</u>
<u>26-35</u>	<u>1.05</u>
<u>36+</u>	<u>1.10</u>



RHODE ISLAND (38)

523. HOMEOWNERS ENHANCED PACKAGE ENDORSEMENTS – HO 00 03 AND HO 00 06 ONLY

To offer enhanced coverages provided under the Homeowners policy under one endorsement. The premium for this endorsement shall be developed by applying the appropriate endorsement factor to the BASE PREMIUM subject to a minimum premium as noted in the premium section below. This factor and minimum premium shall apply in place of any other premium charges in this manual for corresponding coverages.

COVERAGES	Silver Homeowners HO 00 03 Endorsement 61-8549	Gold Homeowners HO 00 03 Endorsement 61-8550	Platinum Homeowners HO 00 03 Endorsement 61-8551	Condominiums Protection Plus HO 00 06 Endorsement 61-8503
Repair/Replace Coverage A	Up to 125% of Coverage A	Up to 125% of Coverage A	Up to 150% of Coverage A	
Coverage C-Personal Property Replacement	X	X	X	X
Coverage C-Open Peril			X	
Ordinance & Law Coverage		X	X	X
Coverage D-Loss of Use		X	X	X
Fire Department Service	X	X	X	X
Lock Replacement Protection	X	X	X	X
Fire Extinguisher Recharge			X	X
Mortgage Extra Expense			X	X
Water Backup and Sump		X	X	X
Debris Removal			X	
Tree shrub coverage			X	
Refrigerated Property Coverage	X	X	X	X
Loss Assessment	X	X	X	X
Jewelry & Furs	X	X	X	X
Silverware	X	X	X	X
Money & Coins	X	X	X	X
Securities and Valuable paper	X	X	X	X
Firearms	X	X	X	X
Electronic Apparatus (In motor vehicle)	X	X	X	X
Electronic Apparatus (Not in a motor vehicle)	X	X	X	X
Business Property-At Home		X	X	X
Business Property-Away		X	X	X
Credit Card, Forgery, counterfeit	X	X	X	X
Special Computer Coverage			X	
Watercraft Including Trailers	X	X	X	X
Trailers Not used with Watercraft	X	X	X	X
Coverage E-Personal Liability	X	X	X	
Coverage F-Medical Payments	X	X	X	
Personal Injury	X	X	X	X
Damage To Property of Others	X	X	X	X
Outboard motors 50hp	X	X	X	
Premium*	1.10 Minimum Premium \$25	<del>1.45</del> 1.16 Minimum Premium \$25	1.35 Minimum Premium \$35	1.23 Minimum Premium \$35

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**FORM EXPLANATORY**

NGM Insurance Company proposes an amendment to our form 61-8550 – Gold Homeowner Endorsement – Rhode Island. We are introducing additional coverage by adding \$2,000 in water back up and sump overflow coverage to the endorsement. The corresponding premium rating factor is revised from 1.15 to 1.16 to reflect the increase in coverage provided. This change only affects NGM homeowners policies in Rhode Island where the insured has chosen to add the optional Homeowner Gold Endorsement to their policy.

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## GOLD HOMEOWNER ENDORSEMENT-RHODE ISLAND

Form HO 00 03 Only

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### **REPLACEMENT OR REPAIR COST PROTECTION – COVERAGE A – DWELLING**

---

We agree to amend the present Coverage A amount indicated on the declarations page in accordance with the following provisions:

1. If you have:
  - A. Allowed us to adjust the Coverage A Limit of Liability and the premium in accordance with:
    - (1) The property evaluation we make; and
    - (2) Any increases in inflation; and
  - B. Notified us, within 30 days of completion, of any alterations to the dwelling which increase the replacement cost of the dwelling by 5% or more.

We will:

- A. Increase the Coverage A Limit of Liability to equal the current replacement cost of the dwelling if the amount of loss to the dwelling is more than the limit of liability indicated on the Declarations page;
  - B. Adjust the policy premium from the time of loss for the remainder of the policy term based on the increased limits of liability.
2. If you comply with the provisions of this endorsement and there is a loss to a building insured under Coverage "A"; Section 1 Condition 3. Loss Settlement paragraph b., subparagraphs (1), (2), and (3) are deleted, but only with regard to buildings under Coverage A, and is replaced by paragraph b. as follows:
    - b. Buildings under Coverage A at replacement cost without deduction for depreciation. We will pay no more than the smallest of the following amounts, but in no case more than 125% of your Coverage A limit of liability shown on your declarations, for equivalent construction and use on the same premises;
      - (1) The replacement cost of the building or any parts of it;
      - (2) The amount actually and necessarily spent to repair or replace the buildings or any parts of it;
      - (3) The applicable limit of liability whether increased or not, adjusted in accordance with paragraph 1. above.

This policy does not apply to land, including land on which the building or structures are located.

All other provisions of this policy apply.

---

### **PERSONAL PROPERTY REPLACEMENT COST**

---

#### **SECTION I**

Covered losses to the following property are settled at replacement cost at the time of loss:

- A. Coverage C – Personal Property;
- B. If covered in this policy, awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings.

Personal Property Replacement Cost coverage also applies to articles or classes of property separately described and specifically insured in this policy:

- A. Jewelry;
- B. Furs and garments trimmed with fur or consisting principally of fur;
- C. Cameras, projection machines, films and related articles of equipment;
- D. Musical equipment and related articles of equipment;
- E. Silverware, silver-plated ware, goldware, gold-plated ware and pewterware, but excluding pens, pencils, flasks, smoking implements or jewelry; and
- F. Golfer's equipment meaning golf clubs, golf clothing and golf equipment.

Personal Property Replacement Cost coverage will not apply to other classes of property separately described and specifically insured.

#### **1. PROPERTY NOT ELIGIBLE**

Property listed below is not eligible for replacement cost settlement. Any loss will be settled at actual cash value at the time of loss but not more than the amount required to repair or replace.

- A. Antiques, fine arts, paintings and similar articles of rarity or antiquity which cannot be replaced.
- B. Memorabilia, souvenirs, collectors items and similar articles whose age or history contribute to their value.
- C. Articles not maintained in good or workable condition.
- D. Articles that are outdated or obsolete and are stored or not being used.

## 2. REPLACEMENT COST

The following loss settlement procedure applies to all property insured under this endorsement:

- A. We will pay no more than the least of the following amounts:
1. Replacement cost at the time of loss without deduction for depreciation;
  2. The full cost of repair at the time of loss;
  3. The limit of liability that applies to Coverage C, if applicable;
  4. Any applicable special limits of liability stated in this policy; or
  5. For loss to any item separately described and specifically insured in this policy, the limit of liability that applies to the item.
- B. When the replacement cost for the entire loss under this endorsement is more than \$500, we will pay no more than the actual cash value for the loss or damage until the actual repair or replacement is complete.
- C. You may make a claim for loss on an actual cash value basis and then make claim within 180 days after the loss for any additional liability in accordance with this endorsement.

All other provisions of this policy apply.

---

### INCREASED COVERAGE C

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Coverage C is increased to 70% of the Coverage A amount shown on your policy.

All other provisions of this policy apply.

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### INCREASED COVERAGE D

---

Coverage D is increased to 30% of the Coverage A amount shown on your policy.

All other provisions of this policy apply.

---

### ORDINANCE OR LAW COVERAGE

---

Loss for damage by a Peril Insured Against to covered property or the building containing the covered property will be settled on the basis of any ordinance or law that regulates the construction, repair or demolition of this property.

All other provisions of this policy apply.

---

### FIRE DEPARTMENT SERVICE CHARGE – INCREASED LIMIT

---

Section I – Property Coverage, Additional Coverages, 4. Fire Department Service Charge. The first sentence is deleted and replaced by the following:

We will pay up to \$1,000 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. All other provisions of this policy apply.

---

### LOCK REPLACEMENT PROTECTION COVERAGE

---

We will pay up to \$500, subject to a \$50 deductible to replace house locks if any family member's keys are lost or stolen.

Special Deductible – We will pay only that part of the loss that exceeds \$50.

All other provisions of this policy apply.

---

### WATER BACK UP AND SUMP OVERFLOW

---

1. We insure, up to \$2,000, for direct physical loss, not caused by the negligence of any "insured," to property covered under Section I caused by:

a. Water which backs up through sewers or drains; or

b. Water which overflows from a sump even if such overflow results from the mechanical breakdown of the sump pump. This coverage does not apply to direct physical loss of the sump pump, or related equipment, which is caused by mechanical breakdown.

This endorsement does not increase the limits of liability for Coverages A, B, C or D stated in the policy Declarations.

2. Special Deductible

The following deductible provision replaces any other deductible provision in the policy with respect to loss covered under this endorsement.

We will pay only that part of the loss which exceeds \$250. No other deductible applies to this coverage. This deductible does not apply with respect to Coverage D – Loss of Use.

3. Section I – Perils Insured Against

In Form HO 00 03, paragraph 2.e.(2) under Coverage A – Dwelling and Coverage B – Other Structures is deleted, with respect to coverage for loss caused by overflow of sumps, and replaced by the following:

(2) Inherent vice, latent defect;

4. Section I – Exclusions

3. Water Damage is deleted and replaced by the following:

3. Water Damage, meaning:

a. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind; or

b. Water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.

Direct loss by fire or explosion resulting from water damage is covered.

(In Form HO 00 03, this is item 1.c.)

All other provisions of this policy apply.

---

### **REFRIGERATED PRODUCTS COVERAGE**

---

We insure up to \$1,000 covered property stored in freezers or refrigerators on the "residence premises" for direct loss caused by:

1. Interruption of electrical service to the refrigeration unit. The interruption must be caused by damage to the generating or transmitting equipment; or
2. Mechanical failure of the unit storing the property.

Coverage will apply only if you have maintained the refrigeration unit in proper working condition immediately prior to the loss.

This endorsement does not increase the limit of liability for Coverage C – Personal Property.

The Section I – Power Failure exclusion does not apply to this coverage.

#### **Special Deductible**

The following deductible applies to covered loss to refrigerated property:

We will pay only that part of the loss that exceeds \$100. No other deductible applies to this coverage.

All other provisions of this policy apply.

---

### **LOSS ASSESSMENT COVERAGE**

---

#### **1. Increased Limit – Residence Premises**

The limit of liability for Section I Additional Coverage 7 and Section II Additional Coverage 4, Loss Assessment, is increased to \$5,000.

**SPECIAL LIMIT –** We will not pay more than \$1,000 of your assessment that results from a deductible in the policy of insurance purchased by a corporation or association of property owners.

All other provisions of this policy apply.

---

### **INCREASED SPECIAL LIMITS OF LIABILITY – COVERAGE C**

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Section I – Property Coverage, Coverage C – Personal Property, Special Limits of Liability is replaced by the following:

#### **Special Limits of Liability**

These limits do not increase the Coverage C limit of liability. The special limit for each numbered category below is the total limit for each loss for all property in that category.

1. \$300 on money, bank notes, bullion, gold other than goldware, silver, other than silverware, platinum coins and medals.
2. \$2,500 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.
3. \$2,500 on watercraft, including their trailers, furnishings, equipment and outboard engines or motors.
4. \$2,500 on trailers not used with watercraft.
5. \$5,000 (no more than \$2,500 of this limit will be available for any one item) for loss by theft, misplacing, or losing of jewelry, watches, furs, precious and semi-precious stones.
6. \$3,000 for loss by theft, misplacing, or losing of firearms.
7. \$5,000 for loss by theft, misplacing, or losing of silverware, silver-plated ware, goldware, gold-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.
8. \$5,000 on property, on the "residence premises," used at any time or in any manner for any "business" purpose.
9. \$500 on property, away from the "residence premises," used at any time or in any manner for any "business" purpose. However, this limit does not apply to loss to adaptable electronic apparatus as described in Special Limits 10. and 11. below.
10. \$1,500 for loss to electronic apparatus, while in or upon a motor vehicle or other motorized land conveyance, if the electronic apparatus is equipped to be operated by power from the electrical system of the vehicle or conveyance while retaining its capability of being operated by other sources of power.

Electronic apparatus includes:

- A. Accessories and antennas; or
- B. Tapes, wires, records, discs or other media; for use with any electronic apparatus.

11. \$1,500 for loss to electronic apparatus, while not in or upon a motor vehicle or other motorized land conveyance, if the electronic apparatus:

- A. Is equipped to be operated by power from the electrical system of the vehicle or conveyance while retaining its capability of being operated by other sources of power;
- B. Is away from the "residence premises"; and
- C. Is used at any time or in any manner for any "business" purpose.

Electronic apparatus includes:

- A. Accessories and antennas; or
- B. Tapes, wires, records, discs or other media; for use with any electronic apparatus.

All other provisions of this policy apply.

---

**CREDIT CARD, FUND TRANSFER CARD, FORGERY AND COUNTERFEIT MONEY - INCREASED LIMIT**

---

Section I, Property Coverages, Additional Coverages Item 6. Credit Card, Fund Transfer Card, Forgery and Counterfeit Money. The first sentence is deleted and replaced by the following:

We will pay up to \$2,500 for:

All other provisions of additional coverages apply.

---

**PERSONAL LIABILITY AND MEDICAL PAYMENTS TO OTHERS - INCREASED LIMIT OF LIABILITY**

---

**SECTION II – CONDITIONS 1. Limit Of Liability** is deleted and replaced with the following:

**1. Limit of Liability.** Our total liability under Coverage E for all damages resulting from any one "occurrence" will not be more than the limit of liability for Coverage E as shown in the Declarations plus \$100,000. This limit is the same regardless of the number of "insureds," claims made or persons injured. All "bodily injury", "personal injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one "occurrence."

Our total liability under Coverage F for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the limit of liability for Coverage F as shown in the Declarations plus \$1,000.

All other provisions of this policy apply.

---

**PERSONAL INJURY**

---

Under Coverage E – Personal Liability, the definition "bodily injury" is amended to include personal injury.

"Personal injury" means injury arising out of one or more of the following offenses:

1. False arrest, detention or imprisonment, or malicious prosecution;
2. Libel, slander or defamation of character; or
3. Invasion of privacy, wrongful eviction or wrongful entry.

Section II Exclusions do not apply to personal injury. Personal injury insurance does not apply to:

1. Liability assumed by the "insured" under any contract or agreement except any indemnity obligation assumed by the "insured" under a written contract directly relating to the ownership, maintenance or use of the premises;
2. Injury caused by a violation of a penal law or ordinance committed by or with the knowledge or consent of an "insured";
3. Injury sustained by any person as a result of an offense directly or indirectly related to the employment of this person by the "insured";
4. Injury arising out of or in connection with a "business" engaged in by an "insured." This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business";
5. Civic or public activities performed for pay by an "insured"; or
6. Injury to you or an "insured" within the meaning of part a. or b. of "insured" as defined.

All other provisions of this policy apply.

---

**DAMAGE TO PROPERTY OF OTHERS - INCREASED LIMIT**

---

Section II – Additional Coverages, 3. Damage To Property of Others. The first sentence is deleted and replaced by the following:

We will pay, at replacement cost, up to \$1,000 per "occurrence" for "property damage" to property of others caused by an "insured".

All other provisions of this policy apply.

---

**WATERCRAFT LIABILITY OUTBOARD ENGINE OR MOTOR INCREASED HORSEPOWER COVERAGE**

---

**SECTION II – EXCLUSIONS, 1. g.** —is deleted and replaced with the following:

**g.** Arising out of:

- (1)** The ownership, maintenance, use, loading or unloading of an excluded watercraft described below;
- (2)** The entrustment by an "insured" of an excluded watercraft described below to any person; or
- (3)** Vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using an excluded watercraft described below.

Excluded watercraft are those that are principally designed to be propelled by engine power or electric motor, or are sailing vessels, whether owned by or rented to an "insured." This exclusion does not apply to watercraft:

- (1)** That are not sailing vessels and are powered by:
  - (a)** Inboard or inboard-outdrive engine or motor power of 50 horsepower or less not owned by an "insured";
  - (b)** Inboard or inboard-outdrive engine or motor power of more than 50 horsepower not owned by or rented to an "insured";

- (c)** One or more outboard engines or motors with 50 total horsepower or less;
- (d)** One or more outboard engines or motors with more than 25 total horsepower if the outboard engine or motor is not owned by an "insured";
- (e)** Outboard engines or motors of more than 25 total horsepower owned by an "insured" if:
  - (i)** You acquire them prior to the policy period; and
    - (a)** You declare them at policy inception; or
    - (b)** Your intention to insure is reported to us in writing within 45 days after you acquire the outboard engines or motors.
  - (ii)** You acquire them during the policy period.

This coverage applies for the policy period.

- (2)** That are sailing vessels, with or without auxiliary power:
  - (a)** Less than 26 feet in overall length;
  - (b)** 26 feet or more in overall length, not owned by or rented to an "insured."
- (3)** That are stored;

All other provisions of this policy apply.

**Rhode Island  
Statement of Compliance**

I, Nancy J. Palmisano , acting as a duly authorized representative of NGM Insurance Company state that the enclosed filing, Homeowners, , has been Rate/Rule/Form filing reviewed and, to the best of my knowledge and belief, is in compliance with all applicable Rhode Island laws and regulations now in effect.

*Nancy J. Palmisano*

---

**Company Representative  
Signature**

---

**Director of State Filings  
Title**

---

**10/01/2010  
Date**





**THE  
MAIN  
STREET  
AMERICA  
GROUP**

NGM Insurance Company  
Old Dominion Insurance Company  
Main Street America Assurance Company  
MSA Insurance Company  
Great Lakes Casualty Insurance Company

October 8, 2010



Candace A. Casala  
Insurance Division  
RI Department of Business Regulation  
1511 Pontiac Ave., Bldg 69-2  
Cranston, Rhode Island 02920

Re: NGM Insurance Company-Homeowners –Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing  
NGM NAIC Number 311-14788

NGM Insurance Company (NGM) proposes to revise overall rate levels for Homeowners in Rhode Island by +1.5%.

Included in this filing are the rating components we propose to change:

- Replace the New Home Discount with the Age of Home Rule
  - Revise discounts for new homes aged 0 to 15;
  - Introduce increases for preferred dwellings 26 years of age or older; and
- Include \$2,000 Water Back-Up Coverage in the Gold endorsement and increase the factor for the additional coverage.

NGM proposes to revise the following rules:

<u>Rule</u>	<u>Description</u>
407	Age of Home
523	Homeowners Enhanced Package Endorsement-HO 00 03 and HO 00 06 Only

In addition, NGM proposes an amendment to our form 61-8550 – Gold Homeowner Endorsement-Rhode Island. We are introducing additional coverage by adding \$2,000 in water back up and sump overflow coverage to the endorsement.

Enclosed please find the actuarial explanatory memorandum, rule explanatory, form explanatory and associated exhibits which explain the revisions in more detail.

This filing applies to all New Business policies effective on and after April 26, 2011 and to all Renewal policies on and after May 31, 2011.

Please find finished manual **rule** pages: HO-19 and HO-33 all (04/11) edition. Form 61-8550 Gold Homeowner Endorsement-Rhode Island (04/11) is attached in the Form Schedule in SERFF.

**Jacksonville Region Office**

4601 Touchton Road East, Suite 3300, Jacksonville, FL 32246-4486 • (800) 226-0875

NGM Insurance Company - Rhode Island Homeowners  
October 8, 2010  
Page 2

If you have any questions regarding this filing please contact me at 800-207-0446, ext 351 or via e-mail at palmisan@msagroup.com.

Sincerely,

*Nancy J. Palmisano*

Nancy J. Palmisano, CIC  
Director of State Filings, Law Department

By: Susan Fastenberg  
State Filings Specialist



THE  
MAIN  
STREET  
AMERICA  
GROUP

NGM Insurance Company  
Old Dominion Insurance Company  
Main Street America Assurance Company  
MSA Insurance Company  
Great Lakes Casualty Insurance Company

October 19, 2010



Candace A. Casala  
Insurance Division  
RI Department of Business Regulation  
1511 Pontiac Ave., Bldg 69-2  
Cranston, Rhode Island 02920

Re: NGM Insurance Company-Homeowners –Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing –  
**Deemer Letter**  
NGM NAIC Number 311-14788  
SERFF Tracking Number: NGMC-126850376

Dear Ms. Casala,

This is in response to your request received via SERFF – Note to Filer in which the RI Deemer Provisions were attached. As requested, NGM is responding to the 3<sup>rd</sup> Deemer Letter.

At this time, we wish to advise that we will not deem this filing in order to allow the Department additional time to review the filing.

A copy of the deemer letter is attached in the supporting documentation tab.

If you have any questions regarding this filing please contact me at 800-207-0446, ext 351 or via e-mail at [palmisan@msagroup.com](mailto:palmisan@msagroup.com).

Sincerely,

*Nancy J. Palmisano*

Nancy J. Palmisano, CIC  
Director of State Filings, Law Department

By: Susan Fastenberg  
State Filings Specialist

**Jacksonville Region Office**

4601 Touchton Road East, Suite 3300, Jacksonville, FL 32246-4486 • (800) 226-0875

SERFF Tracking Number: NGMC-126850376 State: Rhode Island  
 Filing Company: NGM Insurance Company State Tracking Number:  
 Company Tracking Number:  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: NGM Insurance Company-Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing  
 Project Name/Number: Homeowners Rate, Rule, Form 61-8550 (04/11) Gold Endorsement Filing/

## Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Creation Date:	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
11/10/2010	Supporting Document	Actuarial Support- RI Rate Procedural Informational Summary Form	12/22/2010	RI Rate Procedural Summary-Revised.pdf (Superseded)
10/07/2010	Supporting Document	Actuarial Support- RI Rate Procedural Informational Summary Form	11/10/2010	RI Rate Procedural Summary.pdf (Superseded)

STATE OF RHODE ISLAND  
RATE PROCEDURAL INFORMATIONAL SUMMARY FOR ALL NEW  
AND REVISED RATE FILINGS

Insurers must provide a reply to the following interrogatories for all **new** and **revised** rate filings in accordance with the instructions provided below. While the insurer may attach/link exhibits to respective interrogatories, referring the Department to other exhibits to "find" information is not proper protocol for form completion. Further, if a question is not applicable, please so indicate and provide the basis for such position. Wherever the word "proposed rate" appears, the requirements also apply to all new or revised rate filings where applicable.

1. Provide a general description of the filing; i.e., list all factors and proposed rates or proposed changes to rates and rating factors. In doing so, include the current and proposed territory base rates for each coverage for which a rate level change is being proposed, the current and proposed territory definitions for each rating territory for which a change in definition is being proposed, and the current and proposed rating factors for each set of rating factors for which a new factor or change is being proposed.

**With this filing, NGM Insurance Company proposes to increase overall rate levels for its Homeowners program in Rhode Island by 1.5%. The 1.5% change is comprised of the following changes:**

- **The overall +1.5% is comprised of an overall +1.6% for the Owners forms and no changes for the Tenants and Condos forms.**
- **Please see Exhibit I, Page 1 for the overall impact by form.**
- **NGM is proposing to replace the New Home Discount with the Age of Home Rule. The Age of Home rule will consist of discounts for all homes aged 0-15 and charges for all Preferred homes aged 26 or older. Exhibit I, Page 2 details the changes and support for Age of Home proposed changes. The overall impact of these changes is 1.6% for the owners forms.**
- **With this filing, NGM is revising its Gold Endorsement to include \$2,000 Water back-Up Coverage. To account for the additional coverage within the Gold Endorsement we are revising the factor from 1.15 to 1.16.**

2. Provide the indicated rate level changes (where applicable), proposed rate level changes, and premium weights using premiums adjusted to current rate level for each coverage (e.g. bodily injury, property damage), subline (e.g. liability, physical damage), and all coverages combined.

**Please see Exhibit I, Page 1 for the indicated rate level changes, proposed rate level changes, and premium weights using premiums adjusted to current rate level for each coverage, and all coverages combined.**

\*Describe components of proposed change, e.g., class, increased limits, deductibles, age and symbols, territories, policy coverage, rules, etc.

3. Provide actuarially based rate level indications to support the proposed rate or proposed rate

level changes by coverage. In so doing, provide the underlying data, assumptions, and derivation of each of the following components of the indications: **Please see Exhibits II - IX**

a) premiums adjusted to the current rate level;

**Please see Exhibit II for the premiums adjusted to current rate level.**

b) premium trend;

**Please see Exhibit III for the premium trend.**

c) losses and allocated loss adjustment expense (ALAE, which is now referred to as defense and cost containment expense) developed to an ultimate basis including the loss development triangles and the selected loss development factors;

**Please see Exhibit IV for the loss adjustment expense. Please see Exhibit V for the loss development triangles and the selected loss development factors.**

d) losses and ALAE adjusted to reflect prospective cost levels, including selected trend factors;

**ALAE are included with the Incurred Loss numbers. Consequently, the same loss trend is applied as in the incurred losses. Please see Exhibit VI for these trends.**

e) any adjustments made for large, catastrophic, or weather related losses;

**Please see Exhibit VII, Page 1, for the adjustment made for large losses. Large losses are considered to be single claims greater than \$75,000.**

**NGM's CAT Load is a combination of Modeled\* Hurricane losses (6.6%) and historical Non-Hurricane Cat Losses (1.3%) as a percent of premium. The Hurricane load is calculated by taking the modeled Rhode Island Homeowners Average Annual Retained Losses, adding 5% for an ALAE load, and then dividing by the Direct Earned Premium.**

**The Non-Hurricane load is calculated by taking a 10 year average of our actual RI HO non-hurricane cat losses and dividing by the RI HO Direct Earned Premium. NGM then caps this percentage for all states by 1.5 x the total states average and redistributes the capped losses by direct earned premium. For RI, this adds an additional 0.3%.**

**Please see Exhibit VII, Page 2, for the data and the calculation of the RI Catastrophe Load.**

**\* The catastrophe model used was RiskLink® Version 8.0**

f) any adjustments made to reflect the credibility of the experience;

**Credibility has been incorporated based on the number of claims in the experience period for the indications by form, with a minimum credibility of 50%. The complement of credibility is the expected loss ratio after application of the net trend.**

g) expense provisions – Support should include five years of expense history for each expense provision including unallocated loss adjustment expense (ULAE, which is now referred to as claim adjustment service) with an explanation if the expenses

underlying the expected loss ratio or expense multiplier vary from the company's historical expenses; recognition should be given to fixed and variable expense components; and

**Please see Exhibit VIII, Pages 1 and 2, for the expense provisions. Recognition for the fixed and variable expense components is shown.**

**NGM's reinsurance load is found on Exhibit VIII, Page 1 as well. NGM's reinsurance premium is spread to LOB by taking 70% of the LOB ratio of ceded modeled losses\* to countrywide modeled ceded losses and applying that percentage to our total CAT Premium (Per Occurrence). The remaining 30% is spread by subject premium (Aggregate).\*\***

**NGM's reinsurance premium is then spread to state by taking 70% of the state ratio of ceded modeled losses to LOB modeled ceded losses and applying that percentage to the LOB CAT Premium (Per Occurrence). The remaining 30% is spread by subject premium (Aggregate). The state's allocated reinsurance premium percentage is then capped at 200% of the LOB's allocated reinsurance premium percentage. The premium over the cap is then spread to all states by subject premium.**

**Please see Exhibit VIII, Page 3, for the data and the calculation of the RI Reinsurance Expense Load.**

**\* The catastrophe model used was RiskLink® Version 8.0**

**\*\* Both the 70/30 split and the 200% cap are based on actuarial judgment and are used to temper the Reinsurance Expense load.**

h) profit & contingency provision – Support should include rationale for the target rate of return (if applicable), and an explanation (including underlying calculations, data, and assumptions) of how investment income was considered. Data used should be the most recent available to the company.

**NGM uses an 8.0% profit and contingencies load for Homeowners. Please see Exhibit IX (Pages 1 and 2) for the support for the 8% Profit and Contingencies Provision. NGM is targeting an ROE of 12.0%. The selection of 12.0% is based off a comparison to what our competitors are targeting. Based off this, NGM's indicated Pre-Tax Underwriting Profit Provision is 12.4%. NGM has selected 8.0%.**

4. Provide actuarial support and any other considerations for any proposed factors or proposed changes in rating factors or class definitions; i.e., territory definitions or relativities, class plan definitions or relativities, increased limit factors, deductible factors, discounts, surcharges, etc. Actuarial support should reflect your company's experience. If credit history is utilized in the rating or underwriting process, for homeowner's insurance or personal motor vehicle insurance, the insurer must demonstrate the predictive nature of its insurance scoring process to the Department. Question 5 and 6 enumerates additional filing requirements to support the insurer's use of credit. In addition, a) all motor vehicle filings must include the information requested in Question 15, b) all filings for territory changes must be supported pursuant to Rhode Island Insurance Regulation 62 and c) all property insurance filings must include the information requested in Question 16.

**NGM has proposed revised rates based on the rate level indications by Form. These rate level indications are shown in Exhibit II.**

If you are proposing rates, rating factors, discounts/surcharges, class/territory definitions, etc. that are based on those currently in effect in Rhode Island for another insurance company(ies) or rating organization, provide the rates, rating factors, discounts/surcharges, class/territory definitions, etc. of that other company(ies), and explain how you have considered possible differences in coverage offered, underwriting standards, claim practices, expenses, etc. between your company and the referenced company(ies).

**NGM is proposing to replace the New Home Discount with the Age of Home Rule. The Age of Home rule will consist of discounts for all homes aged 0-15 and charges for all Preferred homes aged 26 or older. Exhibit I, Page 2 details the changes and support for Age of Home proposed changes. The overall impact of these changes is 1.6% for the owners forms.**

**NGM is proposing to revise its Gold Endorsement to include \$2,000 Water back-Up Coverage. To account for the additional coverage within the Gold Endorsement we are revising the factor from 1.15 to 1.16.**

5. In order to demonstrate the predictive nature of insurance scoring, the insurer must provide an analysis that confirms the statistical correlation between insurance score and loss experience. The analysis should be performed in such a manner that adjusts for any potential distributional biases, such as among states (if multi-state data is used) with different levels of rate adequacy, or among vehicle use risk classes with different levels of rate adequacy. In addition:

a) The source of the data must be identified, e.g., number of years of data; whether the data is by accident year or policy year; whether the data is from Rhode Island or other states; if a sample of states or a sample of risks is used, a description of how the data was collected, including data verification procedures; the percentage of the overall business that is used in the sample; etc.

**We are not proposing any changes to our Insurance Score Rules or Rates.**

b) All data adjustments must be explained and supported, e.g., loss development; adjustments for the effect of large losses; how credibility was considered in the analysis; etc.

**We are not proposing any changes to our Insurance Score Rules or Rates.**

c) The data underlying the analysis must be relatively recent.

**We are not proposing any changes to our Insurance Score Rules or Rates.**

6. Appropriate support for the rates/rating factors that reflect the use of insurance score should include an analysis that supports the appropriateness of each proposed rate/rating factor as opposed to any other rate/rating factor. As above, the source of the data must be identified, all data adjustments must be explained and supported, and the data underlying the analysis must be relatively recent. In addition,

a) An explanation must be provided as to how risks with insufficient or no credit history will be treated.

**We are not proposing any changes to this portion of the rule.**



b) An explanation must be provided as to how risks that refuse to allow access to their credit score will be treated.

**We are not proposing any changes to this portion of the rule.**

c) The company's timing and procedure for updating credit scores must be provided, e.g., at each renewal; only on the customer's request; etc.

**We are not proposing any changes to this portion of the rule.**

d) The rationale behind any grouping of credit scores for rating or underwriting purposes must be provided i.e., how the beginning and end points of any ranges of insurance score were selected.

**We are not proposing any changes to this portion of the rule.**

7. In providing the information in (3), (4), (5) and (6) above:

a) Explain all differences from the ratemaking procedures employed in your last rate filing in Rhode Island.

**There are no differences in ratemaking procedures versus our last rate filing in Rhode Island.**

b) Clearly describe or label the type of information used; e.g., calendar year, policy year, or accident year; basic limits or total limits; Rhode Island or countrywide; by coverage or all coverages combined; etc.

**The exhibits provided in this filing are accident year loss and calendar year premium data. The loss data consists of Non Catastrophe data with excess losses excluded. Excess losses are those losses that are at least \$75,000. The excess portion above \$75,000 is eliminated and a large loss load is utilized. For credibility purposes, the large loss load is calculated using at least 10 years of excess loss data. The premium and loss data is split out by each of the Forms – Owners, Tenants and Condos.**

8. Provide rationale for any proposed rate or proposed rate level change, by coverage or overall, that differs from your indicated change.

**The proposed rate level changes are based on the indications by Form. Changes have been limited to mitigate the impact to policyholders.**

9. Provide the derivation of the estimated overall premium effect of any proposed rate or proposed changes to a rating factor or definition. Explain how you have considered each of these effects in calculating the overall proposed rate level change.

**An overall rate level impact exhibit is shown in Exhibit I, Page 1. This exhibit displays each of the rating variables that was revised and the calculation of the overall proposed rate level change.**

10. Provide any additional information that you feel may be helpful to the Department of Business Regulation in its review of this filing. For example, if the company has undergone changes in its operations that affect its expense provision, then this information should be provided. **Not Applicable.**

11. Provide the length of time the proposed rates are expected to remain in effect.

**The proposed rates are expected to remain in effect for at least one year, when another rate review will be completed and possible revisions made.**

12. Provide a description of the risk that will receive the largest rate increase and a description of the risk that will receive the largest rate decrease as a result of the changes proposed in this filing. Include the amount of the rate change for each risk described.

**The largest rate increase to any policyholder will be +10.0%. The risk that will receive the largest increase is a “Preferred” home with a home age over 35 years. The risk that will receive the largest decrease is any home aged 1 year.**

13. Provide an estimate of the number and percent of exposures that will receive a rate increase in excess of 15% due to the changes proposed in this filing.

**0% (0 Policies) of the NGM insureds will receive a rate increase in excess of 15% for the State of Rhode Island.**

14. Provide a statement signed by an actuary or an officer of the company to certify that the data submitted in the filing is accurate and reliable.

**Please see Exhibit X.**

15. For all motor vehicle filings provide a copy of the relevant pages (and cite the manual page number and rule number) from your company’s rating manual that confirm that your company is in compliance with: **N/A – this is a homeowners filing**

a) RI Gen. Laws §27-9-53 & Insurance Regulation 25 (8), Motor Vehicle Insurance Rate Increases Relating to Violations and Accidents.

b) RI Gen. Laws §27-9-4, Consideration in Making of Rates: (4)(a)(1)(i), (4)(d), (4)(e), and Section 45-19-17, Operation of Emergency Vehicles – Accidents.

c) RI Gen. Laws §27-29-13, Payment of Premium – Cancellation

d) Insurance Regulation 25(5)&(6), Additive and Reductive Amounts for Policy Credits, Regulation 25(7), Chargeable Accident

e) RI Gen. Laws §27-9-7.1, Premium Reduction for Completing a Motor Vehicle Accident Prevention Course

f) RI Gen. Laws §27-9-7.2, Premium Reduction for Anti-theft Devices, and Regulation 84

g) RI Gen. Laws §27-9-56, Use of Credit Rating

h) Insurance Regulation 98, Rhode Island Automobile Insurance Plan

16. For all property insurance filings provide a copy of the relevant pages (and cite the manual page number and rule number) from your company’s rating manual that confirm that your company is in compliance with:

- a) RI Gen. Laws §27-6-53, and Bulletin 2002-16, Use of Credit  
**We are in compliance with R.I. Gen. Law § 27-6-53 as shown on Page HO-14a, Rule 307.**
- b) RI Gen. Laws §27-29-4.3, Refusal to Issue or Increased Premium Due to Nonoccupancy.  
**We are in compliance with R.I. Gen. Law § 27-29-4.3 as this is not a practice of this company.**
- c) RI Gen. Laws §27-29-4(7) (i,ii,iii), Unfair Competition and Practices, and Insurance Bulletin #2003-9“Underwriting Restriction Based on Age/Location of Property”.  
**We are in compliance with §27-29-4(7) (iii) (iv) and (vi) as this company does not participate in Unfair Competition and Practices, as shown throughout the rules manual.**
- d) RI Gen. Laws §27-5-3.7 and Insurance Regulation 110, Hurricane Deductibles, triggers and Policyholder Notices  
**We are in compliance with R.I. Gen. Law § 27-5-3.7 as shown on Page HO-17-19, Rule 406.**
- e) RI Gen. Laws §27-6-8.2 requires all insurers to include a credit or discount in premiums for commercial property insureds that install and maintain fire prevention and suppression equipment and use of fire resistant building material. **N/A – this is a homeowners filing.**
17. For all Title Insurance Filings, insurers must confirm that it offers a reduced mortgage refinance rate based upon actuarially supported rates, filed and approved for use in RI. **N/A – this is a homeowners filing.**

as of 12/31/2009

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**OVERALL CHANGES**

**BY FORM**

<u>Form</u>	<u>Distribution</u>	<u>Age of Home Rate Effect</u>	<u>Overall % Change</u>	<u>Indicated % Change</u>
OWNERS	96.4%	1.6%	1.6%	2.6%
HO-4	2.0%	0.0%	0.0%	-34.6%
<u>HO-6</u>	<u>1.6%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>-2.2%</u>
<b>Total</b>	<b>100.0%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.8%</b>

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**PROPOSED AGE OF HOME FACTORS**

Rhode Island Data - Preferred Business

Years <u>Old</u>	2005-2009 <u>Loss Ratio</u>	Relative <u>Loss Ratio</u>
0-25	19.4%	-37.2%
<u>26+</u>	<u>41.3%</u>	<u>33.7%</u>
Total	30.9%	0.0%

**NGM - Preferred**

Years <u>Old</u>	Premium <u>Distribution</u>	NGM Current <u>Discount</u>	NGM Proposed <u>Discount</u>	Rate <u>Effect</u>
0	0.0%	0.75	0.65	-13.3%
1	0.0%	0.78	0.68	-12.8%
2	0.1%	0.81	0.71	-12.3%
3	0.3%	0.84	0.77	-8.3%
4	0.3%	0.87	0.80	-8.0%
5	0.3%	0.90	0.83	-7.8%
6	0.3%	0.93	0.86	-7.5%
7	0.3%	0.95	0.90	-5.3%
8	0.5%	0.96	0.91	-5.2%
9	0.5%	0.97	0.92	-5.2%
10	0.9%	0.98	0.93	-5.1%
11	1.1%	1.00	0.94	-6.0%
12	0.8%	1.00	0.95	-5.0%
13	1.0%	1.00	0.96	-4.0%
14	0.8%	1.00	0.97	-3.0%
15	0.6%	1.00	0.98	-2.0%
16-25	11.0%	1.00	1.00	0.0%
26-35	8.3%	1.00	1.05	5.0%
<u>36+</u>	<u>16.4%</u>	1.00	1.10	<u>10.0%</u>
Total	43.5%			3.8%

**NGM - Revitalized and Standard**

Years <u>Old</u>	Premium <u>Distribution*</u>	NGM Current <u>Discount</u>	NGM Proposed <u>Discount</u>	Rate <u>Effect</u>
0	0.0%	0.75	0.65	-13.3%
1	0.0%	0.78	0.68	-12.8%
2	0.0%	0.81	0.71	-12.3%
3	0.1%	0.84	0.77	-8.3%
4	0.1%	0.87	0.80	-8.0%
5	0.1%	0.90	0.83	-7.8%
6	0.2%	0.93	0.86	-7.5%
7	0.2%	0.95	0.90	-5.3%
8	0.2%	0.96	0.91	-5.2%
9	0.2%	0.97	0.92	-5.2%
10	0.1%	0.98	0.93	-5.1%
11	0.2%	1.00	0.94	-6.0%
12	0.1%	1.00	0.95	-5.0%
13	0.1%	1.00	0.96	-4.0%
14	0.2%	1.00	0.97	-3.0%
15	0.0%	1.00	0.98	-2.0%
16-25	1.8%	1.00	1.00	0.0%
26-35	2.6%	1.00	1.00	0.0%
<u>36+</u>	<u>50.5%</u>	1.00	1.00	<u>0.0%</u>
Total	56.5%			-0.2%

Total NGM Rate Effect: 1.6%

\* All revitalized business is 36+

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**SUMMARY OF RATE LEVEL ADJUSTMENTS**

	<u>On-Level Premium for Year Ending Jun-10</u>	<u>Indicated Rate Level Adjustment Prior to Cred</u>	<u>Indicated Rate Level Adjustment with Credibility</u>	<u>Overall Proposed Rate Level Adjustment</u>
OWNERS	5,953,672	5.3%	2.6%	1.6%
TENANT	121,410	-69.4%	-34.6%	0.0%
CONDO	101,808	-4.3%	-2.2%	0.0%
<b>Grand Total</b>	<b>6,176,890</b>	<b>3.7%</b>	<b>1.8%</b>	<b>1.5%</b>

Proposed Effective Date:   04/26/11   New Business  
  05/31/11   Renewal Policies

	<u>ISO Loss Cost Trend Selections</u>
OWNERS	1.3%
TENANT	0.4%
CONDO	0.4%

NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS

INDICATED RATE LEVEL ADJUSTMENT

OWNER FORM

Year-To-Date Accident Experience Ending	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Total
(1) Direct Earned Premium	3,292,435	3,622,088	4,138,869	4,563,561	5,680,985	21,297,938
(2) Premium On-Level Factor	1.366	1.320	1.257	1.070	1.048	-----
(3) Premium Trend Factor	1.361	1.297	1.235	1.176	1.120	-----
(4) Trended On-Level Earned Premium (1)*(2)*(3)	6,121,052	6,201,159	6,425,159	5,742,421	6,668,113	31,157,904
(5) Non-Catastrophe Capped Incurred Loss & ALAE	1,155,675	1,005,451	1,390,364	1,384,172	989,552	5,925,214
(6) Loss Development Factor	1.000	1.029	1.102	1.162	1.411	-----
(7) Large Loss Factor	1.200	1.200	1.200	1.200	1.200	-----
(8) Loss Trend Factor	1.085	1.071	1.057	1.044	1.030	-----
(9) Trended Ultimate Non-Cat Incurred Loss & ALAE (5)*(6)*(7)*(8)	1,504,689	1,329,679	1,943,419	2,015,013	1,725,775	8,518,575
(10) Trended Ult. Non-Cat Incurred Loss & ALAE Ratio (9)/(4)	24.6%	21.4%	30.2%	35.1%	25.9%	27.3%
(11) Accident Year Weights	0.100	0.150	0.200	0.250	0.300	
(12) Weighted Ult. Non-Cat Incurred Loss & ALAE Ratio Sum[(10)*(11)]	-----					28.3%
(13) Unallocated Loss Adjustment Expense Ratio	-----					3.0%
(14) Cat Load as % of Premium	-----					7.9%
(15) Experience Loss Ratio with Cat Load (12)+(13)+(14)	-----					39.2%
(16) Fixed Expense	-----					30.8%
(17) Experience Loss Ratio w/ Cat Load & Fixed Expense (15)+(16)	-----					70.1%
(18) 100% - Variable Expense	-----					66.6%
(19) Indicated Rate Level Change prior to Credibility [(17)/(18)]-1.0	-----					<b>5.3%</b>
(20) Number of Claims for latest 5 yrs	-----					1,072
(21) Credibility Sq Root[(20)/5,000], Max of 100%, Min of 50%	-----					50.0%
(22) Complement of Credibility	-----					66.6%
(23) Credibility Weighted Ultimate Loss Ratio (17)*(21)+(22)*[1.0-(21)]	-----					68.3%
(24) Credibility Weighted Indicated Rate Level Change [(23)/(18)]-1.0	-----					<b>2.6%</b>

Proposed Effective Date: 04/26/11

NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS

INDICATED RATE LEVEL ADJUSTMENT

TENANT FORM HO-4

Year-To-Date Accident Experience Ending	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Total
(1) Direct Earned Premium	99,993	94,339	93,651	98,483	121,410	507,875
(2) Premium On-Level Factor	0.841	0.921	1.000	1.000	1.000	-----
(3) Premium Trend Factor	1.085	1.071	1.057	1.044	1.030	-----
(4) Trended On-Level Earned Premium (1)*(2)*(3)	91,242	93,055	98,989	102,817	125,052	511,155
(5) Incurred Loss & ALAE	15,319	1,223	6,324	5,183	11,273	39,322
(6) Loss Development Factor	1.000	1.029	1.102	1.162	1.411	-----
(7) Large Loss Factor	1.000	1.000	1.000	1.000	1.000	-----
(8) Loss Trend Factor	1.026	1.021	1.017	1.013	1.009	-----
(9) Trended Ultimate Incurred Loss & ALAE (5)*(6)*(7)*(8)	15,717	1,285	7,087	6,101	16,049	46,239
(10) Trended Ultimate Incurred Loss & ALAE Ratio (9)/(4)	17.2%	1.4%	7.2%	5.9%	12.8%	9.0%
(11) Accident Year Weights	0.100	0.150	0.200	0.250	0.300	
(12) Weighted Ultimate Incurred Loss & ALAE Ratio Sum[(10)*(11)]	-----					8.7%
(13) Unallocated Loss Adjustment Expense Ratio	-----					3.0%
(14) Cat Load as % of Premium	-----					0.0%
(15) Experience Loss Ratio with Cat Load (12)+(13)+(14)	-----					11.7%
(16) Fixed Expense	-----					8.6%
(17) Experience Loss Ratio with Fixed Expense (15)+(16)	-----					20.4%
(18) 100% - Variable Expense	-----					66.6%
(19) Indicated Rate Level Change prior to Credibility [(17)/(18)]-1.0	-----					<b>-69.4%</b>
(20) Number of Claims for latest 5 yrs	-----					22
(21) Credibility Sq Root[(20)/5,000], Max of 100%, Min of 50%	-----					50.0%
(22) Complement of Credibility	-----					66.6%
(23) Credibility Weighted Ultimate Loss Ratio (17)*(21)+(22)*[1.0-(21)]	-----					43.5%
(24) Credibility Weighted Indicated Rate Level Change [(23)/(18)]-1.0	-----					<b>-34.6%</b>

Proposed Effective Date: 04/26/11



NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS

INDICATED RATE LEVEL ADJUSTMENT

CONDO FORM HO-6

Year-To-Date Accident Experience Ending	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Total
(1) Direct Earned Premium	47,609	54,194	66,044	79,665	101,808	349,319
(2) Premium On-Level Factor	0.859	0.945	1.000	1.000	1.000	-----
(3) Premium Trend Factor	1.099	1.082	1.066	1.051	1.035	-----
(4) Trended On-Level Earned Premium (1)*(2)*(3)	44,944	55,412	70,403	83,728	105,371	359,858
(5) Incurred Loss & ALAE	21,838	9,923	34,588	46,680	41,403	154,431
(6) Loss Development Factor	1.000	1.029	1.102	1.162	1.411	-----
(7) Large Loss Factor	1.000	1.000	1.000	1.000	1.000	-----
(8) Loss Trend Factor	1.026	1.021	1.017	1.013	1.009	-----
(9) Trended Ultimate Incurred Loss & ALAE (5)*(6)*(7)*(8)	22,406	10,425	38,764	54,947	58,945	185,487
(10) Trended Ultimate Incurred Loss & ALAE Ratio (9)/(4)	49.9%	18.8%	55.1%	65.6%	55.9%	51.5%
(11) Accident Year Weights	0.100	0.150	0.200	0.250	0.300	
(12) Weighted Ultimate Incurred Loss & ALAE Ratio Sum[(10)*(11)]	-----	-----	-----	-----	-----	52.0%
(13) Unallocated Loss Adjustment Expense Ratio	-----	-----	-----	-----	-----	3.0%
(14) Cat Load as % of Premium	-----	-----	-----	-----	-----	0.0%
(15) Experience Loss Ratio with Cat Load (12)+(13)+(14)	-----	-----	-----	-----	-----	55.0%
(16) Fixed Expense	-----	-----	-----	-----	-----	8.6%
(17) Experience Loss Ratio with Fixed Expense (15)+(16)	-----	-----	-----	-----	-----	63.7%
(18) 100% - Variable Expense	-----	-----	-----	-----	-----	66.6%
(19) Indicated Rate Level Change prior to Credibility [(17)/(18)]-1.0	-----	-----	-----	-----	-----	-4.3%
(20) Number of Claims for latest 5 yrs	-----	-----	-----	-----	-----	55
(21) Credibility Sq Root[(20)/5,000], Max of 100%, Min of 50%	-----	-----	-----	-----	-----	50.0%
(22) Complement of Credibility	-----	-----	-----	-----	-----	66.6%
(23) Credibility Weighted Ultimate Loss Ratio (17)*(21)+(22)*[1.0-(21)]	-----	-----	-----	-----	-----	65.1%
(24) Credibility Weighted Indicated Rate Level Change [(23)/(18)]-1.0	-----	-----	-----	-----	-----	-2.2%

Proposed Effective Date: 04/26/11

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**PREMIUM TREND ANALYSIS**

Annual Rate of Change		
FORM	ISO*	Selected
OWNERS	5.0%	5.0%
FORM 4	1.3%	1.3%
FORM 6	1.5%	1.5%

Period Ending	Projection Factor	Owner Trend Factor	Tenants Trend Factor	Condos Trend Factor
06/30/06	6.32	1.361	1.085	1.099
06/30/07	5.32	1.297	1.071	1.082
06/30/08	4.32	1.235	1.057	1.066
06/30/09	3.32	1.176	1.044	1.051
06/30/10	2.32	1.120	1.030	1.035

\* Based on copyrighted material from ISO, Inc., with its permission (LI-HO-2010-215).

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTOR CALCULATION**

Analysis of ULAE - P&L Report - Direct Business - Rhode Island Specific

			3 Year	
2007	2008	2009	Average	Selected

Homeowners						
(1)	Earned Premium	4,550,749	5,545,036	6,026,934	5,374,240	
(2)	Incurred ULAE	131,903	142,480	216,820	163,734	
(3)	Ratio of Incurred ULAE to Earned Premium	2.9%	2.6%	3.6%	3.0%	3.0%

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS  
INCURRED LOSS AND PAID ALAE TRIANGLE**

Evaluated @ 12/2009

Period	Months				
	12	24	36	48	60
2000	663,256	791,704	786,210	809,795	774,592
2001	992,521	1,077,831	1,058,194	983,213	983,591
2002	1,328,413	1,497,331	1,563,135	1,566,789	1,574,095
2003	1,390,387	1,569,780	1,559,850	1,727,274	1,808,182
2004	1,133,643	1,327,799	1,461,121	1,485,130	1,570,829
2005	1,454,180	1,959,117	2,092,319	2,132,971	2,145,383
2006	666,575	800,906	826,666	943,433	
2007	1,164,374	1,321,772	1,344,302		
2008	1,321,210	1,549,737			
2009	2,093,847				
Period	12-24	24-36	36-48	48-60	60-72
2000	1.194	0.993	1.030	0.957	1.016
2001	1.086	0.982	0.929	1.000	1.002
2002	1.127	1.044	1.002	1.005	0.992
2003	1.129	0.994	1.107	1.047	1.004
2004	1.171	1.100	1.016	1.058	0.998
2005	1.347	1.068	1.019	1.006	
2006	1.202	1.032	1.141		
2007	1.135	1.017			
2008	1.173				
Ex Hi/Lo	1.162	1.025	1.035	1.015	1.000
2 Yr. Avg.	1.154	1.025	1.080	1.032	1.001
3 Yr. Avg.	1.170	1.039	1.059	1.037	0.998
4 Yr. Avg.	1.214	1.054	1.071	1.029	0.999
Total Avg.	1.174	1.029	1.035	1.012	1.002
3 Yr. Weighted	1.165	1.044	1.041	1.033	0.998
Selected	1.214	1.054	1.071	1.029	1.000
Age-Ult.	1.411	1.162	1.102	1.029	1.000

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**LOSS TREND ANALYSIS**

Annual Rate of Change		
FORM	ISO*	Selected
OWNERS	1.3%	1.3%
FORM 4	0.4%	0.4%
FORM 6	0.4%	0.4%

Period	Projection Factor	Owner Trend Factor	Tenants Trend Factor	Condos Trend Factor
06/30/06	6.32	1.085	1.026	1.026
06/30/07	5.32	1.071	1.021	1.021
06/30/08	4.32	1.057	1.017	1.017
06/30/09	3.32	1.044	1.013	1.013
06/30/10	2.32	1.030	1.009	1.009

\* Based on copyrighted material from ISO, Inc., with its permission (LI-HO-2010-215).

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS  
LARGE LOSS FACTOR**

**OWNER FORMS**

Year	Non-Cat Incurred Losses & ALAE Excess of \$75K	Non-Cat Incurred Losses & ALAE Capped at \$75K	Large Loss Ratio
07/01/1995 - 06/30/1996	\$722,874	\$1,407,932	51.3%
07/01/1996 - 06/30/1997	\$29,434	\$891,539	3.3%
07/01/1997 - 06/30/1998	\$258,235	\$1,409,097	18.3%
07/01/1998 - 06/30/1999	\$135,191	\$725,928	18.6%
07/01/1999 - 06/30/2000	\$173,941	\$925,083	18.8%
07/01/2000 - 06/30/2001	\$0	\$863,438	0.0%
07/01/2001 - 06/30/2002	\$344,041	\$1,139,258	30.2%
07/01/2002 - 06/30/2003	\$178,576	\$1,031,213	17.3%
07/01/2003 - 06/30/2004	\$375,054	\$1,181,009	31.8%
07/01/2004 - 06/30/2005	\$666,915	\$1,384,983	48.2%
07/01/2005 - 06/30/2006	\$61,603	\$1,155,675	5.3%
07/01/2006 - 06/30/2007	\$41,469	\$1,005,451	4.1%
07/01/2007 - 06/30/2008	\$202,452	\$1,390,364	14.6%
07/01/2008 - 06/30/2009	\$240,340	\$1,384,172	17.4%
07/01/2009 - 06/30/2010	\$301,612	\$989,552	30.5%
	3,731,739	16,884,695	22.1%

5 Year Straight Average: 14.4%  
10 Year Straight Average: 19.9%  
15 Year Straight Average: 20.6%

Latest 5 Year Weighted Average: 14.3%  
Latest 10 Year Weighted Average: 20.9%  
Latest 15 Year Weighted Average: 22.1%

Selected Large Loss Factor =	20.0%
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NGM INSURANCE COMPANY  
Rhode Island Homeowners

Retained Expense Load

	(1) 10 Year Non-Hurricane <u>CAT Losses</u>	(2) 10 Year Direct Earned <u>Premium</u>	(3) Retained Non-Hurricane <u>CAT %</u>	(4) Capped Non-Hurricane <u>CAT %</u>
MSA HO	35,542,739	915,707,627	3.88%	5.82%
MSA Capped Losses	2,572,388	915,707,627	0.28%	
RI HO	400,340	40,402,051	0.99%	0.99%
(5)	RI HO Written Premium			6,106,314
(6)	RI HO Average Annual Retained Losses			389,907
(7)	RI HO 2009 Planned EP			6,188,245
(8)	LAE Load			5%

(3) = (1) / (2)

(4) = (3) x 1.5

$$\text{RI Retained Cost} = \frac{\{ [\text{RI HO Avg. Ann. Retained} \times \text{LAE Load}] + [\text{RI HO CAT \%} \times \text{RI HO WP}] + [\text{MSA CAT \%} \times \text{RI HO WP}] \}}{\text{RI HO 2009 Planned EP}}$$

$$\text{RI Retained Cost} = \frac{\{ [(6) \times (8)] + [\text{RI HO (4)} \times (5)] + [\text{MSA Capped Losses (3)} \times (5)] \}}{(7)}$$

$$\text{RI Retained Cost} = \frac{\{ [389,907 \times 5.0\%] + [0.99\% \times 6,106,314] + [0.28\% \times 6,106,314] \}}{6,188,245}$$

$$\text{RI Retained Cost} = \frac{\{ 409,403 + 60,507 + 17,154 \}}{6,188,245}$$

RI Retained Cost = **7.9%**

Hurricane 6.6%

Non-Hurricane 1.3%

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**DEVELOPMENT OF PERMISSIBLE LOSS RATIO**

**INSURANCE EXPENSE EXHIBIT DATA - - Countrywide**

**MSA Group Companies Combined (Direct Business - 000s omitted)**

	<u>Earned Premiums</u>	<u>General Expenses</u>		<u>Other Acquisition Expenses</u>	
2009	124,433	5,906	4.7%	7,117	5.7%
2008	112,889	4,774	4.2%	5,510	4.9%
2007	108,807	6,901	6.3%	6,306	5.8%
3 yr Avg	346,129	17,581	5.1%	18,933	5.5%

**ANNUAL STATEMENT EXHIBIT OF PREMIUMS AND LOSSES - - RHODE ISLAND**

**(Direct Business)**

	<u>Written Premiums</u>	<u>Commissions &amp; Brokerage Expense</u>		<u>Taxes, Licenses, and Fees</u>	
2009	5,990,093	1,185,101	19.8%	126,783	2.1%
2008	5,890,003	1,149,511	19.5%	168,254	2.9%
2007	4,978,344	1,029,029	20.7%	145,977	2.9%
3 yr Avg	16,858,440	3,363,641	20.0%	441,014	2.6%

<b>Owners Form</b>	<u>Selected Expense Provision</u>	<u>Amount Fixed</u>	<u>Fixed Expense</u>	<u>Variable Expense</u>
Comm & Brokerage	20.0%	0.0%	0.00%	20.0%
Other Acquisition Exp	5.5%	75.0%	4.10%	1.4%
General Expenses	5.3%	75.0%	3.95%	1.3%
Taxes, Licenses & Fees	2.6%	0.0%	0.00%	2.6%
Reinsurance Cost Load	22.2%	100.0%	22.20%	0.0%
Profit & Contingencies	8.0%	0.0%	0.00%	8.0%
Total	63.5%		30.25%	33.3%
Permissible Loss Ratio	36.5%			

<b>Tenants / Condos</b>	<u>Selected Expense Provision</u>	<u>Amount Fixed</u>	<u>Fixed Expense</u>	<u>Variable Expense</u>
Comm & Brokerage	20.0%	0.0%	0.00%	20.0%
Other Acquisition Exp	5.5%	75.0%	4.10%	1.4%
General Expenses	5.3%	75.0%	3.95%	1.3%
Taxes, Licenses & Fees	2.6%	0.0%	0.00%	2.6%
Reinsurance Cost Load	0.0%	0.0%	0.00%	0.0%
Profit & Contingencies	8.0%	0.0%	0.00%	8.0%
Total	41.3%		8.05%	33.3%
Permissible Loss Ratio	58.7%			



**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**DERIVATION OF SELECTED GENERAL EXPENSE PROVISION**

The MSA Group 2010 planned budget incorporates an increase of \$3,603,825 in general expenses for Personal Lines from the prior year. This increase is due to the amortization of new technology software. Based on the 2010 budget planned written premiums, approximately 32.8% of the \$3,603,825 expense, or \$1,183,302, is allocated to personal automobile. This expense is not reflected in the historical general expenses, but should be accounted for in pricing the future risks this rate change contemplates. To do this the \$1,183,302 is distributed to the Liability and Physical Damage lines based on the latest available year's earned premiums. The calculated percentage is then added to the standard three year average general expense amount to yield the selected general expense provision utilized to determine the by coverage rate indications.

**MSA Group Companies Combined (Direct Business - 000s omitted)**

	(1)	(2)	(3)	(4)	(5)	(6)
	Earned Premiums	Historical General Expenses		Amoritized Increase to Gen Expenses		Selected General Expenses
<b>3 Yr Total</b>	346,129	17,581	5.08%		0.95%	6.03%
<b>2009</b>	124,433	5,906	4.75%	1,183	0.95%	
<b>2008</b>	112,889	4,774	4.23%			
<b>2007</b>	108,807	6,901	6.34%			

**Notes:**

Col (1), (2), (3) taken directly from Exhibit V, Page 1.

Col (4) = \$1,183,302 [000's omitted]

Col (5) = Col (4) / Col (1) for 2008

Col (6) = Col (3) + Col (5)

NGM INSURANCE COMPANY  
Rhode Island Homeowners

Reinsurance Expense Load

(1) RI HO 2010 Planned EP	6,188,245
(2) MSA 2010 Planned EP	111,669,998
(3) Aggregate Premium	2,400,000

	A	B	C	D	E
				= A / B x C	= D / (1)
<u>Allocation based on</u>	<u>RI HO</u>	<u>MSA</u>	<u>Reinsurance Premium</u>	<u>RI Allocated Premium</u>	<u>% of EP</u>
Layer 1	53,085	813,320	1,959,375	127,888	
Layer 2	114,164	1,534,866	3,610,000	268,514	
Layer 3	178,636	1,981,925	5,462,500	492,348	
Layer 4	163,328	1,545,919	6,175,000	652,396	
<u>Layer 5</u>	<u>93,931</u>	<u>758,541</u>	<u>6,412,500</u>	<u>794,066</u>	
(4) Modeled Ceded Losses	603,144	6,634,571	23,619,375	2,335,212	37.7%
(5) Subject Premium	5,569,421	256,496,116	23,619,375	512,859	8.3%
				<u>Allocated Premium</u>	<u>% of EP</u>
(6) RI HO Un-Capped Reinsurance Premium Allocation				1,788,506	28.9%
(7) MSA HO Un-Capped Reinsurance Premium Allocation				11,619,691	10.4%
(8) RI HO Capped Reinsurance Premium Allocation				1,287,821	20.8%
(9) MSA HO Capped Reinsurance Premium Allocation				659,577	0.6%
(10) Aggregate Reinsurance Premium Allocation				52,112	<u>0.8%</u>
(11) RI HO Reinsurance Expense Load					22.2%

Notes:

(4) Modeled Ceded Losses = the Sum of Layers 1 through 5.

(6) RI HO Un-Capped Reinsurance Premium Allocation = 70% x (4) + 30% x (5)

E(7) and E(9) are divided by (2) MSA 2010 Planned EP instead of (1) RIHO 2010 Planned EP

(8) RI HO Capped Reinsurance Premium Allocation = Minimum of [D(6) and E(7) x 2.00 x (1)]

(10) Aggregate Reinsurance Premium Allocation = [A(5) / B(5) x (3)]

(11) = Sum of [(8) through (10)]

**NGM INSURANCE COMPANY  
COUNTRYWIDE  
HOMEOWNERS**

**UNDERWRITING PROFIT PROVISION**

1. After-Tax Target Rate of Return on Equity	12.0%
2. Surplus-to-Equity Ratio	100.0%
3. Premium-to-Surplus Ratio	120.0%
4. Effective Tax Rate on Investment Income	26.4%
5. Pre-Tax Target Return on Premium (1) / (3) / (1 - (4))	13.6%
6. Pre-Tax Average Investment Return (Exhibit IX.2, Line 10)	4.4%
7. Pre-Tax UW Profit Provision (5) - (6)	9.2%
8. Selected UW Profit Provision	8.0%
	<u>2009</u>
NWP (\$ Millions)	\$807.3
Group Surplus & Equity	672.0
Group Premium to Surplus Ratio	1.20

**NGM INSURANCE COMPANY  
COUNTRYWIDE  
HOMEOWNERS**

**CALCULATION OF PRE-TAX AVERAGE INVESTMENT RETURN**

1)	Direct Earned Premium for Accident Year Ended - (Annual Statement)	\$124,434
2)	Group Premium to Surplus Ratio - (Exhibit IX, Page 1)	1.20
3)	Net Subject to Surplus - (1) / (2)	\$103,695
4)	Net Subject to Investment - (Annual Statement)	\$38,665
5)	Average Rate of Return, (Exhibit 5, Page 3)	3.8%
6)	Investment Earnings on Net Subject to Surplus - (3) x (5)	\$3,985
7)	Pre-Tax Average Investment Return on Surplus - (6) / (1)	3.2%
8)	Investment Earnings on Net Subject to Investment - (4) x (5)	\$1,486
9)	Pre-Tax Average Investment Return on Premium - (8) / (1)	1.2%
10)	Pre-Tax Average Investment Return on Premium and Surplus - (7) + (9)	4.4%

Certification of

MAIN STREET AMERICA GROUP  
NGM Insurance Company

Filing Being Certified

\_\_\_\_\_

\_\_\_\_\_

Proposed Effective Date

I certify that the data submitted in this filing is accurate and reliable to the best of my knowledge and belief.

\_\_\_\_\_  
Timothy Muzzey, FCAS

NAME

(Please Print of Type)

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
(904) 380-7351

TELEPHONE NUMBER

STATE OF RHODE ISLAND  
RATE PROCEDURAL INFORMATIONAL SUMMARY FOR ALL NEW  
AND REVISED RATE FILINGS

Insurers must provide a reply to the following interrogatories for all **new** and **revised** rate filings in accordance with the instructions provided below. While the insurer may attach/link exhibits to respective interrogatories, referring the Department to other exhibits to "find" information is not proper protocol for form completion. Further, if a question is not applicable, please so indicate and provide the basis for such position. Wherever the word "proposed rate" appears, the requirements also apply to all new or revised rate filings where applicable.

1. Provide a general description of the filing; i.e., list all factors and proposed rates or proposed changes to rates and rating factors. In doing so, include the current and proposed territory base rates for each coverage for which a rate level change is being proposed, the current and proposed territory definitions for each rating territory for which a change in definition is being proposed, and the current and proposed rating factors for each set of rating factors for which a new factor or change is being proposed.

**With this filing, NGM Insurance Company proposes to increase overall rate levels for its Homeowners program in Rhode Island by 1.5%. The 1.5% change is comprised of the following changes:**

- **The overall +1.5% is comprised of an overall +1.6% for the Owners forms and no changes for the Tenants and Condos forms.**
- **Please see Exhibit I, Page 1 for the overall impact by form.**
- **NGM is proposing to replace the New Home Discount with the Age of Home Rule. The Age of Home rule will consist of discounts for all homes aged 0-15 and charges for all Preferred homes aged 26 or older. Exhibit I, Page 2 details the changes and support for Age of Home proposed changes. The overall impact of these changes is 1.6% for the owners forms.**
- **With this filing, NGM is revising its Gold Endorsement to include \$2,000 Water back-Up Coverage. To account for the additional coverage within the Gold Endorsement we are revising the factor from 1.15 to 1.16.**

2. Provide the indicated rate level changes (where applicable), proposed rate level changes, and premium weights using premiums adjusted to current rate level for each coverage (e.g. bodily injury, property damage), subline (e.g. liability, physical damage), and all coverages combined.

**Please see Exhibit I, Page 1 for the indicated rate level changes, proposed rate level changes, and premium weights using premiums adjusted to current rate level for each coverage, and all coverages combined.**

\*Describe components of proposed change, e.g., class, increased limits, deductibles, age and symbols, territories, policy coverage, rules, etc.

3. Provide actuarially based rate level indications to support the proposed rate or proposed rate

level changes by coverage. In so doing, provide the underlying data, assumptions, and derivation of each of the following components of the indications: **Please see Exhibits II - IX**

a) premiums adjusted to the current rate level;

**Please see Exhibit II for the premiums adjusted to current rate level.**

b) premium trend;

**Please see Exhibit III for the premium trend.**

c) losses and allocated loss adjustment expense (ALAE, which is now referred to as defense and cost containment expense) developed to an ultimate basis including the loss development triangles and the selected loss development factors;

**Please see Exhibit IV for the loss adjustment expense. Please see Exhibit V for the loss development triangles and the selected loss development factors.**

d) losses and ALAE adjusted to reflect prospective cost levels, including selected trend factors;

**ALAE are included with the Incurred Loss numbers. Consequently, the same loss trend is applied as in the incurred losses. Please see Exhibit VI for these trends.**

e) any adjustments made for large, catastrophic, or weather related losses;

**Please see Exhibit VII, Page 1, for the adjustment made for large losses. Large losses are considered to be single claims greater than \$75,000.**

**NGM's CAT Load is a combination of Modeled\* Hurricane losses (6.6%) and historical Non-Hurricane Cat Losses (1.3%) as a percent of premium. The Hurricane load is calculated by taking the modeled Rhode Island Homeowners Average Annual Retained Losses, adding 5% for an ALAE load, and then dividing by the Direct Earned Premium.**

**The Non-Hurricane load is calculated by taking a 10 year average of our actual RI HO non-hurricane cat losses and dividing by the RI HO Direct Earned Premium. NGM then caps this percentage for all states by 1.5 x the total states average and redistributes the capped losses by direct earned premium. For RI, this adds an additional 0.3%.**

**Please see Exhibit VII, Page 2, for the data and the calculation of the RI Catastrophe Load.**

**\* The catastrophe model used was RiskLink® Version 8.0**

f) any adjustments made to reflect the credibility of the experience;

**Credibility has been incorporated based on the number of claims in the experience period for the indications by form, with a minimum credibility of 50%. The complement of credibility is the expected loss ratio after application of the net trend.**

g) expense provisions – Support should include five years of expense history for each expense provision including unallocated loss adjustment expense (ULAE, which is now referred to as claim adjustment service) with an explanation if the expenses

underlying the expected loss ratio or expense multiplier vary from the company's historical expenses; recognition should be given to fixed and variable expense components; and

**Please see Exhibit VIII, Pages 1 and 2, for the expense provisions. Recognition for the fixed and variable expense components is shown.**

**NGM's reinsurance load is found on Exhibit VIII, Page 1 as well. NGM's reinsurance premium is spread to LOB by taking 70% of the LOB ratio of ceded modeled losses\* to countrywide modeled ceded losses and applying that percentage to our total CAT Premium (Per Occurrence). The remaining 30% is spread by subject premium (Aggregate).\*\***

**NGM's reinsurance premium is then spread to state by taking 70% of the state ratio of ceded modeled losses to LOB modeled ceded losses and applying that percentage to the LOB CAT Premium (Per Occurrence). The remaining 30% is spread by subject premium (Aggregate). The state's allocated reinsurance premium percentage is then capped at 200% of the LOB's allocated reinsurance premium percentage. The premium over the cap is then spread to all states by subject premium.**

**Please see Exhibit VIII, Page 3, for the data and the calculation of the RI Reinsurance Expense Load.**

**\* The catastrophe model used was RiskLink® Version 8.0**

**\*\* Both the 70/30 split and the 200% cap are based on actuarial judgment and are used to temper the Reinsurance Expense load.**

h) profit & contingency provision – Support should include rationale for the target rate of return (if applicable), and an explanation (including underlying calculations, data, and assumptions) of how investment income was considered. Data used should be the most recent available to the company.

**NGM uses an 8.0% profit and contingencies load for Homeowners. Please see Exhibit IX (Pages 1 and 2) for the support for the 8% Profit and Contingencies Provision. NGM is targeting an ROE of 12.0%. The selection of 12.0% is based off a comparison to what our competitors are targeting. Based off this, NGM's indicated Pre-Tax Underwriting Profit Provision is 12.4%. NGM has selected 8.0%.**

4. Provide actuarial support and any other considerations for any proposed factors or proposed changes in rating factors or class definitions; i.e., territory definitions or relativities, class plan definitions or relativities, increased limit factors, deductible factors, discounts, surcharges, etc. Actuarial support should reflect your company's experience. If credit history is utilized in the rating or underwriting process, for homeowner's insurance or personal motor vehicle insurance, the insurer must demonstrate the predictive nature of its insurance scoring process to the Department. Question 5 and 6 enumerates additional filing requirements to support the insurer's use of credit. In addition, a) all motor vehicle filings must include the information requested in Question 15, b) all filings for territory changes must be supported pursuant to Rhode Island Insurance Regulation 62 and c) all property insurance filings must include the information requested in Question 16.



**Included in the following exhibits is the actuarial support for the proposed changes to the territorial base rates.**

**NGM has proposed revised rates based on the rate level indications by Form. These rate level indications are shown in Exhibit II.**

If you are proposing rates, rating factors, discounts/surcharges, class/territory definitions, etc. that are based on those currently in effect in Rhode Island for another insurance company(ies) or rating organization, provide the rates, rating factors, discounts/surcharges, class/territory definitions, etc. of that other company(ies), and explain how you have considered possible differences in coverage offered, underwriting standards, claim practices, expenses, etc. between your company and the referenced company(ies).

**NGM is proposing to replace the New Home Discount with the Age of Home Rule. The Age of Home rule will consist of discounts for all homes aged 0-15 and charges for all Preferred homes aged 26 or older. Exhibit I, Page 2 details the changes and support for Age of Home proposed changes. The overall impact of these changes is 1.6% for the owners forms.**

**NGM is proposing to revise its Gold Endorsement to include \$2,000 Water back-Up Coverage. To account for the additional coverage within the Gold Endorsement we are revising the factor from 1.15 to 1.16.**

5. In order to demonstrate the predictive nature of insurance scoring, the insurer must provide an analysis that confirms the statistical correlation between insurance score and loss experience. The analysis should be performed in such a manner that adjusts for any potential distributional biases, such as among states (if multi-state data is used) with different levels of rate adequacy, or among vehicle use risk classes with different levels of rate adequacy. In addition:

a) The source of the data must be identified, e.g., number of years of data; whether the data is by accident year or policy year; whether the data is from Rhode Island or other states; if a sample of states or a sample of risks is used, a description of how the data was collected, including data verification procedures; the percentage of the overall business that is used in the sample; etc.

**We are not proposing any changes to our Insurance Score Rules or Rates.**

b) All data adjustments must be explained and supported, e.g., loss development; adjustments for the effect of large losses; how credibility was considered in the analysis; etc.

**We are not proposing any changes to our Insurance Score Rules or Rates.**

c) The data underlying the analysis must be relatively recent.

**We are not proposing any changes to our Insurance Score Rules or Rates.**

6. Appropriate support for the rates/rating factors that reflect the use of insurance score should include an analysis that supports the appropriateness of each proposed rate/rating factor as opposed to any other rate/rating factor. As above, the source of the data must be identified, all data adjustments must be explained and supported, and the data underlying the analysis must be relatively recent. In addition,

a) An explanation must be provided as to how risks with insufficient or no credit history will be treated.

**We are not proposing any changes to this portion of the rule.**

b) An explanation must be provided as to how risks that refuse to allow access to their credit score will be treated.

**We are not proposing any changes to this portion of the rule.**

c) The company's timing and procedure for updating credit scores must be provided, e.g., at each renewal; only on the customer's request; etc.

**We are not proposing any changes to this portion of the rule.**

d) The rationale behind any grouping of credit scores for rating or underwriting purposes must be provided i.e., how the beginning and end points of any ranges of insurance score were selected.

**We are not proposing any changes to this portion of the rule.**

7. In providing the information in (3), (4), (5) and (6) above:

a) Explain all differences from the ratemaking procedures employed in your last rate filing in Rhode Island.

**There are no differences in ratemaking procedures versus our last rate filing in Rhode Island.**

b) Clearly describe or label the type of information used; e.g., calendar year, policy year, or accident year; basic limits or total limits; Rhode Island or countrywide; by coverage or all coverages combined; etc.

**The exhibits provided in this filing are accident year loss and calendar year premium data. The loss data consists of Non Catastrophe data with excess losses excluded. Excess losses are those losses that are at least \$75,000. The excess portion above \$75,000 is eliminated and a large loss load is utilized. For credibility purposes, the large loss load is calculated using at least 10 years of excess loss data. The premium and loss data is split out by each of the Forms – Owners, Tenants and Condos.**

8. Provide rationale for any proposed rate or proposed rate level change, by coverage or overall, that differs from your indicated change.

**The proposed rate level changes are based on the indications by Form. Changes have been limited to mitigate the impact to policyholders.**

9. Provide the derivation of the estimated overall premium effect of any proposed rate or proposed changes to a rating factor or definition. Explain how you have considered each of these effects in calculating the overall proposed rate level change.

**An overall rate level impact exhibit is shown in Exhibit I, Page 1. This exhibit displays each of the rating variables that was revised and the calculation of the overall proposed rate level change.**

10. Provide any additional information that you feel may be helpful to the Department of Business Regulation in its review of this filing. For example, if the company has undergone changes in its operations that affect its expense provision, then this information should be provided. **Not Applicable.**

11. Provide the length of time the proposed rates are expected to remain in effect.

**The proposed rates are expected to remain in effect for at least one year, when another rate review will be completed and possible revisions made.**

12. Provide a description of the risk that will receive the largest rate increase and a description of the risk that will receive the largest rate decrease as a result of the changes proposed in this filing. Include the amount of the rate change for each risk described.

**The largest rate increase to any policyholder will be +10.0%. The risk that will receive the largest increase is a “Preferred” home with a home age over 35 years. The risk that will receive the largest decrease is any home aged 1 year.**

13. Provide an estimate of the number and percent of exposures that will receive a rate increase in excess of 15% due to the changes proposed in this filing.

**0% (0 Policies) of the NGM insureds will receive a rate increase in excess of 15% for the State of Rhode Island.**

14. Provide a statement signed by an actuary or an officer of the company to certify that the data submitted in the filing is accurate and reliable.

**Please see Exhibit X.**

15. For all motor vehicle filings provide a copy of the relevant pages (and cite the manual page number and rule number) from your company’s rating manual that confirm that your company is in compliance with: **N/A – this is a homeowners filing**

a) RI Gen. Laws §27-9-53 & Insurance Regulation 25 (8), Motor Vehicle Insurance Rate Increases Relating to Violations and Accidents.

b) RI Gen. Laws §27-9-4, Consideration in Making of Rates: (4)(a)(1)(i), (4)(d), (4)(e), and Section 45-19-17, Operation of Emergency Vehicles – Accidents.

c) RI Gen. Laws §27-29-13, Payment of Premium – Cancellation

d) Insurance Regulation 25(5)&(6), Additive and Reductive Amounts for Policy Credits, Regulation 25(7), Chargeable Accident

e) RI Gen. Laws §27-9-7.1, Premium Reduction for Completing a Motor Vehicle Accident Prevention Course

f) RI Gen. Laws §27-9-7.2, Premium Reduction for Anti-theft Devices, and Regulation 84

g) RI Gen. Laws §27-9-56, Use of Credit Rating

h) Insurance Regulation 98, Rhode Island Automobile Insurance Plan

16. For all property insurance filings provide a copy of the relevant pages (and cite the manual page number and rule number) from your company’s rating manual that confirm that your company is in compliance with:

- a) RI Gen. Laws §27-6-53, and Bulletin 2002-16, Use of Credit  
**We are in compliance with R.I. Gen. Law § 27-6-53 as shown on Page HO-14a, Rule 307.**
- b) RI Gen. Laws §27-29-4.3, Refusal to Issue or Increased Premium Due to Nonoccupancy.  
**We are in compliance with R.I. Gen. Law § 27-29-4.3 as this is not a practice of this company.**
- c) RI Gen. Laws §27-29-4(7) (i,ii,iii), Unfair Competition and Practices, and Insurance Bulletin #2003-9“Underwriting Restriction Based on Age/Location of Property”.  
**We are in compliance with §27-29-4(7) (iii) (iv) and (vi) as this company does not participate in Unfair Competition and Practices, as shown throughout the rules manual.**
- d) RI Gen. Laws §27-5-3.7 and Insurance Regulation 110, Hurricane Deductibles, triggers and Policyholder Notices  
**We are in compliance with R.I. Gen. Law § 27-5-3.7 as shown on Page HO-17-19, Rule 406.**
- e) RI Gen. Laws §27-6-8.2 requires all insurers to include a credit or discount in premiums for commercial property insureds that install and maintain fire prevention and suppression equipment and use of fire resistant building material. **N/A – this is a homeowners filing.**
17. For all Title Insurance Filings, insurers must confirm that it offers a reduced mortgage refinance rate based upon actuarially supported rates, filed and approved for use in RI. **N/A – this is a homeowners filing.**

as of 12/31/2009

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**OVERALL CHANGES**

**BY FORM**

<u>Form</u>	<u>Distribution</u>	<u>Age of Home Rate Effect</u>	<u>Overall % Change</u>	<u>Indicated % Change</u>
OWNERS	96.4%	1.6%	1.6%	2.6%
HO-4	2.0%	0.0%	0.0%	-34.6%
<u>HO-6</u>	<u>1.6%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>-2.2%</u>
<b>Total</b>	<b>100.0%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.8%</b>

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**PROPOSED AGE OF HOME FACTORS**

Rhode Island Data - Preferred Business

Years <u>Old</u>	2005-2009 <u>Loss Ratio</u>	Relative <u>Loss Ratio</u>
0-25	19.4%	-37.2%
<u>26+</u>	<u>41.3%</u>	<u>33.7%</u>
Total	30.9%	0.0%

**NGM - Preferred**

Years <u>Old</u>	Premium <u>Distribution</u>	NGM Current <u>Discount</u>	NGM Proposed <u>Discount</u>	Rate <u>Effect</u>
0	0.0%	0.75	0.65	-13.3%
1	0.0%	0.78	0.68	-12.8%
2	0.1%	0.81	0.71	-12.3%
3	0.3%	0.84	0.77	-8.3%
4	0.3%	0.87	0.80	-8.0%
5	0.3%	0.90	0.83	-7.8%
6	0.3%	0.93	0.86	-7.5%
7	0.3%	0.95	0.90	-5.3%
8	0.5%	0.96	0.91	-5.2%
9	0.5%	0.97	0.92	-5.2%
10	0.9%	0.98	0.93	-5.1%
11	1.1%	1.00	0.94	-6.0%
12	0.8%	1.00	0.95	-5.0%
13	1.0%	1.00	0.96	-4.0%
14	0.8%	1.00	0.97	-3.0%
15	0.6%	1.00	0.98	-2.0%
16-25	11.0%	1.00	1.00	0.0%
26-35	8.3%	1.00	1.05	5.0%
<u>36+</u>	<u>16.4%</u>	1.00	1.10	<u>10.0%</u>
Total	43.5%			3.8%

**NGM - Revitalized and Standard**

Years <u>Old</u>	Premium <u>Distribution*</u>	NGM Current <u>Discount</u>	NGM Proposed <u>Discount</u>	Rate <u>Effect</u>
0	0.0%	0.75	0.65	-13.3%
1	0.0%	0.78	0.68	-12.8%
2	0.0%	0.81	0.71	-12.3%
3	0.1%	0.84	0.77	-8.3%
4	0.1%	0.87	0.80	-8.0%
5	0.1%	0.90	0.83	-7.8%
6	0.2%	0.93	0.86	-7.5%
7	0.2%	0.95	0.90	-5.3%
8	0.2%	0.96	0.91	-5.2%
9	0.2%	0.97	0.92	-5.2%
10	0.1%	0.98	0.93	-5.1%
11	0.2%	1.00	0.94	-6.0%
12	0.1%	1.00	0.95	-5.0%
13	0.1%	1.00	0.96	-4.0%
14	0.2%	1.00	0.97	-3.0%
15	0.0%	1.00	0.98	-2.0%
16-25	1.8%	1.00	1.00	0.0%
26-35	2.6%	1.00	1.00	0.0%
<u>36+</u>	<u>50.5%</u>	1.00	1.00	<u>0.0%</u>
Total	56.5%			-0.2%

Total NGM Rate Effect: 1.6%

\* All revitalized business is 36+

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**SUMMARY OF RATE LEVEL ADJUSTMENTS**

	<u>On-Level Premium for Year Ending Jun-10</u>	<u>Indicated Rate Level Adjustment Prior to Cred</u>	<u>Indicated Rate Level Adjustment with Credibility</u>	<u>Overall Proposed Rate Level Adjustment</u>
OWNERS	5,953,672	5.3%	2.6%	1.6%
TENANT	121,410	-69.4%	-34.6%	0.0%
CONDO	101,808	-4.3%	-2.2%	0.0%
<b>Grand Total</b>	<b>6,176,890</b>	<b>3.7%</b>	<b>1.8%</b>	<b>1.5%</b>

Proposed Effective Date:   04/26/11   New Business  
  05/31/11   Renewal Policies

	<u>ISO Loss Cost Trend Selections</u>
OWNERS	1.3%
TENANT	0.4%
CONDO	0.4%

NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS

INDICATED RATE LEVEL ADJUSTMENT

OWNER FORM

Year-To-Date Accident Experience Ending	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Total
(1) Direct Earned Premium	3,292,435	3,622,088	4,138,869	4,563,561	5,680,985	21,297,938
(2) Premium On-Level Factor	1.366	1.320	1.257	1.070	1.048	-----
(3) Premium Trend Factor	1.361	1.297	1.235	1.176	1.120	-----
(4) Trended On-Level Earned Premium (1)*(2)*(3)	6,121,052	6,201,159	6,425,159	5,742,421	6,668,113	31,157,904
(5) Non-Catastrophe Capped Incurred Loss & ALAE	1,155,675	1,005,451	1,390,364	1,384,172	989,552	5,925,214
(6) Loss Development Factor	1.000	1.029	1.102	1.162	1.411	-----
(7) Large Loss Factor	1.200	1.200	1.200	1.200	1.200	-----
(8) Loss Trend Factor	1.085	1.071	1.057	1.044	1.030	-----
(9) Trended Ultimate Non-Cat Incurred Loss & ALAE (5)*(6)*(7)*(8)	1,504,689	1,329,679	1,943,419	2,015,013	1,725,775	8,518,575
(10) Trended Ult. Non-Cat Incurred Loss & ALAE Ratio (9)/(4)	24.6%	21.4%	30.2%	35.1%	25.9%	27.3%
(11) Accident Year Weights	0.100	0.150	0.200	0.250	0.300	
(12) Weighted Ult. Non-Cat Incurred Loss & ALAE Ratio Sum[(10)*(11)]	-----					28.3%
(13) Unallocated Loss Adjustment Expense Ratio	-----					3.0%
(14) Cat Load as % of Premium	-----					7.9%
(15) Experience Loss Ratio with Cat Load (12)+(13)+(14)	-----					39.2%
(16) Fixed Expense	-----					30.8%
(17) Experience Loss Ratio w/ Cat Load & Fixed Expense (15)+(16)	-----					70.1%
(18) 100% - Variable Expense	-----					66.6%
(19) Indicated Rate Level Change prior to Credibility [(17)/(18)]-1.0	-----					<b>5.3%</b>
(20) Number of Claims for latest 5 yrs	-----					1,072
(21) Credibility Sq Root[(20)/5,000], Max of 100%, Min of 50%	-----					50.0%
(22) Complement of Credibility	-----					66.6%
(23) Credibility Weighted Ultimate Loss Ratio (17)*(21)+(22)*[1.0-(21)]	-----					68.3%
(24) Credibility Weighted Indicated Rate Level Change [(23)/(18)]-1.0	-----					<b>2.6%</b>

Proposed Effective Date: 04/26/11



NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS

INDICATED RATE LEVEL ADJUSTMENT

TENANT FORM HO-4

Year-To-Date Accident Experience Ending	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Total
(1) Direct Earned Premium	99,993	94,339	93,651	98,483	121,410	507,875
(2) Premium On-Level Factor	0.841	0.921	1.000	1.000	1.000	-----
(3) Premium Trend Factor	1.085	1.071	1.057	1.044	1.030	-----
(4) Trended On-Level Earned Premium (1)*(2)*(3)	91,242	93,055	98,989	102,817	125,052	511,155
(5) Incurred Loss & ALAE	15,319	1,223	6,324	5,183	11,273	39,322
(6) Loss Development Factor	1.000	1.029	1.102	1.162	1.411	-----
(7) Large Loss Factor	1.000	1.000	1.000	1.000	1.000	-----
(8) Loss Trend Factor	1.026	1.021	1.017	1.013	1.009	-----
(9) Trended Ultimate Incurred Loss & ALAE (5)*(6)*(7)*(8)	15,717	1,285	7,087	6,101	16,049	46,239
(10) Trended Ultimate Incurred Loss & ALAE Ratio (9)/(4)	17.2%	1.4%	7.2%	5.9%	12.8%	9.0%
(11) Accident Year Weights	0.100	0.150	0.200	0.250	0.300	
(12) Weighted Ultimate Incurred Loss & ALAE Ratio Sum[(10)*(11)]	-----					8.7%
(13) Unallocated Loss Adjustment Expense Ratio	-----					3.0%
(14) Cat Load as % of Premium	-----					0.0%
(15) Experience Loss Ratio with Cat Load (12)+(13)+(14)	-----					11.7%
(16) Fixed Expense	-----					8.6%
(17) Experience Loss Ratio with Fixed Expense (15)+(16)	-----					20.4%
(18) 100% - Variable Expense	-----					66.6%
(19) Indicated Rate Level Change prior to Credibility [(17)/(18)]-1.0	-----					<b>-69.4%</b>
(20) Number of Claims for latest 5 yrs	-----					22
(21) Credibility Sq Root[(20)/5,000], Max of 100%, Min of 50%	-----					50.0%
(22) Complement of Credibility	-----					66.6%
(23) Credibility Weighted Ultimate Loss Ratio (17)*(21)+(22)*[1.0-(21)]	-----					43.5%
(24) Credibility Weighted Indicated Rate Level Change [(23)/(18)]-1.0	-----					<b>-34.6%</b>

Proposed Effective Date: 04/26/11

NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS

INDICATED RATE LEVEL ADJUSTMENT

CONDO FORM HO-6

Year-To-Date Accident Experience Ending	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Total
(1) Direct Earned Premium	47,609	54,194	66,044	79,665	101,808	349,319
(2) Premium On-Level Factor	0.859	0.945	1.000	1.000	1.000	-----
(3) Premium Trend Factor	1.099	1.082	1.066	1.051	1.035	-----
(4) Trended On-Level Earned Premium (1)*(2)*(3)	44,944	55,412	70,403	83,728	105,371	359,858
(5) Incurred Loss & ALAE	21,838	9,923	34,588	46,680	41,403	154,431
(6) Loss Development Factor	1.000	1.029	1.102	1.162	1.411	-----
(7) Large Loss Factor	1.000	1.000	1.000	1.000	1.000	-----
(8) Loss Trend Factor	1.026	1.021	1.017	1.013	1.009	-----
(9) Trended Ultimate Incurred Loss & ALAE (5)*(6)*(7)*(8)	22,406	10,425	38,764	54,947	58,945	185,487
(10) Trended Ultimate Incurred Loss & ALAE Ratio (9)/(4)	49.9%	18.8%	55.1%	65.6%	55.9%	51.5%
(11) Accident Year Weights	0.100	0.150	0.200	0.250	0.300	
(12) Weighted Ultimate Incurred Loss & ALAE Ratio Sum[(10)*(11)]	-----	-----	-----	-----	-----	52.0%
(13) Unallocated Loss Adjustment Expense Ratio	-----	-----	-----	-----	-----	3.0%
(14) Cat Load as % of Premium	-----	-----	-----	-----	-----	0.0%
(15) Experience Loss Ratio with Cat Load (12)+(13)+(14)	-----	-----	-----	-----	-----	55.0%
(16) Fixed Expense	-----	-----	-----	-----	-----	8.6%
(17) Experience Loss Ratio with Fixed Expense (15)+(16)	-----	-----	-----	-----	-----	63.7%
(18) 100% - Variable Expense	-----	-----	-----	-----	-----	66.6%
(19) Indicated Rate Level Change prior to Credibility [(17)/(18)]-1.0	-----	-----	-----	-----	-----	-4.3%
(20) Number of Claims for latest 5 yrs	-----	-----	-----	-----	-----	55
(21) Credibility Sq Root[(20)/5,000], Max of 100%, Min of 50%	-----	-----	-----	-----	-----	50.0%
(22) Complement of Credibility	-----	-----	-----	-----	-----	66.6%
(23) Credibility Weighted Ultimate Loss Ratio (17)*(21)+(22)*[1.0-(21)]	-----	-----	-----	-----	-----	65.1%
(24) Credibility Weighted Indicated Rate Level Change [(23)/(18)]-1.0	-----	-----	-----	-----	-----	-2.2%

Proposed Effective Date: 04/26/11

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**PREMIUM TREND ANALYSIS**

Annual Rate of Change		
FORM	ISO*	Selected
OWNERS	5.0%	5.0%
FORM 4	1.3%	1.3%
FORM 6	1.5%	1.5%

Period Ending	Projection Factor	Owner Trend Factor	Tenants Trend Factor	Condos Trend Factor
06/30/06	6.32	1.361	1.085	1.099
06/30/07	5.32	1.297	1.071	1.082
06/30/08	4.32	1.235	1.057	1.066
06/30/09	3.32	1.176	1.044	1.051
06/30/10	2.32	1.120	1.030	1.035

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**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTOR CALCULATION**

Analysis of ULAE - P&L Report - Direct Business - Rhode Island Specific

			3 Year Average	Selected
2007	2008	2009		

Homeowners						
(1)	Earned Premium	4,550,749	5,545,036	6,026,934	5,374,240	
(2)	Incurred ULAE	131,903	142,480	216,820	163,734	
(3)	Ratio of Incurred ULAE to Earned Premium	2.9%	2.6%	3.6%	3.0%	3.0%

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS  
INCURRED LOSS AND PAID ALAE TRIANGLE**

Evaluated @ 12/2009

Period	Months				
	12	24	36	48	60
2000	663,256	791,704	786,210	809,795	774,592
2001	992,521	1,077,831	1,058,194	983,213	983,591
2002	1,328,413	1,497,331	1,563,135	1,566,789	1,574,095
2003	1,390,387	1,569,780	1,559,850	1,727,274	1,808,182
2004	1,133,643	1,327,799	1,461,121	1,485,130	1,570,829
2005	1,454,180	1,959,117	2,092,319	2,132,971	2,145,383
2006	666,575	800,906	826,666	943,433	
2007	1,164,374	1,321,772	1,344,302		
2008	1,321,210	1,549,737			
2009	2,093,847				
Period	12-24	24-36	36-48	48-60	60-72
2000	1.194	0.993	1.030	0.957	1.016
2001	1.086	0.982	0.929	1.000	1.002
2002	1.127	1.044	1.002	1.005	0.992
2003	1.129	0.994	1.107	1.047	1.004
2004	1.171	1.100	1.016	1.058	0.998
2005	1.347	1.068	1.019	1.006	
2006	1.202	1.032	1.141		
2007	1.135	1.017			
2008	1.173				
Ex Hi/Lo	1.162	1.025	1.035	1.015	1.000
2 Yr. Avg.	1.154	1.025	1.080	1.032	1.001
3 Yr. Avg.	1.170	1.039	1.059	1.037	0.998
4 Yr. Avg.	1.214	1.054	1.071	1.029	0.999
Total Avg.	1.174	1.029	1.035	1.012	1.002
3 Yr. Weighted	1.165	1.044	1.041	1.033	0.998
Selected	1.214	1.054	1.071	1.029	1.000
Age-Ult.	1.411	1.162	1.102	1.029	1.000

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**LOSS TREND ANALYSIS**

Annual Rate of Change		
FORM	ISO*	Selected
OWNERS	1.3%	1.3%
FORM 4	0.4%	0.4%
FORM 6	0.4%	0.4%

Period	Projection Factor	Owner Trend Factor	Tenants Trend Factor	Condos Trend Factor
06/30/06	6.32	1.085	1.026	1.026
06/30/07	5.32	1.071	1.021	1.021
06/30/08	4.32	1.057	1.017	1.017
06/30/09	3.32	1.044	1.013	1.013
06/30/10	2.32	1.030	1.009	1.009

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**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS  
LARGE LOSS FACTOR**

**OWNER FORMS**

Year	Non-Cat Incurred Losses & ALAE Excess of \$75K	Non-Cat Incurred Losses & ALAE Capped at \$75K	Large Loss Ratio
07/01/1995 - 06/30/1996	\$722,874	\$1,407,932	51.3%
07/01/1996 - 06/30/1997	\$29,434	\$891,539	3.3%
07/01/1997 - 06/30/1998	\$258,235	\$1,409,097	18.3%
07/01/1998 - 06/30/1999	\$135,191	\$725,928	18.6%
07/01/1999 - 06/30/2000	\$173,941	\$925,083	18.8%
07/01/2000 - 06/30/2001	\$0	\$863,438	0.0%
07/01/2001 - 06/30/2002	\$344,041	\$1,139,258	30.2%
07/01/2002 - 06/30/2003	\$178,576	\$1,031,213	17.3%
07/01/2003 - 06/30/2004	\$375,054	\$1,181,009	31.8%
07/01/2004 - 06/30/2005	\$666,915	\$1,384,983	48.2%
07/01/2005 - 06/30/2006	\$61,603	\$1,155,675	5.3%
07/01/2006 - 06/30/2007	\$41,469	\$1,005,451	4.1%
07/01/2007 - 06/30/2008	\$202,452	\$1,390,364	14.6%
07/01/2008 - 06/30/2009	\$240,340	\$1,384,172	17.4%
07/01/2009 - 06/30/2010	\$301,612	\$989,552	30.5%
	3,731,739	16,884,695	22.1%

5 Year Straight Average: 14.4%  
10 Year Straight Average: 19.9%  
15 Year Straight Average: 20.6%

Latest 5 Year Weighted Average: 14.3%  
Latest 10 Year Weighted Average: 20.9%  
Latest 15 Year Weighted Average: 22.1%

Selected Large Loss Factor =	20.0%
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NGM INSURANCE COMPANY  
Rhode Island Homeowners

Retained Expense Load

	(1) 10 Year Non-Hurricane <u>CAT Losses</u>	(2) 10 Year Direct Earned <u>Premium</u>	(3) Retained Non-Hurricane <u>CAT %</u>	(4) Capped Non-Hurricane <u>CAT %</u>
MSA HO	35,542,739	915,707,627	3.88%	5.82%
MSA Capped Losses	2,572,388	915,707,627	0.28%	
RI HO	400,340	40,402,051	0.99%	0.99%
(5)	RI HO Written Premium			6,106,314
(6)	RI HO Average Annual Retained Losses			389,907
(7)	RI HO 2009 Planned EP			6,188,245
(8)	LAE Load			5%

(3) = (1) / (2)

(4) = (3) x 1.5

$$\text{RI Retained Cost} = \frac{\{ [\text{RI HO Avg. Ann. Retained} \times \text{LAE Load}] + [\text{RI HO CAT \%} \times \text{RI HO WP}] + [\text{MSA CAT \%} \times \text{RI HO WP}] \}}{\text{RI HO 2009 Planned EP}}$$

$$\text{RI Retained Cost} = \frac{\{ [(6) \times (8)] + [\text{RI HO (4)} \times (5)] + [\text{MSA Capped Losses (3)} \times (5)] \}}{(7)}$$

$$\text{RI Retained Cost} = \frac{\{ [389,907 \times 5.0\%] + [0.99\% \times 6,106,314] + [0.28\% \times 6,106,314] \}}{6,188,245}$$

$$\text{RI Retained Cost} = \frac{\{ 409,403 + 60,507 + 17,154 \}}{6,188,245}$$

RI Retained Cost = **7.9%**

Hurricane 6.6%

Non-Hurricane 1.3%



**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**DEVELOPMENT OF PERMISSIBLE LOSS RATIO**

**INSURANCE EXPENSE EXHIBIT DATA - - Countrywide**

**MSA Group Companies Combined (Direct Business - 000s omitted)**

	<u>Earned Premiums</u>	<u>General Expenses</u>		<u>Other Acquisition Expenses</u>	
2009	124,433	5,906	4.7%	7,117	5.7%
2008	112,889	4,774	4.2%	5,510	4.9%
2007	108,807	6,901	6.3%	6,306	5.8%
3 yr Avg	346,129	17,581	5.1%	18,933	5.5%

**ANNUAL STATEMENT EXHIBIT OF PREMIUMS AND LOSSES - - RHODE ISLAND**

**(Direct Business)**

	<u>Written Premiums</u>	<u>Commissions &amp; Brokerage Expense</u>		<u>Taxes, Licenses, and Fees</u>	
2009	5,990,093	1,185,101	19.8%	126,783	2.1%
2008	5,890,003	1,149,511	19.5%	168,254	2.9%
2007	4,978,344	1,029,029	20.7%	145,977	2.9%
3 yr Avg	16,858,440	3,363,641	20.0%	441,014	2.6%

<b>Owners Form</b>	<u>Selected Expense Provision</u>	<u>Amount Fixed</u>	<u>Fixed Expense</u>	<u>Variable Expense</u>
Comm & Brokerage	20.0%	0.0%	0.00%	20.0%
Other Acquisition Exp	5.5%	75.0%	4.10%	1.4%
General Expenses	5.3%	75.0%	3.95%	1.3%
Taxes, Licenses & Fees	2.6%	0.0%	0.00%	2.6%
Reinsurance Cost Load	22.2%	100.0%	22.20%	0.0%
Profit & Contingencies	8.0%	0.0%	0.00%	8.0%
Total	63.5%		30.25%	33.3%
Permissible Loss Ratio	36.5%			

<b>Tenants / Condos</b>	<u>Selected Expense Provision</u>	<u>Amount Fixed</u>	<u>Fixed Expense</u>	<u>Variable Expense</u>
Comm & Brokerage	20.0%	0.0%	0.00%	20.0%
Other Acquisition Exp	5.5%	75.0%	4.10%	1.4%
General Expenses	5.3%	75.0%	3.95%	1.3%
Taxes, Licenses & Fees	2.6%	0.0%	0.00%	2.6%
Reinsurance Cost Load	0.0%	0.0%	0.00%	0.0%
Profit & Contingencies	8.0%	0.0%	0.00%	8.0%
Total	41.3%		8.05%	33.3%
Permissible Loss Ratio	58.7%			

**NGM INSURANCE COMPANY  
RHODE ISLAND  
HOMEOWNERS**

**DERIVATION OF SELECTED GENERAL EXPENSE PROVISION**

The MSA Group 2010 planned budget incorporates an increase of \$3,603,825 in general expenses for Personal Lines from the prior year. This increase is due to the amortization of new technology software. Based on the 2010 budget planned written premiums, approximately 32.8% of the \$3,603,825 expense, or \$1,183,302, is allocated to personal automobile. This expense is not reflected in the historical general expenses, but should be accounted for in pricing the future risks this rate change contemplates. To do this the \$1,183,302 is distributed to the Liability and Physical Damage lines based on the latest available year's earned premiums. The calculated percentage is then added to the standard three year average general expense amount to yield the selected general expense provision utilized to determine the by coverage rate indications.

**MSA Group Companies Combined (Direct Business - 000s omitted)**

	(1)	(2)	(3)	(4)	(5)	(6)
	Earned Premiums	Historical General Expenses		Amoritized Increase to Gen Expenses		Selected General Expenses
<b>3 Yr Total</b>	346,129	17,581	5.08%		0.95%	6.03%
<b>2009</b>	124,433	5,906	4.75%	1,183	0.95%	
<b>2008</b>	112,889	4,774	4.23%			
<b>2007</b>	108,807	6,901	6.34%			

**Notes:**

Col (1), (2), (3) taken directly from Exhibit V, Page 1.

Col (4) = \$1,183,302 [000's omitted]

Col (5) = Col (4) / Col (1) for 2008

Col (6) = Col (3) + Col (5)

NGM INSURANCE COMPANY  
Rhode Island Homeowners

Reinsurance Expense Load

(1) RI HO 2010 Planned EP	6,188,245
(2) MSA 2010 Planned EP	111,669,998
(3) Aggregate Premium	2,400,000

	A	B	C	D	E
				= A / B x C	= D / (1)
<u>Allocation based on</u>	<u>RI HO</u>	<u>MSA</u>	<u>Reinsurance Premium</u>	<u>RI Allocated Premium</u>	<u>% of EP</u>
Layer 1	53,085	813,320	1,959,375	127,888	
Layer 2	114,164	1,534,866	3,610,000	268,514	
Layer 3	178,636	1,981,925	5,462,500	492,348	
Layer 4	163,328	1,545,919	6,175,000	652,396	
<u>Layer 5</u>	<u>93,931</u>	<u>758,541</u>	<u>6,412,500</u>	<u>794,066</u>	
(4) Modeled Ceded Losses	603,144	6,634,571	23,619,375	2,335,212	37.7%
(5) Subject Premium	5,569,421	256,496,116	23,619,375	512,859	8.3%
				<u>Allocated Premium</u>	<u>% of EP</u>
(6) RI HO Un-Capped Reinsurance Premium Allocation				1,788,506	28.9%
(7) MSA HO Un-Capped Reinsurance Premium Allocation				11,619,691	10.4%
(8) RI HO Capped Reinsurance Premium Allocation				1,287,821	20.8%
(9) MSA HO Capped Reinsurance Premium Allocation				659,577	0.6%
(10) Aggregate Reinsurance Premium Allocation				52,112	<u>0.8%</u>
(11) RI HO Reinsurance Expense Load					22.2%

Notes:

(4) Modeled Ceded Losses = the Sum of Layers 1 through 5.

(6) RI HO Un-Capped Reinsurance Premium Allocation = 70% x (4) + 30% x (5)

E(7) and E(9) are divided by (2) MSA 2010 Planned EP instead of (1) RIHO 2010 Planned EP

(8) RI HO Capped Reinsurance Premium Allocation = Minimum of [D(6) and E(7) x 2.00 x (1)]

(10) Aggregate Reinsurance Premium Allocation = [A(5) / B(5) x (3)]

(11) = Sum of [(8) through (10)]

**NGM INSURANCE COMPANY  
COUNTRYWIDE  
HOMEOWNERS**

**UNDERWRITING PROFIT PROVISION**

1. After-Tax Target Rate of Return on Equity	12.0%
2. Surplus-to-Equity Ratio	100.0%
3. Premium-to-Surplus Ratio	120.0%
4. Effective Tax Rate on Investment Income	26.4%
5. Pre-Tax Target Return on Premium (1) / (3) / (1 - (4))	13.6%
6. Pre-Tax Average Investment Return (Exhibit 5.2, Line 10)	1.2%
7. Pre-Tax UW Profit Provision (5) - (6)	12.4%
8. Selected UW Profit Provision	8.0%
	<u>2009</u>
NWP (\$ Millions)	\$807.3
Group Surplus & Equity	672.0
Group Premium to Surplus Ratio	1.20

**NGM INSURANCE COMPANY  
COUNTRYWIDE  
HOMEOWNERS**

**CALCULATION OF PRE-TAX AVERAGE INVESTMENT RETURN**

1)	Direct Earned Premium for Accident Year Ended - (Annual Statement)	\$124,434
2)	Group Premium to Surplus Ratio - (Exhibit 5, Page 1)	1.20
3)	Net Subject to Surplus - (1) / (2)	\$103,695
4)	Net Subject to Investment - (Annual Statement)	\$38,665
5)	Average Rate of Return, (Exhibit 5, Page 3)	3.8%
6)	Investment Earnings on Net Subject to Surplus - (3) x (5)	\$3,985
7)	Pre-Tax Average Investment Return on Surplus - (6) / (1)	3.2%
8)	Investment Earnings on Net Subject to Investment - (4) x (5)	\$1,486
9)	Pre-Tax Average Investment Return on Premium - (8) / (1)	1.2%
10)	Pre-Tax Average Investment Return on Premium and Surplus - (7) + (9)	4.4%

Certification of

MAIN STREET AMERICA GROUP  
NGM Insurance Company

Filing Being Certified Homeowners-Rate/Rule/Form  
\_\_\_\_\_

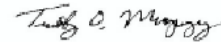
Proposed Effective Date April 26,2011 New Business, and May 31, 2011 Renewals

I certify that the data submitted in this filing is accurate and reliable to the best of my knowledge and belief.

Timothy Muzzey, FCAS

NAME

(Please Print of Type)



\_\_\_\_\_  
SIGNATURE

10/01/2010

DATE

(904) 380-7351

TELEPHONE NUMBER