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FEDERAL INCOME TAXES—PROVISIONS AFFECTING PROPERTY AND CASUALTY INSURERS: AN UPDATE TO THE ALMAGRO/GHEZZI PAPER OF 1988 AND THE FELDBLUM PAPER OF 2007

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Abstract. This paper provides an overview of the key provisions in the 2017 Federal Income Tax Legislation (called the Tax Cuts and Jobs Act, and referred to as the "2017 FITL" in this paper) affecting property and casualty insurers, all of which are effective for tax years beginning after December 31, 2017. Some of the provisions affect all corporate taxpayers and some are unique to property and casualty insurers. The focus of the paper is on after-tax income and the strategies that property and casualty insurers may consider in optimizing after-tax income. The tax calculations in this paper are performed at a high level and are not intended to capture all of the nuances and details of an actual tax return. Rather, the examples and calculations are intended to illustrate the impact of the changes in the tax law, as well as to illustrate the impact of different investment and pricing strategies on after-tax income.

The first section of the paper provides background information on the key federal tax changes of 1986 and 2017 and the impacts on property and casualty insurers. The Tax Reform Act of 1986 (referred to as the "1986 FITL" in this paper) was the last major change in the federal tax law prior to the 2017 FITL. Historical context is important in understanding where we have been. We also include a notional company's income statement and balance sheet as of December 31, 2017, and use this as the basis for testing the impact of the various changes in the 2017 FITL.

The second section of the paper focuses on the impact of the 2017 FITL on investment strategies of property and casualty insurers.

The third section of the paper a) focuses on the changes made to the marginal tax rates and rules for discounting loss reserves of property and casualty insurers, and b) quantifies the impact of the changes on the notional company's after-tax income.

The fourth and final section of the paper discusses pricing considerations for property and casualty insurers and illustrates after-tax income (expressed as internal rates of return) both pre- and post-2017 FITL. A sample approach is provided for quantifying the percentage change in 2018 premium rates required to achieve the same internal rate of return as that based on pricing models that were used in 2017 prior to the passage of the 2017 FITL to promulgate 2018 premium rates, with only the change in the tax law as a "variable."

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I. Introduction

A. The 1986 FITL

Prior to 2017, the last major change to federal tax legislation was in 1986, effective for tax years beginning after December 31, 1986. While some of the changes in 1986 affected all corporate taxpayers, property and casualty companies got special treatment. As special rules were also included for property and casualty companies in the 2017 FITL, this overview of the 1986 tax changes serves as background.

Prior to 1986, the income statement from the statutory annual statement for property and casualty insurers was the basis for taxable income, with few adjustments to statutory income. Investment income needed to be adjusted to remove tax-exempt interest income, as well as the tax deductible portion of dividends received – generally 70%. While there may have been other smaller adjustments, it was fairly straightforward to convert statutory income to taxable income.

With passage of the 1986 FITL, top marginal corporate tax rates were reduced from 46% to 35%. To offset some of the future reduction in tax revenues associated with lower marginal tax rates, the U.S. Treasury ("Treasury") was looking for ways to increase tax revenues from taxpayers by closing tax avoidance loopholes in the tax code.

Prior to 1987, property and casualty insurers could pay little to no federal taxes while still operating profitably. Underwriting profit was generally targeted to be 5% or less of premium, supplemented by investment income. In the early 1980s, with double-digit interest rates, investment income was robust. The typical investment strategy of insurers making small underwriting profits (or even small underwriting losses) was to buy mostly tax-exempt bonds.

This strategy, coupled with few limitations pertaining to net operating loss carry-forwards and carrybacks, allowed many property and casualty insurers to avoid paying any material amounts of federal income taxes. A "good year" of underwriting results could be offset by a future "bad year" of underwriting results, and vice versa. As long as relative yield spreads (defined here to be the ratio of the yield on one asset class to that of another class) between taxable bonds and tax-exempt bonds produced higher after-tax income when buying tax-exempt bonds (all else equal with respect to quality, maturity, etc.), insurers allocated a substantial portion of their bond portfolios to tax-exempt securities. Table 1 shows the allocation of investments between stocks and

Table 1. 1980 Allocation of Investments

Preferred Stocks	5.0%*
Common Stocks	20.4%*
Sub-Total Stocks	25.4%*
Taxable Bonds	25.5%
Tax-Exempt Bonds	49.1%*
Sub-Total Bonds	74.6%
Grand Total Stocks and Bonds	100.0%

*Tax preferred securities

bonds for the entire property and casualty industry in 1980,[1] five years before the 1986 FITL was enacted.

With the 1986 FITL, Treasury came up with new provisions that impacted the way property and casualty insurers would be taxed. In fact, Treasury estimated that taxes on property and casualty insurers would rise by $7.5 billion during tax years 1987 to 1991, relative to what would have been collected if the 1986 FITL had not been enacted. Treasury also required that a study be conducted to test the impact of the 1986 FITL on property and casualty insurers. Such a study was submitted to Congress in April 1991.[2] The study was conducted using 1987 tax return data and showed that the actual increase in federal income taxes paid by property and casualty companies was roughly $1.5 billion for tax year 1987, in line with the estimated impact.

In addition to the change in the top marginal tax rates, the following are the key provisions of the 1986 FITL that impacted property and casualty insurers:

- Revenue Offset (property and casualty insurers only)
- Proration (property and casualty insurers only; a concept borrowed from life insurer taxation)
- Discounting of Loss Reserves (property and casualty insurers only)
- Alternative Minimum Tax (all taxpayers)
- Restrictions on NOL Carrybacks and Carryforwards (all taxpayers)

For reference, Attachment 1 contains a copy of the various sections of the tax code for these items.

Revenue Offset

Statutory accounting treats all acquisition costs as expenses when incurred (i.e., upon writing of the policy), the main one being agents' commissions. This accelerates

[1] 1981 A.M. Best's Aggregates and Averages

[2] Report to the Congress on Property and Casualty Insurance Company Taxation, Department of the Treasury, April 1991

the recognition of expenses relative to Generally Accepted Accounting Principles. The rationale for this has usually been articulated by insurance regulators as the principle of "conservatism." Treasury recognized this and introduced an adjustment that assumed that 20% of unearned premium was a proxy for these expenses. As such, revenue offset requires that 20% of the change in unearned premium be added to statutory income in determining taxable income.

For example, consider a \$100 policy written/incepting at December 31, with 20% paid to the agent on that day. Under statutory accounting, earned premium is zero and expenses are \$20, which results in a statutory loss of \$20. Revenue offset takes 20% of the change in unearned premium (accounting date value less value a year ago) and adds that to statutory income. On this policy, 20% of the change in unearned premium is \$20, which gets added to the statutory loss of \$20 to produce taxable income of zero.

Proration

Treasury also recognized that property and casualty insurers were investing heavily in tax-exempt bonds and to a lesser extent in dividend paying equities. Prior to 1987, tax-exempt interest income was just that – 100% exempt from federal income taxes. And dividends from unaffiliated (defined as less than 20% owned by the taxpayer) equities were 70% tax-exempt – the 70% is referred to as the dividends received deduction (DRD). Proration changed all of that by adding 15% of these previously tax-exempt items to statutory income when deriving taxable income. So using the top marginal tax rate of 35% in the 1986 FITL, we get the following marginal tax rates for each of tax-exempt interest and unaffiliated dividends:

$$\text{Tax-exempt income rate} = 35\% \times 15\% = 5.25\%$$

$$\text{Unaffiliated dividends rate} = 35\% \times (30\% + 15\% \times 70\%) = 14.175\%$$

Discounting of Loss Reserves

Prior to 1987, loss (and loss expense) reserves were not discounted in determining taxable income. For property and casualty companies that did discount reserves for statutory reporting purposes, such as for workers compensation permanent and total indemnity claims, the amount of discount was added back to reserves in determining taxable income.

Discounting for tax purposes was introduced for tax years beginning after December 31, 1986. Taxpayers needed interest rates and payment patterns to determine the amount of discount in their reserves. Once reserves were restated to a discounted basis, the deduction for incurred losses was the usual formula for calculating calendar/tax year incurred losses, but with discounted reserves substituted for undiscounted reserves: paid losses + the change in discounted reserves (i.e., current year end reserve level less prior year end reserve level).

Table 2. Interest Rates Promulgated by IRS for Discounting

(1) Applicable Accident Year	(2) Interest Rate	(3) Applicable Accident Year	(4) Interest Rate
1987 & Prior	7.20%	2003	5.27%
1988	7.77%	2004	4.82%
1989	8.16%	2005	4.44%
1990	8.37%	2006	3.98%
1991	8.42%	2007	3.97%
1992	8.40%	2008	4.06%
1993	8.10%	2009	4.06%
1994	7.45%	2010	3.81%
1995	6.99%	2011	3.46%
1996	6.63%	2012	2.89%
1997	6.33%	2013	2.16%
1998	6.31%	2014	1.79%
1999	6.30%	2015	1.68%
2000	6.09%	2016	1.56%
2001	6.00%	2017	1.46%
2002	5.71%		

Interest Rates

Interest rates were determined by Treasury using a 60-month rolling average of the applicable monthly Federal mid-term rates for the period ending before the beginning of the calendar year,[3] starting with August 1, 1986. An initial interest rate was promulgated for accident years 1987 and prior, and then new rates for each subsequent accident year were provided by Treasury based on the index/average described above. This meant that only 5 months of data were used for accident year 1987, 17 months for accident year 1988, etc., until 1992 when more than 60 months of data was available. Once an interest rate was set for an accident year, it "followed the life" of that accident year and applied to all lines of business. Table 2 shows a history of those interest rates.

Payment Patterns

Taxpayers were given the option to elect their own payment patterns or to use insurance industry payment patterns provided by Treasury. Industry patterns were

[3] 1986 FITL, § 846(c)(2)(B)

based on insurance industry annual statement data two years prior to the tax year and remained in effect for 5 tax years. Appendix A contains a summary of the industry payment patterns, using 2015 property and casualty annual statement industry data. There was also a formula spelled out for smoothing out the "tail" portion of the payment pattern and extending it to as many as 16 years. The election was made every five years and created an opportunity for property and casualty insurers to influence the timing of recognition of this portion of their taxable income. Only insurers having sufficient data (per regulation) were allowed to use their own patterns. Strategies could then be devised to optimize after-tax income based on the relationships between the taxpayers' own payment patterns and the industry payment patterns.

Fresh Start

Treasury gave property and casualty companies a break by introducing discounting on a "fresh start" basis. For tax year 1987, the first tax year that used discounted reserves for determining taxable income, year end 1986 reserves were restated to a discounted basis, with no corresponding adjustment/offset. This effectively created a "double deduction" equal to the amount of discount imbedded in the 1986 reserves, and played into strategies to optimize after-tax income. For example, electing a "slow" payment pattern in 1987 and then switching to a "fast" payment pattern in 1992 had the effect of locking in a large fresh start, followed by an acceleration of deductions – through higher (i.e., closer to 1.000) discount factors in 1992. This would give the taxpayer both a large double deduction as well as the benefit of a faster pattern, albeit having to wait 5 years.

Regarding the double deduction, a quick numerical example using a single claim shows how this happens:

- Claim reserved at year end 1986 at \$100; \$100 taken as an expense (deduction) for losses in 1986.
- Claim still reserved at \$100 at year end 1987 with no payments; statutory accounting shows no incremental change in the value of the loss (paid + change in outstanding reserve is zero). Fresh start, on the other hand, applies discount to reserves at each of year end 1986 and 1987. Assume these discount factors are .85 and .90, respectively. The resulting taxable incurred loss in 1987 is \$5 (paid of \$0 plus change in discounted reserve of \$5).
- Claim settled in 1988 at \$100; calendar year taxable incurred loss is another \$10 (paid of \$100 plus change in discounted reserve of –\$90).

From this example we see that the company deducted \$115 for this claim; \$100 in 1986 and the \$15 of discount amortized over the next two years. So despite Treasury's goal of raising revenues from property and casualty insurers, fresh start worked in the opposite direction. Treasury frowned upon "artificial" reserve strengthening in calendar year end 1986 reserves and specifically prohibited this.[4] But with the hard

[4] 1986 FITL, § 1023(e)(3)(B)

market of the mid 1980s still in full force and companies recognizing reserve shortfalls from both recent accident years (underpriced) and from older accident years, such as mass tort claims, it was not uncommon for companies to make increases in reserve levels that were not "artificial" in calendar year 1986.

Computation of Regular Taxable Income

Prior to the 1986 FITL, computation of taxable income was fairly straightforward. With the introduction of the 1986 FITL, the process became more complicated and required the calculation of both regular taxable income and alternative minimum taxable income.

As spelled out in the Feldblum paper, we can think of computing regular taxable income (as opposed to alternative minimum taxable income) in two ways – directly or indirectly. The direct method uses accounting entries – premiums, adjusted for revenue offset, less incurred losses adjusted for discounting, less expenses, plus taxable investment income reflecting proration on each applicable asset class. The indirect method starts with statutory income, adds in the change in loss reserve discount and 20% of the change in unearned premium reserves, and subtracts out tax-exempt investment income after proration.[5]

Alternative Minimum Tax (AMT)

The 1986 FITL introduced the AMT for all taxpayers, which essentially called for the calculation of alternative minimum taxable income (AMTI) and applied a 20% marginal tax rate to this. The taxpayer was responsible for the larger of the two quantities – "regular tax" or AMT. This is spelled out in the Almagro/Ghezzi and Feldblum papers, but a refresher is useful to put the 2017 FITL into context.

To calculate AMTI, certain quantities, called "preference items" by the IRS, are added to regular taxable income at 75%. The preference items that impact property and casualty insurers are primarily tax-exempt interest and tax-exempt dividends. Since 15% of tax-exempt interest, as well as 15% of tax-exempt dividends (i.e., where tax-exempt dividends represent 70% of total unaffiliated dividends), are already in regular taxable income, the balance is multiplied by 75% and gets added in to create AMTI. This makes 78.75% of tax-exempt interest subject to AMTI of 20%, which equates to a marginal tax rate of 15.75%. For unaffiliated dividends, 85.125% are taxable at 20%, which equates to a marginal tax rate of 17.025%. To derive these values, we add the regular taxable income to 75% of the preference items (i.e., 100% less regular taxable %), and multiply by 20%:

Tax-exempt interest:

$$20\% \times (15\% + 75\% \times 85\%) = 20\% \times 78.75\% = 15.75\%$$

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5 Computing Taxable Income for Property-Casualty Insurance Companies, by Sholom Feldblum, FCAS, FSA, MAAA, June 2007, CAS Study Note

Unaffiliated dividends:

$$20\% \times [(30\% + 15\% \times 70\%) + 75\% \times ((1 - (30\% + 15\% \times 70\%))]$$

$$= 20\% \times (40.5\% + 75\% \times 59.5\%) = 20\% \times 85.125\% = 17.025\%$$

While the AMT was not specifically aimed at property and casualty insurers, insurers that underwrote to a small/zero profit and invested predominately in tax-exempt bonds could be taxed under the AMT.

This created an opportunity for property and casualty insurers to change their investment portfolios to maximize after-tax income. As spelled out in the Almagro/Ghezzi[6] paper, (a) for a given relative yield spread between taxable and tax-exempt bonds, (b) assuming that insurers will invest primarily in bonds, and (c) assuming a break-even underwriting result, there is an optimal mix of taxable and tax-exempt bonds to achieve the maximum after-tax income. This occurs where that mix of bonds produces the same amount of federal tax under each of the formulas for regular tax and AMT.

Restrictions on NOL Carrybacks and Carryforwards

Prior to 1987, a net operating loss (NOL) could be used to recoup taxes paid in prior years (carryback) or in future years (carryforward) with few restrictions on how many years back or forward these NOLs could be carried. In the 1986 FITL, carrybacks were limited to 2 years and carryforwards were limited to 20 years. Also, only 90% of taxable income (regular taxable income or AMTI) could be offset by NOLs, which made the minimum marginal tax rate 2.0% (i.e., 20% AMT rate x 10% that cannot be offset by NOLs). So if a company was profitable in any calendar/tax year, some tax had to be paid.

Notional Insurance Company Historical Results

To create a baseline for measuring the impact of the 2017 FITL, we first created and summarized 20 years of financial statement results for a notional insurance company writing only workers compensation insurance starting in 1998. The company writes \$125 million in premiums each year on 1/1,[7] has \$100 million in workers compensation annual incurred losses, and has \$25 million in annual expenses. The company is capitalized with \$200 million. The company invests only in taxable bonds with an annual return of 2.25%. Note that this is not the optimal investment strategy, as shown by Almagro and Ghezzi.

For simplicity, all after-tax income is paid out as a shareholder dividend on the first day of the following year. This allows our notional company to enter a near "steady state" after 15 years[8] since we have assumed that all losses are paid within

[6] Federal Income Taxes, Provisions Affecting Property/Casualty Insurers, Manuel Almagro, Thomas L. Ghezzi, Proceedings of the Casualty Actuarial Society, November 8, 9, 10, 1988, Volume LXXV, Part 2

[7] The premium, which is collected evenly throughout the year, is fully earned during the year.

[8] Results are not exactly the same each year since the interest rate used for discounting, promulgated by the IRS, changes annually.

15 years. In this steady state, the expectation is that the notional company's balance sheet and income statement will have no changes from one year to the next. We have ignored the deferred tax asset that is allowed under statutory accounting. We also assumed that the company always elected to use its own payment pattern, since its pattern was generally faster than the industry payment pattern. A faster payment pattern results in less discount imbedded in the reserves, faster recognition of losses, and deceleration of federal income tax payments relative to using the industry payment pattern. The payment pattern that we have assumed for our notional company is based on a compilation of countrywide workers compensation data for insurers and self-insurers limited to $250,000 per occurrence. We believe that this payment pattern would be representative of a company writing workers compensation at a low per-occurrence limit. The payment pattern, which is 15 years in length, is discussed later. Tables 3A-3C provide a snapshot of the company's balance sheet (including reserves by accident year), and income statement for calendar/tax years 2013 through 2017.

Note that the annual tax rate (current year taxes divided by statutory profit before tax) is not 34%, as one might have expected, given that our notional company generally has less than $10 million of income and the company has reached a steady state. This is due to the fact that the interest rates for loss reserve discounting as promulgated by the IRS change every year (i.e., even though the company's pre tax statutory financial statements become identical after 15 years, the IRS interest rate is variable, so there is never a true steady state where statutory income and taxable income are equivalent). The effective inception to date tax is more than 34%. This is a timing difference with respect to the amount of discount at each year end. Using the $7.558 million of discount at year end 12/31/17, this amount has already been reflected in statutory income but has yet to be amortized as an expense in taxable income. See Table 3D for effective tax rates relative to statutory and taxable income for all 20 years. See Appendix B for additional details, including a list of assumptions underlying the financial statement results.

Table 3A. Statutory Balance Sheet ($000s)

	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Cash & Invested Assets	397,105	397,107	397,107	397,105	397,104
Liabilities					
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200
Federal Income Taxes Payable	2,442	2,489	2,628	2,705	2,762
Total Liabilities	190,642	190,689	190,828	190,905	190,962
Initial Capital	200,000	200,000	200,000	200,000	200,000
Retained Earnings	6,463	6,418	6,279	6,200	6,142
Total Capital	206,463	206,418	206,279	206,200	206,142
Total Liabilities & Capital	397,105	397,107	397,107	397,105	397,104

Table 3B. Statutory Income State ($000s)

	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Underwriting Income					
Net Earned Premium	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions					
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0
Investment Income					
Net Investment Income	8,905	8,907	8,907	8,905	8,904
Profit (Loss) Before Tax	8,905	8,907	8,907	8,905	8,904
Federal Tax					
Federal Income Tax	2,442	2,489	2,628	2,705	2,762
Net Income	6,463	6,418	6,279	6,200	6,142
Surplus					
Opening Surplus	206,290	206,463	206,418	206,279	206,200
Income for Period	6,463	6,418	6,279	6,200	6,142
Shareholder Dividends	(6,290)	(6,463)	(6,418)	(6,279)	(6,200)
Ending Surplus	206,463	206,418	206,279	206,200	206,142
Financial Ratios					
Net Written Premium/Surplus	0.605	0.606	0.606	0.606	0.606
Reserves/Surplus	0.912	0.912	0.912	0.913	0.913
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate					
Annual	27.4%	27.9%	29.5%	30.4%	31.0%
Inception to Date	37.1%	36.6%	36.1%	35.8%	35.6%

Table 3C. Nominal and Discounted Loss & LAE Reserves ($000s)

Maturity	Nominal Reserves	Accident Year	Discounted Reserves as of: 12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
216	0	2000	190	0	0	0	0
204	0	2001	474	190	0	0	0
192	0	2002	949	476	191	0	0
180	0	2003	1,518	952	478	192	0
168	200	2004	2,149	1,523	955	480	192
156	500	2005	2,851	2,160	1,529	959	481
144	1,000	2006	3,648	2,875	2,174	1,535	961
132	1,600	2007	4,490	3,649	2,876	2,174	1,538
120	2,300	2008	6,265	4,480	3,641	2,871	2,172
108	3,100	2009	8,962	6,265	4,480	3,641	2,871
96	4,000	2010	13,596	9,019	6,306	4,509	3,662
84	5,000	2011	22,102	13,712	9,101	6,364	4,550
72	7,000	2012	38,520	22,389	13,907	9,238	6,461
60	10,000	2013	70,437	39,109	22,771	14,166	9,419
48	15,000	2014		70,937	39,417	22,971	14,302
36	24,000	2015			71,087	39,509	23,031
24	41,000	2016				71,252	39,611
12	73,500	2017					71,391
	188,200	Total	176,151	177,736	178,913	179,861	180,642
	Amount of Discount		12,049	10,464	9,287	8,339	7,558
	Change in Amount of Discount			(1,585)	(1,177)	(948)	(781)

Table 3D. Statutory and Taxable Income ($000s)

					Tax Rate as a % of Incremental		Tax Rate as a % of Cumulative	
Calendar Year	Statutory Income	Change in Amount of Discount	Taxable Income	Taxes	Statutory Income	Taxable Income	Statutory Income	Taxable Income
1998	5,327	8,074	13,401	4,590	86.2%	34.3%	86.2%	34.3%
1999	6,683	4,944	11,627	3,969	59.4%	34.1%	71.3%	34.2%
2000	7,452	2,972	10,424	3,548	47.6%	34.0%	62.2%	34.2%
2001	7,913	1,931	9,844	3,347	42.3%	34.0%	56.5%	34.1%
2002	8,207	1,046	9,253	3,146	38.3%	34.0%	52.3%	34.1%
2003	8,406	285	8,691	2,955	35.2%	34.0%	49.0%	34.1%
2004	8,548	(252)	8,296	2,821	33.0%	34.0%	46.4%	34.1%
2005	8,654	(566)	8,088	2,750	31.8%	34.0%	44.3%	34.1%
2006	8,737	(918)	7,819	2,658	30.4%	34.0%	42.6%	34.1%
2007	8,801	(636)	8,165	2,776	31.5%	34.0%	41.4%	34.1%
2008	8,845	(355)	8,490	2,887	32.6%	34.0%	40.5%	34.1%
2009	8,874	(262)	8,612	2,928	33.0%	34.0%	39.8%	34.0%
2010	8,890	(506)	8,384	2,851	32.1%	34.0%	39.1%	34.0%
2011	8,900	(769)	8,131	2,765	31.1%	34.0%	38.5%	34.0%
2012	8,904	(1,217)	7,687	2,614	29.4%	34.0%	37.8%	34.0%
2013	8,905	(1,722)	7,183	2,442	27.4%	34.0%	37.1%	34.0%
2014	8,907	(1,585)	7,322	2,489	27.9%	34.0%	36.6%	34.0%
2015	8,907	(1,177)	7,730	2,628	29.5%	34.0%	36.1%	34.0%
2016	8,905	(948)	7,957	2,705	30.4%	34.0%	35.8%	34.0%
2017	8,904	(781)	8,123	2,762	31.0%	34.0%	35.6%	34.0%

B. The 2017 FITL

We see similar themes in the 2017 FITL relative to those in the 1986 FITL as respects property and casualty insurers. Marginal tax rates dropped for most corporate taxpayers, but other provisions, specifically those that were unique to property and casualty insurers, were aimed at reducing the benefit of lower marginal tax rates.

Regarding marginal tax rates for corporations, the 2017 FITL specifies 21% as the one and only tax rate. This replaces a table of graduated rates from the 1986 FITL that rises from 15% to as high as 39%, and eventually falls back to 35% as shown in Table 4. When we test the impact of the change in tax rates on investment income, we focus on the expiring 35% marginal tax rate and the new 21% tax rate. When we test the impact of the change in tax rates on our notional company, we utilize the actual applicable marginal tax rates.

Table 4. 1986 FITL Expiring Marginal Tax Rates

Taxable Income				
Greater than or Equal to		Less than or Equal to	Tax Rate	Blended Tax Rate*
0	–	50,000	15.00%	15.00%
50,001	–	75,000	25.00%	18.33%
75,001	–	100,000	34.00%	22.25%
100,001	–	335,000	39.00%	34.00%
335,001	–	10,000,000	34.00%	34.00%
10,000,001	–	15,000,000	35.00%	34.33%
15,000,001	–	18,333,333	38.00%	35.00%
18,333,334	–	unlimited	35.00%	35.00%

*At the top end of the range

In addition to the change in the marginal tax rates, the following are the key provisions of the 2017 FITL that impact property and casualty insurers:

- Proration Percentage (property and casualty insurers only) and DRD (all taxpayers)
- Discounting Rules (property and casualty insurers only)
- Restrictions on NOLs (property and casualty insurers only)
- Repeal of the AMT (all taxpayers)
- Introduction of Base Erosion Anti-abuse Tax (all taxpayers)
- Other International Provisions

Attachment 2 is a copy of the actual tax code for the first four items.

Proration Percentage and DRD

The percentage of tax-exempt interest and dividends to be included in taxable income was increased from 15% to 25%. This is inversely proportional to the decrease in the top marginal tax rate, going from 35% to 21%. This inverse relationship results in no change in the marginal tax rate on tax-exempt interest of 5.25% (5.25% = 35% × 15% under the 1986 FITL, and 5.25% = 21% × 25% under the 2017 FITL). Also, the tax code specifies that the intent is to preserve the 5.25% marginal tax rate by calling for adjustments to the percentage to be included in taxable income such that they offset any future changes in marginal tax rates.[9]

For dividends, it's a little more involved. Not only does the proration percentage rise from 15% to 25%, but the DRD itself on unaffiliated dividends drops from 70% to 50%. This drop in the DRD actually applies to all corporate taxpayers and not just insurers. Despite these two apparent "adverse" changes, which result in the percentage

[9] 2017 FITL, § 13515(a)(2)

that is tax free being less, the new 21% tax rate actually drives the marginal tax rate on unaffiliated dividends down from 14.175% to 13.125%. The derivation of the 13.125% is as follows: 21% of the sum of the fully taxable portion (now 50%) plus the “exempt” piece subject to proration (25% × 50%):

$$21\% \times (50\% + 25\% \times 50\%) = 21\% \times 62.5\% = 13.125\%$$

Interestingly, the marginal tax rate on the fully taxable portion (not subject to proration) is still 10.5% (formerly 35% × 30% and now 21% × 50%). However, the proration portion of the tax decreases from 3.675% to 2.625%:

$$\text{From: } 35\% \times 15\% \times 70\% = 3.675\%$$

$$\text{To: } 21\% \times 25\% \times 50\% = 2.625\%$$

For completeness, the DRD for affiliated dividends (defined as dividends from affiliates that are between 20% and 80% owned by the taxpayer) dropped from 80% under the 1986 FITL to 65% under the 2017 FITL.[10] Also, for affiliates more than 80% owned by the taxpayer, the DRD was, and remains at, 100%.

Discounting Rules

The 2017 FITL makes the following changes to the rules and formulas for discounting loss reserves that were established in 1986:

- Repeal the taxpayer’s option to elect their own payment patterns
- Change the formula for calculating the “tail” portion of payment patterns
- Change the source of interest rates used for discounting reserves
- Promulgate phase-in rules/no fresh start
- Eliminate separate discount factors for salvage

1. <u>Repeal Option to Elect Own Payment Patterns</u> – Effective with tax years beginning after December 31, 2017, property and casualty insurers will no longer have the option to use their own data to determine payment patterns for discounting loss reserves. Since the 2017 FITL repeals the election of payment patterns and mandates the use of patterns promulgated by Treasury, any elections of taxpayers’ own data made between 1987 and 2017 will be eliminated and replaced with payment patterns based on insurance industry data. This should simplify the discounting calculations, at least for those companies that had previously elected to use their own patterns. Those companies won’t need to analyze the cost/benefit of using their own payment pattern or calculate their own payment patterns and corresponding discount factors.

   For taxpayers who had previously elected to use the IRS industry-based payment patterns, there is arguably no financial impact on this particular piece

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[10] 2017 FITL, § 13002

of the 2017 FITL. For taxpayers using their own payment patterns, not only will they not be allowed to do this for new accident years (2018 and subsequent), they will have to restate their 2017 and prior accident years' discounted reserves using payment patterns based on insurance industry data, and this could have a material impact.

In repealing the option to elect the taxpayer's own payment pattern, the IRS made another change that is not fully described in the legislation. The change is to use the 2015 annual statement data as the basis for payment patterns for all accident years. While we did not separately quantify the impact of this change, we believe it would have minimal financial impact.

2. <u>Tail Portion of Payment Patterns</u> – A new formula is being introduced that at first glance would generally be expected to have the effect of lengthening the payment patterns relative to those under the expiring 1986 FITL formula. However, upon further review, the impact on the length of the payment patterns depends. Both the 1986 FITL and the 2017 FITL start with incremental 12-month percentages of ultimate losses paid by line of business for the 10 years shown in the appropriate annual statement. These are designated as "AY + 0" through "AY + 9."

   In the 1986 FITL, a 6-year tail was derived by taking the incremental value for "AY + 9," and then repeating this until the pattern reaches 100%. If the pattern doesn't reach 100% by "AY + 14," the residual value goes into "AY + 15." This has the effect of capping loss payment patterns at 16 years. Note that if "AY + 9" is negative, it is replaced by a 3-year average of "AY + 7," "AY + 8," and "AY + 9."

   Under the 2017 FITL, the formula allows for payment patterns of up to 25 years. Instead of taking "AY + 9" and using this value for subsequent periods, a 3-year average of "AY + 7," "AY + 8," and "AY + 9" is used as the value for "AY + 10" and subsequent until 100% is reached (and if not reached by "AY + 24," the balance goes there).

   Table 5 shows a sample calculation for the Multiple Peril lines of business for accident year 2017 using the expiring formula (shown as "1986 FITL: AY 2017") and the new formula (shown as "2017 FITL: AY 2018"). We used the payment pattern from the 2015 aggregate industry data for both calculations. Here we see very little change since (a) "AY + 9" is very similar to the 3-year average, and (b) the payment pattern doesn't extend beyond 16 years.

   All else equal, given the lengthening of the tail, we would have expected the new formula for calculating the payment patterns after 10 years to increase the amount of discount relative to the current formula. However, since many lines of business don't produce payment patterns longer than 16 years, the new rules simply smooth out the values by using a 3-year average to derive the values for "AY + 10" and subsequent. And as a result of the averaging of "AY + 7," "AY + 8," and "AY + 9," the opposite occurred (the amount of discount at the same interest rate decreased) for the following lines:

   – Private Passenger Auto
   – Commercial Auto Liability

Table 5. Multiple Peril Lines (Homeowners, Commercial Multiple Peril, and Special Liability)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	A.M. Best Aggregates as of 12/31/15 (000s)								
	Total Net Paid				Total Net Incurred				% Paid
	Homeowners	CMP	Special	Total	Homeowners	CMP	Special	Total	Total
AY + 0	37,166,365	8,413,265	1,227,409	46,807,039	52,342,717	20,584,752	3,273,829	76,201,298	61.4255%
AY + 1	46,402,090	13,864,820	2,392,357	62,659,267	50,137,639	21,424,923	3,506,337	75,068,899	83.4690%
AY + 2	43,001,830	14,750,165	2,537,032	60,289,027	44,696,863	19,890,961	3,202,100	67,789,924	88.9351%
AY + 3	50,030,955	18,699,522	3,367,048	72,097,525	51,052,676	22,088,327	3,821,313	76,962,316	93.6790%
AY + 4	59,977,153	21,480,936	3,179,252	84,637,341	60,572,678	23,631,442	3,464,893	87,669,013	96.5419%
AY + 5	47,331,404	18,467,841	2,970,628	68,769,873	47,687,926	19,784,797	3,117,287	70,590,010	97.4215%
AY + 6	45,252,184	17,890,744	2,995,984	66,138,912	45,451,004	18,781,445	3,129,987	67,362,436	98.1837%
AY + 7	50,441,310	20,880,990	4,062,825	75,385,125	50,564,999	21,587,335	4,221,559	76,373,893	98.7054%
AY + 8	36,230,437	16,578,829	3,354,410	56,163,676	36,310,087	17,128,311	3,443,789	56,882,187	98.7368%
AY + 9	33,351,760	15,445,677	3,364,786	52,162,223	33,422,927	15,831,567	3,428,717	52,683,211	99.0111%

(continued on next page)

Table 5. Multiple Peril Lines (Homeowners, Commercial Multiple Peril, and Special Liability) (*Continued*)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	61.4255%	61.4255%	38.5745%	61.4255%	61.4255%	38.5745%	61.4255%	61.4255%	38.5745%
AY + 1	83.4690%	22.0435%	16.5310%	83.4690%	22.0435%	16.5310%	83.4690%	22.0435%	16.5310%
AY + 2	88.9351%	5.4661%	11.0649%	88.9351%	5.4661%	11.0649%	88.9351%	5.4661%	11.0649%
AY + 3	93.6790%	4.7439%	6.3210%	93.6790%	4.7439%	6.3210%	93.6790%	4.7439%	6.3210%
AY + 4	96.5419%	2.8629%	3.4581%	96.5419%	2.8629%	3.4581%	96.5419%	2.8629%	3.4581%
AY + 5	97.4215%	0.8796%	2.5785%	97.4215%	0.8796%	2.5785%	97.4215%	0.8796%	2.5785%
AY + 6	98.1837%	0.7621%	1.8163%	98.1837%	0.7621%	1.8163%	98.1837%	0.7621%	1.8163%
AY + 7	98.7054%	0.5217%	1.2946%	98.7054%	0.5217%	1.2946%	98.7054%	0.5217%	1.2946%
AY + 8	98.7368%	0.0315%	1.2632%	98.7368%	0.0315%	1.2632%	98.7368%	0.0315%	1.2632%
AY + 9	99.0111%	**0.2742%**	0.9889%	99.0111%	0.2742%	0.9889%	99.0111%	0.2742%	0.9889%
AY + 10				99.2853%	**0.2742%**	0.7147%	99.2869%	**0.2758%**	0.7131%
AY + 11				99.5596%	**0.2742%**	0.4404%	99.5627%	**0.2758%**	0.4373%
AY + 12				99.8338%	**0.2742%**	0.1662%	99.8385%	**0.2758%**	0.1615%
AY + 13				100.0000%	**0.1662%**	0.0000%	100.0000%	**0.1615%**	0.0000%
AY + 7–9 Average		**0.2758%**							

- Medical Professional Liability–Occurrence
- Medical Professional Liability–Claims Made
- Other Liability–Occurrence
- Other Liability–Claims Made
- Products Liability–Occurrence
- International

Table 6A illustrates this for Other Liability–Occurrence.

For Reinsurance–Nonproportional Assumed Property, "AY + 9" incremental losses paid are negative, which triggers the average of "AY + 7," "AY + 8," and "AY + 9" under the prior rules. In addition, the pattern was exhausted by "AY + 14," resulting in no change in the pattern.

Similarly, for the Products Liability–Claims Made, "AY +9" was negative and the pattern was nearly exhausted by "AY + 14," resulting in a minimal (one year) lengthening of the pattern.

Table 6A. Other Liability—Occurrence Impact of Change in Tail Factor on Discount Factors

	(1)	(2)	(3)	(4)
	Discount Factors		= (2) – (1)	= [1.0 – (2)]/ [1.0 – (1)] – 1.0
	2017 IRS Pattern at 2017 Interest Rate	2018 IRS Pattern at 2017 Interest Rate	Difference	% Change in Discount
AY + 0	94.2656%	94.4696%	0.20%	–3.56%
AY + 1	94.6685%	94.9151 %	0.25%	–4.63%
AY + 2	94.8950%	95.2071%	0.31%	–6.11%
AY + 3	94.8839%	95.2999%	0.42%	–8.13%
AY + 4	94.6075%	95.1869%	0.58%	–10.75%
AY + 5	94.4590%	95.2367%	0.78%	–14.04%
AY + 6	94.2162%	95.2670%	1.05%	–18.17%
AY + 7	94.6392%	95.9031%	1.26%	–23.58%
AY + 8	94.5704%	96.2480%	1.68%	–30.90%
AY + 9	95.2715%	97.2158%	1.94%	–41.12%
AY + 10	95.9882%	97.9108%	1.92%	–47.92%
AY + 11	96.7257%	98.6058%	1.88%	–57.42%
AY + 12	97.4951%	99.2779%	1.78%	–71.17%
AY + 13	98.3211%	99.2779%	0.96%	–56.99%
AY + 14 to AY + 24	99.2779%	99.2779%	0.00%	0.00%

(1),(2): Based on payment patterns in Appendix A and an interest rate of 1.46%
2017 ends with AY + 15 whereas 2018 continues to AY + 24

Additionally, Table 5 displays the small change in the tail for Multiple Peril Lines, which resulted in relatively no change in the amount of discount.

The impact on Workers Compensation is discussed in detail later in this paper.

The line that appears to have the biggest impact, as measured by the increase in the amount of discount on a percentage basis at the same interest rate, is Reinsurance–Nonproportional Assumed Liability. See Table 6B.

Since taxpayers will no longer have the option to use their own loss payment data to calculate discount factors, the change in the tail calculations is something that will be administered by Treasury. So this represents another example of simplification for taxpayers who previously elected to use their own payment patterns. Appendix A contains a summary of the industry payment patterns, using 2015 property and casualty annual statement industry data, both pre- and post-2017 FITL. The post-2017 patterns were used by the IRS for all accident years (2018 and prior).

Table 6B. Reinsurance–Nonproportional Assumed Liability Impact of Change in Tail Factor on Discount Factors

	(1)	(2)	(3)	(4)
	Discount Factors		= (2) – (1)	= [1.0 – (2)]/ [1.0 – (1)] – 1.0
	2017 IRS Pattern at 2017 Interest Rate	2018 IRS Pattern at 2017 Interest Rate	Difference	% Change in Discount
AY + 0	93.3252%	92.9992%	–0.33%	4.88%
AY + 1	93.8778%	93.5026%	–0.38%	6.13%
AY + 2	94.0598%	93.5965%	–0.46%	7.80%
AY + 3	94.2746%	93.7018%	–0.57%	10.01%
AY + 4	94.2446%	93.5023%	–0.74%	12.90%
AY + 5	95.0350%	94.1956%	–0.84%	16.91%
AY + 6	95.3219%	94.2524%	–1.07%	22.86%
AY + 7	95.0061%	93.4595%	–1.55%	30.97%
AY + 8	97.2060%	95.9310%	–1.27%	45.63%
AY + 9	97.9018%	96.1631%	–1.74%	82.87%
AY + 10	98.5988%	96.8472%	–1.75%	125.00%
AY + 11	99.2779%	97.5337%	–1.74%	241.54%
AY + 12	99.2779%	98.2173%	–1.06%	146.88%
AY + 13	99.2779%	98.8771%	–0.40%	55.51%
AY + 14 to AY + 24	99.2779%	99.2779%	0.00%	0.00%

(1),(2): Based on payment patterns in Appendix A and an interest rate of 1.46%
2017 ends with AY + 15 whereas 2018 continues to AY + 24

Prior to Treasury issuing the revised discount factors for accident years 2017 and prior, it was unclear which payment patterns Treasury would use – the patterns currently in place (which changed every 5 years) or a single pattern for all accident years for each line of business; they chose the latter. This means that the patterns for accident years 2016 and prior changed. We did not isolate the impact of this change as it is likely not material. Also, the IRS regulations do not allow the taxpayer to use information not appearing separately by accident year in the annual statement. This applies to reserves shown on the prior line in the annual statement. We are using the *composite method*[11] for calculating the appropriate discount factors for accident years that are older than 10 years and would therefore not separately be shown in the notional company's annual statement.

3. <u>Interest Rates</u> – With respect to interest rates to be used in the discounting formula, the 2017 FITL replaces interest rates based on US government securities (monthly Federal mid-term rates) with interest rates based on a corporate bond yield curve. Specifically, the new interest rates will be based on corporate bonds with varying maturities for the preceding 60-months that are in the top 3 quality levels available.[12] All else equal, since corporate bond yields are generally higher than government bond yields previously used, higher interest rates would be used compared to the 1986 FITL. Higher interest rates mean more (i.e., deeper) discounting, which in turn means a slower recognition of deductions for incurred losses, and therefore an acceleration of federal income tax payments relative to the expiring law.

   Under the 1986 FITL, once an interest rate was established for a particular accident year, it never changed. Since the new tax code no longer makes reference to anything but interest rates based on corporate bonds, we initially presumed that Treasury would go back and restate interest rates for each accident year in order to maximize the interest rates allowable under the 2017 FITL. Instead, Treasury selected a single interest rate of 3.12%[13] compounded semi-annually for all accident years. Interest rates for all prior accident years were compounded annually. The interest rate used the Treasury High Quality Market ("HQM") corporate bond yield curve for maturities of one-half year to seventeen and one-half years. Table 2 shows the interest rates by accident year, for 1987 and prior, all the way to 2017, and all of these were replaced with 3.12% compounded semi-annually.

   On June 17, 2019, Treasury issued final regulations on discounting rules for unpaid losses. The guidance changes the maturity periods for the spot rates used in calculating the interest rate from 0.5 to 17.5 years to 4.5 to 10 years. All else equal, changing the maturities reduces the interest rate and creates less discount and allows for earlier deduction of losses in taxable income. The corresponding

[11] Notice 88-100 Section V

[12] 26 U.S. Code § 430(h)(2)(D)(i) and 2017 FITL, §13523(a)

[13] The published yield curve spot rates can be found at https://home.treasury.gov/data/treasury-coupon-issues-and-corporate-bond-yield-curve/corporate-bond-yield-curve.

interest rate is 2.94% compounded semi-annually. The discount factors as previously published in Revenue Procedure 2019-06 and used in this paper can be used for taxable years beginning after December 31, 2017, and ending before June 17, 2019, that is, the taxpayer has choice to use the originally published factors using 3.12% or the revised factors using 2.94%. Taxpayers must use the revised discount factors in taxable years ending on or after June 17, 2019.[14]

4. Phase-in Rules – Finally, with respect to implementing the changes in the discount factors, for tax year 2018, loss reserves from year end 2017 will be restated with new discount factors based on industry payment pattern data and corporate bond rates. For most taxpayers, this restatement of the year-end 2017 values will result in an increase in the amount of discount relative to the 2017 tax return because of higher interest rates and longer payment patterns. Such a restatement, all else equal, would result in a double deduction equal to the amount of the change in discounted reserves as of December 31, 2017 (original discounted reserves as of December 31, 2017 in the 2017 tax return less restated discounted reserves as of December 31, 2017 in the 2018 tax return). However, Treasury has specified that this difference in original versus restated reserves will be amortized over an 8-year period, so that taxpayers will not get a "fresh start."

   A quick numerical example shown below using a single claim shows the impact of "fresh start" and "no fresh start":

   - Claim reserved at year end 2017 at $100 with a discount factor of .85; $85 taken as an expense (deduction) for losses in 2017 and $15 discount to be amortized.
   - Claim still reserved at $100 at year end 2018 with no payments; statutory accounting shows no incremental change in the value of the loss (paid + change in outstanding reserve is zero). If there had been fresh start, and assuming a restated discount factor of .75 at 2017 and .80 at 2018, the resulting taxable incurred loss in 2018 is $5 (paid of $0 plus change in discounted reserve of $5) relative to the restated 2017 discounted value.
   - Claim settled in 2019 at $100; calendar year taxable incurred loss is another $20 (paid of $100 plus change in discounted reserve of –$80).

   We see that the company has deducted $110 for this claim: $85 in 2017 and the $25 of discount amortized over the next two years.

   The taxpayer must now amortize the difference between actual 12/31/17 discounted reserves and restated reserves over 8 years. In our example, the difference between the pre-2017 FITL and the 2017 FITL discounted reserves at year end 2017 is $10 ($85 less $75). This $10 needs to be amortized over an eight-year period at $1.25 per year (i.e., $10 divided by 8 years). Back to the example, in

[14] For our notional company, we used the 3.12% interest rate with no modification to the amount or timing that is amortized over the 8 year period as discussed in Rev. Proc. 2019–30 since this was the original value published by the IRS; we do not believe adjusting this to 2.94% would be material to our findings for our notional company.

2018 we would have \$3.75 of taxable incurred loss, in 2019 we would have \$18.75 of taxable incurred loss, and for each of the next 6 years we would have –\$1.25, despite the claim being settled and no reserves existing on the books. The total of these deductions is \$15, which is the amount of discount imbedded in the original, pre-2017 FITL reserves.

5. Eliminate Separate Discount Factors for Salvage – Prior to the 2017 FITL, the IRS published discount factors for salvage in addition to those for loss reserves and companies were required to discount estimated salvage recoverable in addition to loss reserves. Companies are still required to do this, but the discount factors are the same for both, that is, the IRS no longer publishes a separate set of discount factors for salvage. The phase-in rules for salvage follow the transition adjustment rules of one year for items that decrease taxable income and four years for items that increase taxable income. This differs from the treatment for unpaid losses mentioned above.

Restrictions on NOLs

For most corporations, NOLs will no longer be allowed to be carried back to offset taxes paid in the prior 2 years. While the time period for NOL carryforwards remains at 20 years, only 80% of taxable income in any year can be offset by NOL carryforwards. For any year with positive taxable income, since there is a cap of 80% that can be offset with NOL carryforwards, the remaining 20%, multiplied by the 21% corporate tax rate, produces a minimum marginal tax rate of 4.2%.

The property and casualty industry was actually not impacted by these changes. Treasury carved out an exception for property and casualty insurers so NOLs can still be carried back for 2 years and carried forward for 20 years. Also, for property and casualty insurers, there is no "80% rule," so 100% of taxable income in a tax year could be offset by NOL carryforwards.[15]

Repeal of the AMT

The AMT is repealed for tax years beginning after December 31, 2017. Taxpayers will not be required to calculate AMTI and AMT on a going-forward basis (except for certain NOL situations where taxpayers have paid the AMT, which is beyond the scope of this paper). For property and casualty insurers, this eliminates the prior minimum marginal tax rate of 2%. For most corporate taxpayers, there is a minimum marginal tax rate of 4.2% in any year, but the concept of AMTI has been eliminated.

There is no structural change to the computation of regular taxable income. Since the AMT has been eliminated, for most taxpayers there is no longer a need to use the term "regular." The direct and indirect methods referenced in the discussion of the 1986 FITL above still apply.

[15] 2017 FITL § 13302(d)(C)

Introduction of Base Erosion Anti-abuse Tax (BEAT)

The 2017 FITL includes a base erosion anti-abuse tax[16] (BEAT) that essentially is another form of minimum tax. The BEAT formula adds back to taxable income certain tax deductible amounts representing payments made to affiliated foreign entities. The BEAT applies to companies with annual gross receipts in the preceding three tax years of more than $500 million. If the total amount of deductions paid to foreign affiliates that is added back to compute modified taxable income is less than 3% of total deductions used in calculating income (referred to as base erosion percentage), then the BEAT does not apply.

The BEAT is generally calculated using the percentages shown in Table 7 of modified taxable income less the regular tax liability. Modified taxable income ("MTI") is determined by adding back to taxable income any current year deductions of payments to affiliated foreign entities.

Table 7. BEAT Percentage by Year Excess of MTI

Year	Percentage
2018	5.0%
2019–2025	10.0%
2026 & Subsequent	12.5%

Here are two simple examples (in millions):

Example 1: For tax year 2019, U.S. Insurer receives $1,000 in premium, cedes $800 to offshore affiliated reinsurer, and has $100 in other U.S. deductions. The base erosion percentage is 89% ($800/$900).

Regular Tax Liability		BEAT		Total Tax (after BEAT)
U.S. Taxable Income = $1,000 – $800 – $100 = **$100** U.S. Regular Tax = $100 × 21% **= $21**	⇨	Base Erosion Payments = **$800** MTI = $100 + $800 = **$900**	⇨	BEAT = ($900 × 10%) – $21 = **$69** Total U.S. Tax Liability = $21 + $69 = **$90**

The tax liability is $90; the BEAT increased taxes by $69.

Example 2: For tax year 2019, U.S. Insurer receives $1,000 in premium, cedes $100 to offshore reinsurer, and has $800 in other U.S. deductions. The base erosion percentage is 11% ($100/$900).

[16] 2017 FITL 26 U.S. Code § 59A

Regular Tax Liability		BEAT		Total Tax (after BEAT)
U.S. Taxable Income = \$1,000 – \$100 – \$800 = **\$100** U.S. Regular Tax = \$100 × 21% **= \$21**	⇨	Base Erosion Payments = **\$100** MTI = \$100 + \$100 = **\$200**	⇨	BEAT = (\$200 × 10%) – \$21 = **\$–1** Total U.S. Tax Liability = maximum of \$21 + \$–1 = **\$20** and **\$21**

Tax liability is \$21; BEAT had no impact.

The introduction of the BEAT is intended to make the use of offshore affiliates that are not subject to U.S. taxes (e.g., reinsurance from affiliates, including traditional reinsurance or captive reinsurance) less attractive.

Other International Provisions

The 2017 FITL also includes other international provisions that may impact the taxability of captive or other reinsurance entities. These international provisions are mentioned here for awareness but are not discussed in detail.

1. Global Intangible Low-Taxed Income (GILTI) – The 2017 FITL includes a new type of minimum tax on income that is defined as global intangible low-taxed income[17] ("GILTI"). This new category of foreign income may include income earned by multinational insurers that are based in the U.S. The rules relating to the new GILTI tax are very complicated and should be reviewed to ensure that multinational insurers are not caught unaware and unprepared for additional tax liabilities that may be imposed by this new minimum tax.
2. Passive Foreign Investment Company (PFIC) – Insurance entities previously enjoyed broad exceptions to the anti-deferral rules classifying certain types of foreign entities as a passive foreign investment company[18] (PFIC). The 2017 FITL now includes a bright-line test for foreign insurance companies that may reclassify previously exempt foreign insurance entities as PFICs and subject to the anti-deferral PFIC rules.
3. Controlled Foreign Corporation (CFC) – The 2017 FITL expands the definition of a controlled foreign corporation[19] (CFC) to include both vote and value ownership percentages. The expanded definition may result in more offshore insurance entities being considered CFCs for tax purposes and becoming subject to the CFC tax provisions under the Internal Revenue Code.

[17] 2017 FITL 26 U.S. Code § 951A

[18] 2017 FITL 26 U.S. Code § 14501

[19] 2017 FITL 26 U.S. Code § 957(a) and (b)

II. Impact of 2017 FITL Changes on Investment Strategy

A. Overview

Prior to 1987, property and casualty insurers that generated underwriting profits and were in the highest marginal tax bracket typically invested in tax-exempt bonds (or dividend paying stocks) as this maximized after-tax income. From 1987 through 2017, property and casualty insurers have had the opportunity to allocate fixed income assets between taxable and tax-exempt securities in a way that targets optimal after-tax returns by seeking the inflection point where the regular tax equals the AMT (as demonstrated by Almagro/Ghezzi). For tax years beginning after December 31, 2017, the repeal of the AMT means that this strategic asset allocation approach is no longer applicable.

Table 8 shows the asset allocation of stocks and bonds of property and casualty insurers at each of 12/31/1980, 12/31/1985, 12/31/1995, 12/31/2005, 12/31/2015, and 12/31/2018.[20] The data shows that insurers shifted some of their assets out of tax-exempt bonds after 1980 and into taxable bonds and common stocks over the next 5 years.

Using the simplified assumption that property and casualty insurers invest primarily in fixed-income securities, the 2017 FITL suggests that the new investment allocation strategy is arguably much simpler and more straightforward with the elimination of the AMT. If the taxpayer expects to have negative taxable income in a particular year (or series of years), the strategy is to invest all assets in the class with the highest <u>pre tax</u> yield (since no taxes are expected to be paid). Based on the simplifying assumption above, this would be taxable bonds.

If the taxpayer expects to have positive underwriting income, the strategy would be to invest all assets in the asset class with the highest <u>after-tax</u> yield. Historically, this has typically been tax-exempt bonds – more on this to follow.

If the taxpayer expects a moderate underwriting loss, the strategy could be to buy some taxable bonds (to bring taxable income up to zero) and then invest the balance in the asset class with the highest after-tax yield. Predicting underwriting results to

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[20] A.M. Best Aggregates and Averages

Table 8. Historical Allocation of Investments for Property and Casualty Insurers

	1980	1985	1995	2005	2015	2018
Preferred Stocks	5.0%	4.1%	2.1%	1.1%	1.1%	0.4%
Common Stocks	20.4%	14.4%	12.8%	19.6%	24.8%	27.1%
Sub-Total Stocks	25.4%	18.5%	14.9%	20.7%	25.9%	27.5%
Taxable Bonds	25.5%	39.7%	46.9%	39.5%	42.5%	46.0%
Tax-Exempt Bonds	49.1%	41.8%	38.1%	39.8%	31.6%	26.5%
Sub-Total Bonds	74.6%	81.5%	85.0%	79.3%	74.1%	72.5%
Grand Total Stocks and Bonds	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Taxable Bonds	34.2%	48.7%	55.2%	49.8%	57.3%	63.5%
Tax-Exempt Bonds	65.8%	51.3%	44.8%	50.2%	42.7%	36.5%

this level of accuracy can be tricky, but larger companies can often predict results, on average, over a period of multiple years.

B. Discussion of Relative Yield Spreads

Underlying all of these "strategies" is the need to consider market-based relative yield spreads along with the corresponding marginal tax rates applicable to property and casualty companies. This will ultimately drive the optimal asset allocation, where "optimal" produces the highest after-tax income. As noted earlier, relative yield spreads as used here are simply defined to be the ratio of the yield on one asset class to that of another class. And "after-tax equivalent yields" occur when relative yield spreads are such that the after-tax income on the two asset classes are equal. When relative yield spreads diverge from the after-tax equivalents, this points to the "better" asset class.

For illustrative purposes, the underlying assumption here is that property and casualty insurers invest their assets (other than cash/short term assets used to meet operating expenses, and perhaps some equities that are bought and held for long periods of time) in fixed-income securities (including preferred stocks). Three types of fixed income securities are considered: tax-exempt bonds, taxable bonds, and preferred stocks (unaffiliated). The new marginal tax rates for property and casualty insurers on each are shown below (and derived above):

Taxable Bonds:	21.000%
Tax-exempt Bonds:	5.250%
Dividends:	13.125%

After-tax equivalent relative yield spreads between asset classes can be derived by taking the ratio of 1 minus the applicable marginal tax rate for the two asset classes.

For example, for taxable bond yields (T) and tax-exempt bond yields (TE), the after-tax equivalent relative yield spread is derived as follows:

$$T \times (1 - 0.21) = TE \times (1 - .0525)$$

$$T \times 0.79 = TE \times 0.9475$$

$$T/TE = 0.9475/0.79 = 1.199$$

So if the actual market-based relative yield spread is higher than 1.199 and the taxpayer expects to pay taxes, as long as the relative yield spread exceeds 1.199, the choice would be taxable bonds, all else equal.

Using the same logic, we can compute after-tax equivalent relative yield spreads between taxable bonds and dividends (D), and between dividends and tax-exempt bonds:

$$T/D = 0.86875/0.79 = 1.100$$

$$D/TE = 0.9475/0.86875 = 1.091$$

C. Investment Strategies

What does all of this mean for property and casualty insurers in terms of investment strategies? Prior to 1987 for companies with underwriting profits, it was tax-exempt securities. This is because actual relative yield spreads between taxable and tax-exempt bonds, all else equal, were generally less than the after-tax equivalent levels. From 1987 to 2017, the strategy was to buy a mixture of taxable and tax-exempt bonds. And in the wake of the 2017 FITL? Taxable bonds. We consider two scenarios: companies with underwriting losses, and companies with underwriting gains (or breakeven results).

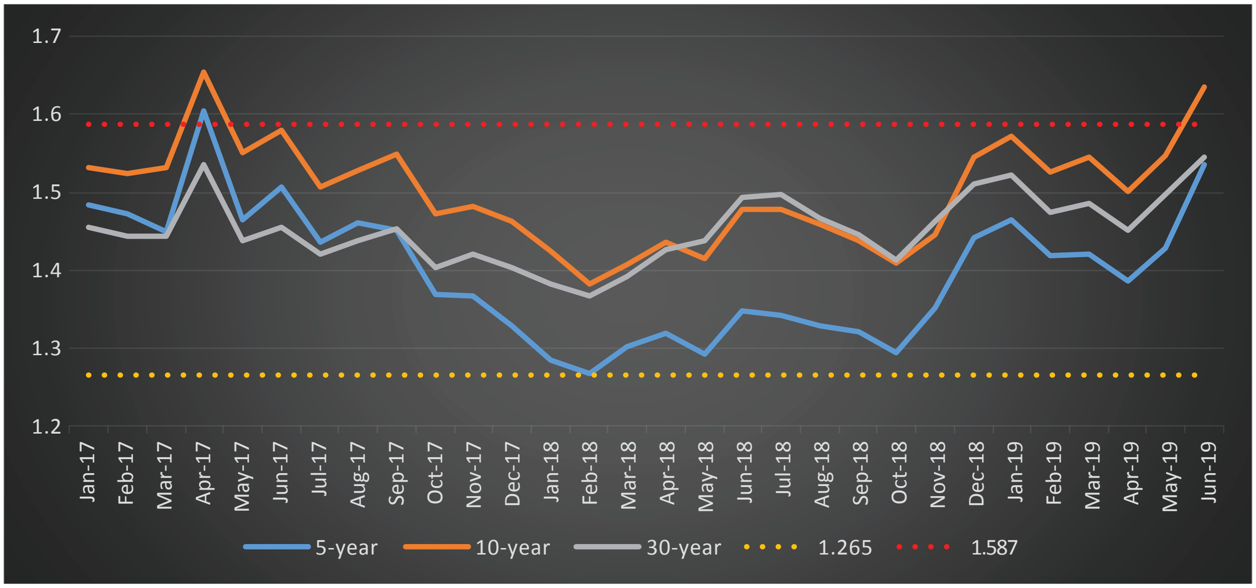
The goal is to invest such that after-tax income is maximized. And for discussion purposes, we'll assume that insurers invest a certain portion of their assets in cash, to meet cash flow needs, and a certain percentage in common stocks, for longer horizon investments. So what's left is fixed-income securities, and regardless of the maturities selected by any given company (perhaps to match assets with liabilities), we're focusing on how these fixed income securities should be allocated between taxable bonds and tax-exempt bonds to maximize after-tax income.

The keys to solving this puzzle are relative yield spreads. With the change in both corporate and personal tax rates in the 2017 FITL, the question is – which marginal tax rates drive relative yield spreads?

Table 9 shows a graph of weekly relative yield spreads between 5-, 10-, and 30-year corporate bonds and tax-exempt bonds of similar quality for January of 2017 through June of 2019.[21] Most of the values are between 1.3 and 1.6 with an average of 1.45. We observed some moderate decreases in early 2018 relative to most of

[21] From data compiled by Bloomberg

Table 9. Relative Yield Spread of Various Tax-Exempt and Corporate Bond Yields



the values in 2017. Tax equivalent relative yield spreads for corporate taxpayers (non-property and casualty insurers) changed on January 1, 2018, with the drop in marginal tax rates from 35% to 21%, from 1.538 (1/0.65) to 1.265 (1/.79).

While relative yield spreads generally declined from April 2017 through February 2018, at no time did the relative yield spreads fall below 1.267, 1.383, and 1.367 for 5, 10, and 30 years, respectively (see Table 9). For personal taxpayers, tax equivalent relative yield spreads underlying the expiring highest marginal rate of 39.6% and the new highest marginal rate of 37% are 1.656 (1/0.604) and 1.587 (1/0.63) respectively and are much more in line with actual relative yield spreads. We discussed relative yield spreads with securities brokers, and they confirmed that relative yield spreads between taxable bonds and tax-exempt bonds have historically been driven by personal marginal tax rates. The data bears this out; otherwise, we would have expected actual relative yield spreads to shrink in 2018 to values at or below 1.265.

With taxable versus tax-exempt relative yield spreads driven by personal marginal tax rates (pointing to a taxable equivalent relative yield spread of 1.587), and with property and casualty insurers' tax equivalent relative yield spread of 1.199, recent data suggests taxable securities for property and casualty insurers will likely best optimize after-tax income. For this analysis, we are ignoring state income taxes, and situations where interest from tax-exempt bonds are exempt from both state and federal taxes.

Using some numbers, assume that tax-exempt yields are 3.00%. This equates to a taxable equivalent yield (for personal taxpayers) of 4.76%. But a property and casualty insurer would be willing to take taxable yields all the way down to 1.199 × 3.00%, or 3.60%, since their tax equivalent relative yield spread is 1.199. The data clearly shows that both pre-2017 and post-2017 FITL relative yield spreads between taxable and tax-exempt bonds are well above 1.199.

Absent some sort of shift in relative yield spreads in the future (perhaps personal investors will shy away from tax-exempt bonds for some unforeseen reason, or state income taxes will change materially and create special opportunities for in-state tax-exempt bonds), property and casualty insurers should invest in taxable bonds. As shown in Table 8, as of December 31, 2018, annual statement data shows that tax-exempt bonds made up 26.5% of property and casualty insurers' invested assets. This was down from 49.1% in 1980. We expect that this percentage will continue to decline. Similar tests can be done with the other fixed income categories (taxable versus dividends and dividends versus tax-exempt).

III. Impact of 2017 FITL Changes

The major changes in the 2017 FITL that affect property and casualty companies are the new marginal tax rate and the new rules for discounting. Proration was nearly neutral so we did not test that. We also did not test the impact of the repeal of the AMT. Our notional company did not pay AMT as investments are only in taxable bonds.

We focused our sensitivity testing on our notional company to the change in the marginal tax rate and the four changes related to discounting of loss reserves as compared to the rules under the 1986 FITL:

- Repeal the taxpayer's option to elect their own payment patterns
- Change the formula for calculating the "tail" portion of payment patterns
- Change the source of interest rates used for discounting reserves
- Promulgate phase-in rules/no fresh start

Below is a discussion of the impact of the change in tax rate and each of the first three items related to discounting of loss reserves (the impact of the phase-in is reflected in each of the three loss reserve discounting items). Since there are no options for insurers, our discussion here is limited to quantifying/measuring the impact of the tax law change. There is no "strategy" involved (perhaps other than recognizing this in future premium rates, which is the subject of the next section).

A. Overview

To illustrate how to measure these changes, we took our notional insurance company's balance sheet as of December 31, 2017 (see Table 10) and forecasted after-tax income for the next 20 years on both a going concern basis (i.e., continuing to write $125 million of workers compensation business, etc.), and a runoff basis (in which no future expenses, other than loss adjustment expenses, are required to run off the company). We then summarized the impact of the various changes in the 2017 FITL on after-tax income, both on a nominal basis and a present value basis, using a 5% annual interest rate.

For reference, shown in Table 11 are the loss reserves as of December 31, 2017, along with the expiring discount factors (based on the notional company's own payment

Table 10. Statutory Balance Sheet ($000s)

	Year 2017
Cash & Invested Assets	397,104
Liabilities	
Outstanding Loss & LAE Reserve	188,200
Federal Income Taxes Payable	2,762
Total Liabilities	190,962
Initial Capital	200,000
Retained Earnings	6,142
Total Capital	206,142
Total Liabilities & Capital	**397,104**

Table 11. Loss & LAE Reserves at 12/31/17 ($000s)

Accident Year	Nominal Value	Discount Factors	Discounted Reserves	Amount of Discount
2000	0		0	0
2001	0		0	0
2002	0		0	0
2003	0		0	0
2004	200	0.961	192	8
2005	500	0.961	481	19
2006	1,000	0.961	961	39
2007	1,600	0.961	1,538	62
2008	2,300	0.944	2,172	128
2009	3,100	0.926	2,871	229
2010	4,000	0.915	3,662	338
2011	5,000	0.910	4,550	450
2012	7,000	0.923	6,461	539
2013	10,000	0.942	9,419	581
2014	15,000	0.953	14,302	698
2015	24,000	0.960	23,031	969
2016	41,000	0.966	39,611	1,389
2017	73,500	0.971	71,391	2,109
Total	188,200		180,642	7,558

patterns and the IRS interest rates), the corresponding discounted reserves, and the imbedded amount of discount.

B. Change in Tax Rate

Before isolating the impact of the 2017 FITL on discounting of loss reserves, we first tested the impact of the change in the tax rate. This allows us to later isolate the impact of the changes to discounting of loss reserves.

As noted above, the 2017 FITL specifies 21% as the one and only marginal tax rate. This replaces a table of graduated rates that rise from 15% to as high as 39%, and eventually fall back to 35% as shown in Table 4. For large taxpayers (those with over $18.3M in net income), the focus would be on the expiring 35% marginal tax rate and the new 21% tax rate. All other things equal, the change in after-tax income would be an increase of 21.5% (0.79/0.65).

Let's look at what happens to our notional company's after-tax profit. Our notional company generally has less than $10 million of annual pre-tax income, making the blended rate under the 1986 FITL closer to 34%; therefore we would have expected an increase of 19.7% (0.79/0.66).

To measure the impact of the change in tax rates in isolation, we projected the next 20 years of after-tax income for our notional company using each of the expiring and the new marginal tax rates. We isolated the impact of this change in both a going concern scenario, where the company continues to write business, and in a runoff scenario, where we further restricted the model to simply running off 2017 reserves, with no new business/earned premium in 2018 and subsequent.

Table 12 summarizes the results of our proforma financial projections. In our model, we dividend out the after-tax income on the first day of the following year to keep the model in a steady state. Scenario 1 assumes no change in the tax law, and Scenario 2 assumes that the only change is making the corporate marginal tax rate 21%. We will compare these income streams under the various other scenarios discussed below.

In the going concern scenario, the after-tax income increases by 19.6% (within rounding of the expected amount of 19.7%). In the run-off scenario, the increase is 17.7%. Why is the increase lower than expected in the run-off scenario? The deferred deduction due to discounting loss reserves in the tax calculation was at 34% under the 1986 FITL, and now it's at 21%. The going concern scenario has the same result but it is masked by the impact of continuing to write business; that is, it becomes a permanent timing difference. The amount of discount is $7.558 million of reserves that have not yet flowed through taxable income, as they have yet to be amortized as of year end 2017. The impact of the change in tax rates is a "loss" of 13% (34% less 21%) or approximately $1.0 million. For the runoff scenario, as the amount of discount to be amortized as of 12/31/17 approaches zero, the ratio approaches 19.7%. Conversely, when the amount is large relative to taxable income, the ratio gets smaller. For simplicity, we have not reflected the deferred tax asset as allowed under statutory accounting.

Table 12. Shareholder Dividends 2018–2037 ($000s)

	Going Concern Cumulative				**Run-off** Cumulative			
Scenario	Present Value of Shareholder Dividends at 5.0%	% Change Relative to Scenario 1	Nominal Value of Shareholder Dividends	% Change Relative to Scenario 1	Present Value of Shareholder Dividends at 5.0%	% Change Relative to Scenario 1	Normal Value of Shareholder Dividends	% Change Relative to Scenario 1
1	73,674		118,019		45,848		69,865	
2	88,037	19.49%	141,156	19.60%	53,644	17.00%	82,249	17.73%
	Incremental Change—Relative to Scenario X-1				Incremental Change—Relative to Scenario X-1			
2	14,363		23,137		7,796		12,384	
	Shareholder dividends equal to after tax income earned in a year (and paid on 1/1 the following year)							

Scenario	Description
1	Interest Rate: Current; Patterns: Own; Tax Rate: Old
2	Interest Rate: Current; Patterns: Own; Tax Rate: New

C. Impact of 2017 FITL Changes to Discounting of Loss Reserves

This section discusses the impact of the following changes on our notional company.

- Repeal the taxpayer's option to elect their own payment patterns
- Change the formula for calculating the "tail" portion of payment patterns
- Change the source of interest rates used for discounting reserves

The impact of the phase-in rules (no fresh start) is reflected in each of these.

We picked a long-tail line of business, workers compensation, to test the impact of the IRS repealing the option to use the taxpayer's own payment patterns, lengthening the payment pattern, and increasing the interest rates, which in our example, all else equal, will result in deeper discount factors and therefore accelerate the recognition of taxable income.

Repeal Option to Elect Own Payment Patterns

Under the 1986 FITL with the introduction of discounting loss reserves, taxpayers were given the option to use their own historical payment patterns, or to use the payment patterns promulgated by the IRS every five years. Once the election was made, the payment pattern associated with each accident year didn't change. For example, for accident year 1987, whichever pattern was chosen, that pattern remained the same for all future tax years with reserves in accident year 1987.

The 2017 FITL eliminates this option. To measure the impact of this change in isolation, we ran our financial projection model on our notional company isolating the impact of a taxpayer having to change their payment patterns to industry-based payment patterns for all accident years effective in tax year 2018. We did this both in a going concern and runoff scenario.

The historical (and selected) payment pattern for our notional company along with the corresponding industry payment patterns for accident years 2002 to 2017 for workers compensation are shown in Table 13. We have not reflected the change in the tail calculation here – the industry payment patterns are based on the expiring tail formula to isolate the impact on our notional taxpayer of simply not being able to elect their own payment pattern. The same applies to the new interest rate (i.e., changes are not yet reflected).

Note that the IRS replaced the 2016 and prior industry payment patterns with the 2017 values, which are based on 2015 industry data (represented by the AY 2017 column in Table 13). This change alone has an impact on insurers that elected to use the IRS payment patterns in any year prior to 2017. Since our notional company never elected the IRS patterns, there is no impact.

Table 14 summarizes the results of our proforma financial projections, where Scenario 3 represents the impact of repealing of the option to elect the taxpayer's own payment patterns. We use shareholder dividends (after-tax income paid on January 1 of the following year) as the comparative metric. With respect to the payment patterns and interest rates for discounting, we have assumed the same payment pattern and

Table 13. Payment Patterns for Discounting Reserves

	1986 FITL based on A.M. Best Aggregates and Averages				Notional Company
	AY 2002–2006	AY 2007–2011	AY 2012–2016	AY 2017	
AY + 0	28.2489%	19.0410%	21.8973%	18.8885%	26.5000%
AY + 1	29.6249%	21.2032%	21.5989%	22.3179%	32.5000%
AY + 2	13.4260%	16.9055%	12.5099%	13.3989%	17.0000%
AY + 3	6.4585%	10.7104%	7.5482%	10.4158%	9.0000%
AY + 4	4.1717%	7.6797%	5.4337%	5.8888%	5.0000%
AY + 5	1.8437%	4.5758%	4.9687%	4.6858%	3.0000%
AY + 6	2.7611%	2.0672%	2.1013%	2.7987%	20000%
AY + 7	1.9017%	2.2217%	1.5785%	2.0140%	1.0000%
AY + 8	1.1559%	1.1150%	2.4828%	2.1976%	0.9000%
AY + 9	2.0515%	0.7661%	1.2262%	0.7359%	0.8000%
AY + 10	2.0515%	0.7661%	1.2262%	0.7359%	0.8000%
AY + 11	2.0515%	0.7661%	1.2262%	0.7359%	0.8000%
AY + 12	2.0515%	0.7661%	1.2262%	0.7359%	0.7000%
AY + 13	2.0515%	0.7661%	1.2262%	0.7359%	
AY + 14	0.1501%	0.7661%	1.2262%	0.7359%	
AY + 15		9.8839%	12.5235%	12.9786%	

interest rate for each of accident years 2018 through 2037 in a given scenario. See Appendix C for additional details, including a list of assumptions for all of the scenarios.

In the going concern scenario, we see a reduction in after-tax income as a result of our notional company having to use longer payment patterns. Note that not all companies used their own patterns, and some companies that used their own patterns could have had longer payment patterns than those promulgated by the IRS for some lines of business.

In the runoff scenario, we see that there is minimal impact of switching from the company's own payment pattern to that promulgated by the IRS when comparing the present value of dividends, and essentially none on a nominal basis. Interestingly, the present value of dividends is $134,000 higher when we switch to the longer IRS pattern. This seems a bit counterintuitive at first – it is a function of the amortization of the discount imbedded in the calendar/tax year 2017 loss reserves (the amount of incurred losses for which the notional company has not taken a deduction).

While the company has the same overall discount of $7.558 million to amortize, the timing of recognition of the discount is altered. First, the amount of discount as

Table 14. Shareholder Dividends 2018–2037 ($000s)

	Going Concern Cumulative				Run-off Cumulative			
Scenario	Present Value of Shareholder Dividends at 5.0%	% Change Relative to Scenario 1	Nominal Value of Shareholder Dividends	% Change Relative to Scenario 1	Present Value of Shareholder Dividends at 5.0%	% Change Relative to Scenario 1	Nominal Value of Shareholder Dividends	% Change Relative to Scenario 1
1	73,674		118,019		45,848		69,865	
2	88,037	19.49%	141,156	19.60%	53,644	17.00%	82,249	17.73%
3	86,805	17.82%	139,580	18.27%	53,778	17.30%	82,246	17.72%
	Incremental Change—Relative to Scenario X-1				Incremental Change—Relative to Scenario X-1			
2	14,363		23,137		7,796		12,384	
3	(1,232)	–1.67%	(1,576)	–1.34%	134	0.29%	(3)	0.00%
	Shareholder dividends equal to after tax income earned in a year (and paid on 1/1 the following year)							

Scenario	Description
1	Interest Rate: Current; Patterns: Own; Tax Rate: Old
2	Interest Rate: Current; Patterns: Own; Tax Rate: New
3	Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

Table 15. Amortization of Discount ($000s)—Runoff

	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Years 2023–2037	Total 2018–2037
Own Pattern	(2,636)	(1,665)	(1,093)	(736)	(501)	(926)	(7,558)
IRS Pattern–Old Tail	(5,998)	(3,941)	(2,483)	(1,701)	(1,111)	(2,162)	(17,395)
Phase in	1,230	1,230	1,230	1,230	1,230	3,689	9,837
Combined	(4,768)	(2,712)	(1,254)	(471)	119	1,527	(7,558)
Difference	(2,132)	(1,046)	(160)	265	620	2,454	0

of year end 2017 gets restated. Then the difference needs to be added back using the straight line phase in rules to avoid the double deduction/fresh start. Table 15 shows how this works. Essentially, the introduction of longer payment patterns coupled with the phase-in rules creates a mismatch of the amortization of the additional discount of $9.837 million on calendar/tax year 2017 restated loss reserves due to the longer payment patterns.

For example, for calendar/tax year 2018, the 1986 FITL deduction for incurred losses that would serve to reduce pre-tax income is $2.636 million. Under the 2017 FITL and using the IRS pattern, this amount is $5.998 million, which is reduced by the phase-in of $1.230 million (one-eighth of $9.837 million), resulting in a deduction of $4.768 million, or a difference of $2.132 million relative to using the notional company's own pattern. Similarly, calendar/tax years 2019 and 2020 show higher deductions (and hence lower taxes) than the pre-2017 FITL values. These differences get reversed over the remainder of the runoff period. This timing difference results in the change from the company's own payment pattern to the IRS pattern being favorable (on a present value basis) in this runoff scenario.

Tail Portion of Payment Patterns

All else equal, we expect the new formula for calculating the payment patterns after 10 years to increase the amount of discount relative to the current formula. To test the impact on our notional company, we layered the change in tail factors (Scenario 4) on top of the impact of repealing the use of the company's own data (Scenario 3), so as to isolate the impact of just this one provision. Therefore, for our notional company, the drivers in Scenario 4 are the changes in workers compensation tail discount factors. Table 16 shows that the impact on our company, both on a going concern basis and a runoff basis, is negligible because there is not a noticeable difference in the discount factors until "AY + 10" and beyond. Table 17 shows the payment patterns and Table 18 shows the discount factors. At that point our notional company has minimal reserves outstanding. For a company that has a higher percentage of reserves outstanding for "AY + 10" and beyond, the impact of the lengthening of the tail should be more significant.

Table 16. Shareholder Dividends 2018–2037 ($000s)

	Going Concern Cumulative				Run-off Cumulative			
Scenario	Present Value of Shareholder Dividends at 5.0%	% Change Relative to Scenario 1	Nominal Value of Shareholder Dividends	% Change Relative to Scenario 1	Present Value of Shareholder Dividends at 5.0%	% Change Relative to Scenario 1	Nominal Value of Shareholder Dividends	% Change Relative to Scenario 1
1	73,674		118,019		45,848		69,865	
2	88,037	19.49%	141,156	19.60%	53,644	17.00%	82,249	17.73%
3	86,805	17.82%	139,580	18.27%	53,778	17.30%	82,246	17.72%
4	86,775	17.78%	139,542	18.24%	53,780	17.30%	82,248	17.72%
	Incremental Change—Relative to Scenario X-1				Incremental Change—Relative to Scenario X-1			
2	14,363		23,137		7,796		12,384	
3	(1,232)	–1.67%	(1,576)	–1.34%	134	0.29%	(3)	0.00%
4	(29)	–0.04%	(38)	–0.03%	2	0.00%	2	0.00%
	Shareholder dividends equal to after tax income earned in a year (and paid on 1/1 the following year)							

Scenario	Description
1	Interest Rate: Current; Patterns: Own; Tax Rate: Old
2	Interest Rate: Current; Patterns: Own; Tax Rate: New
3	Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New
4	Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

Table 17. Workers Compensation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	18.8885%	18.8885%	81.1115%	18.8885%	18.8885%	81.1115%	18.8885%	18.8885%	81.1115%
AY + 1	41.2063%	22.3179%	58.7937%	41.2063%	22.3179%	58.7937%	41.2063%	22.3179%	58.7937%
AY + 2	54.6053%	13.3989%	45.3947%	54.6053%	13.3989%	45.3947%	54.6053%	13.3989%	45.3947%
AY + 3	65.0211%	10.4158%	34.9789%	65.0211%	10.4158%	34.9789%	65.0211%	10.4158%	34.9789%
AY + 4	70.9099%	5.8888%	29.0901%	70.9099%	5.8888%	29.0901%	70.9099%	5.8888%	29.0901%
AY + 5	75.5957%	4.6858%	24.4043%	75.5957%	4.6858%	24.4043%	75.5957%	4.6858%	24.4043%
AY + 6	78.3945%	2.7987%	21.6055%	78.3945%	2.7987%	21.6055%	78.3945%	2.7987%	21.6055%
AY + 7	80.4084%	2.0140%	19.5916%	80.4084%	2.0140%	19.5916%	80.4084%	2.0140%	19.5916%
AY + 8	82.6060%	2.1976%	17.3940%	82.6060%	2.1976%	17.3940%	82.6060%	2.1976%	17.3940%
AY + 9	83.3419%	**0.7359%**	16.6581%	83.3419%	0.7359%	16.6581%	83.3419%	0.7359%	16.6581%
AY + 10				84.0778%	**0.7359%**	15.9222%	84.9911%	**1.6492%**	15.0089%
AY + 11				84.8137%	**0.7359%**	15.1863%	86.6402%	**1.6492%**	13.3598%
AY + 12				85.5496%	**0.7359%**	14.4504%	88.2894%	**1.6492%**	11.7106%
AY + 13				86.2855%	**0.7359%**	13.7145%	89.9385%	**1.6492%**	10.0615%
AY + 14				87.0214%	**0.7359%**	12.9786%	91.5877%	**1.6492%**	8.4123%
AY + 15				100.0000%	**12.9786%**	0.0000%	93.2368%	**1.6492%**	6.7632%
AY + 16							94.8860%	**1.6492%**	5.1140%
AY + 17							96.5351%	**1.6492%**	3.4649%
AY + 18							98.1843%	**1.6492%**	1.8157%
AY + 19							99.8334%	**1.6492%**	0.1666%
AY + 20							100.0000%	**0.1666%**	0.0000%
AY + 7–9 Average		**1.6492%**							

Table 18. Workers Compensation Impact of Change in Tail Factor on Discount Factors

	(1)	(2)	(3)	(4)
	Discount Factors		= (2) – (1)	= [1.0 – (2)]/ [1.0 – (1)] – 1.0
	2017 IRS Pattern at 2017 Interest Rate	2018 IRS Pattern at 2017 Interest Rate	Difference	% Change in Discount
AY + 0	93.6645%	93.6230%	–0.04%	0.66%
AY + 1	92.8701%	92.8119%	–0.06%	0.82%
AY + 2	92.3071%	92.2306%	–0.08%	0.99%
AY + 3	91.5487%	91.4480%	–0.10%	1.19%
AY + 4	91.2978%	91.1749%	–0.12%	1.41%
AY + 5	91.0762%	90.9276%	–0.15%	1.67%
AY + 6	91.3280%	91.1576%	–0.17%	1.96%
AY + 7	91.8322%	91.6416%	–0.19%	2.33%
AY + 8	92.2185%	92.0007%	–0.22%	2.80%
AY + 9	93.2485%	93.0177%	–0.23%	3.42%
AY + 10	94.3271%	93.6779%	–0.65%	11.45%
AY + 11	95.4609%	94.3442%	–1.12%	24.60%
AY + 12	96.6574%	95.0167%	–1.64%	49.09%
AY + 13	97.9260%	95.6953%	–2.23%	107.55%
AY + 14	99.2779%	96.3799%	–2.90%	401.33%
AY + 15	99.2779%	97.0700%	–2.21%	305.76%
AY + 16	99.2779%	97.7649%	–1.51%	209.53%
AY + 17	99.2779%	98.4616%	–0.82%	113.05%
AY + 18	99.2779%	99.1468%	–0.13%	18.15%
AY + 19 to AY + 24	99.2779%	99.2779%	0.00%	0.00%

(1): Column (5) from Table 17 discounted at 1.46%
(2): Column (8) from Table 17 discounted at 1.46%
2017 AY + 15 and later set equal to AY + 15 for comparison to 2018

Interest Rates

Prior to Treasury issuing the revised discount factors for accident years 2017 and prior, it was unclear which interest rates Treasury would use to restate the discount factors for accident years 2017 and prior – would they increase the rate promulgated for each historical accident year to the corporate bond equivalent for the period, would they use a single interest rate for all accident years 2018 and prior, or would they make no changes to prior years? They chose a single interest rate, initially of 3.12% compounded semi-annually, which was subsequently revised to 2.94%, for all accident years 2018 and prior.

The impact on our notional company in the going concern scenario is a decrease in the present value of the future after-tax income, as shown in Table 19. And again, in the runoff scenario, increasing the interest rate actually increases the present value of the future after-tax income due to the straight-line phase in of the change in discount in 2017 reserves.

Combined Impact of All Changes

As shown in Table 19, the change in marginal tax rates is a material benefit to our notional company, and should be for all profitable property and casualty companies. And the changes in the rules and factors for discounting are likely to have a small impact in terms of reversing the benefit of lower marginal tax rates. Due to the straight-line phase-in of the change in discounting, for companies cutting back on business or going into runoff, there are likely to be gains in the first few years that are offset in later periods (as shown in Table 15). Obviously this will vary based on each company's mixture of coverages, and whether or not they elected their own payment patterns.

Captive Insurance Companies

Captive insurance companies that write predominately property and casualty business are subject to the aforementioned changes in the 2017 FITL. Non-insurance company owners of a captive have different considerations, given that they often choose to have a captive insurance company to take advantage of the accelerated deduction of loss reserves for federal tax purposes. As a self-insured entity, loss reserves cannot be deducted as an expense; the deduction can only be taken when losses are paid. As a captive insurance company (assuming the company is treated as property and casualty insurance company for federal income tax purposes), the reserves, subject to the rules including discounting above, can be deducted. The main impact of the 2017 FITL on a non-insurance company owner of a captive insurance company is a reduction in the benefit of the accelerated loss reserve deduction from 35% to 21%. Similar to our notional company, the timing of the deduction, due to the changes in the discounting rules, would likewise be impacted.

To measure the impact of the 2017 FITL on a notional captive insurance company, we assumed the following: $10M of workers compensation losses, incurred within the first year and paid in the third year, and $100,000 of expenses. We first test the impact of changing the tax rate from 35% to 21%, all else equal. Table 20A compares the net estimated tax benefit relative to losses both pre- and post-2017 FITL where the net estimated tax benefit is tax benefit (timing difference of deducting paid losses versus discounted incurred) less tax-effected expenses of operating the captive.

The impact of changing the tax rate from 35% to 21% reduces the net benefit in this example from 2.3% of losses to 1.0%. The incremental impact of reflecting the changes in discounting rules is minimal, or approximately 0.1%. The tax rate is the driver in the accelerated tax benefit and the reduction from 35% to 21% is detrimental to the captive owner, while the changes in the discounting rules and interest rate have minimal impact.

Table 19. Shareholder Dividends 2018–2037 ($000s)

	Going Concern Cumulative				Run-off Cumulative			
Scenario	Present Value of Shareholder Dividends at 5.0%	% Change Relative to Scenario 1	Nominal Value of Shareholder Dividends	% Change Relative to Scenario 1	Present Value of Shareholder Dividends at 5.0%	% Change Relative to Scenario 1	Nominal Value of Shareholder Dividends	% Change Relative to Scenario 1
1	73,674		118,019		45,848		69,865	
2	88,037	19.49%	141,156	19.60%	53,644	17.00%	82,249	17.73%
3	86,805	17.82%	139,580	18.27%	53,778	17.30%	82,246	17.72%
4	86,775	17.78%	139,542	18.24%	53,780	17.30%	82,248	17.72%
5	84,462	14.64%	136,722	15.85%	53,914	17.59%	82,248	17.72%
	Incremental Change—Relative to Scenario X-1				Incremental Change—Relative to Scenario X-1			
2	14,363		23,137		7,796		12,384	
3	(1,232)	–1.67%	(1,576)	–1.34%	134	0.29%	(3)	0.00%
4	(29)	–0.04%	(38)	–0.03%	2	0.00%	2	0.00%
5	(2,314)	–3.14%	(2,820)	–2.39%	134	0.29%	0	0.00%
	Shareholder dividends equal to after tax income earned in a year (and paid on 1/1 the following year)							

Scenario	Description
1	Interest Rate: Current; Patterns: Own: Tax Rate: Old
2	Interest Rate: Current; Patterns: Own; Tax Rate: New
3	Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New
4	Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New
5	Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

Table 20A. Estimated Change in Tax Benefit of Captive Insurance Company ($000s)

	(A) Pre-2017 FITL	(B) Post-2017 Tax Rate Only	(C) Post-2017 FITL
(1) Estimated Ultimate Losses	10,000	10,000	10,000
(2) Estimated tax benefit (see Table 20B)	299	179	168
(3) Expenses (1.0% of losses)	100	100	100
(4) Annual Captive expense (after tax) = (3) × [1.0 – Tax Rate] Tax Rate = 35% column (A) and 21% column (B) and (C)	65	79	79
(5) "Net" estimated tax benefit = (2) – (4)	234	100	89
(6) "Net" estimated tax benefit relative to losses	2.3%	1.0%	0.9%
Calculations assume an interest rate of 5.0%			

(B) Reflects tax rate change only
(C) Reflects tax rate and changes to discounting

Regarding section 831b on small captives, nothing changed in the 2017 FITL and companies that make this election and qualify (based on maximum premium criteria) are not subject to federal income tax on underwriting income and therefore none of the changes in the 2017 FITL would have any impact with one exception. Investment income is taxable for these companies, and prior to the 2017 FITL, the graduated marginal tax rates applied to investment income for small captives. In most cases, since these companies are relatively small, the lowest marginal tax rate of 15% was used (assuming the investment income was under $50,000; see Table 4). Under the 2017 FITL, the marginal tax rate is now 21% regardless of the amount of income.

Table 20B. Captive Insurance Company Payout Pattern vs Discounted Incurred Losses ($000s)

Time	(A) Paid Losses	(B) Incurred Losses	(C) Pre-2017 FITL Discounted Incurred Losses	(D) Post-2017 FITL Discounted Incurred Losses	(E) Pre-2017 FITL Timing Difference (C) less (A)	(F) Post-2017 FITL Timing Difference (D) less (A)
12	0	10,000	9,366	8,742	9,366	8,742
24	0	0	79	158	79	158
36	10,000	0	554	1,101	(9,446)	(8,899)
Total	10,000	10,000	10,000	10,000	0	0

Time	(G) Present Value of (E)	(H) Present Value of (F)	(I) Pre-2017 Tax Rate* Estimated Tax Benefit of (G)	(J) Post-2017 Tax Rate** Estimated Tax Benefit of (G)	(K) Estimated Tax Benefit of (H)
12	9,141	8,531	3,199	1,920	1,792
24	74	146	26	16	31
36	(8,361)	(7,878)	(2,926)	(1,756)	(1,654)
Total	853	800	299	179	168

(A) Assumes all losses paid at 36 months for ease of illustration
(B) Assumes all losses incurred at inception for ease of illustration
(C) (B) discounted using IRS accident year 2017 workers compensation factors (using 3.12% interest rate)
(D) (B) discounted using IRS accident year 2018 workers compensation factors (using 3.12% interest rate)
* Based on pre-2017 tax rate of 35%
** Based on post-2017 tax rate of 21%; (J) reflects tax rate change only; (K) reflects tax rate and changes to discounting

IV. Impact of 2017 FITL Changes on Pricing Considerations

Using the National Council on Compensation Insurance (NCCI) internal rate of return model for Florida workers compensation,[22] we calculated after-tax income and rates of return both pre- and post-2017 FITL. This is a sample approach for quantifying the percentage change in 2018 premium rates required to achieve the same internal rate of return as that based on pricing models that were used in 2017 prior to the passage of the 2017 FITL to promulgate 2018 premium rates, with only the change in the tax law as a variable.

Before running our scenarios, we revised the IRS discount factors in the NCCI model to be based on accident year 2017 rather than 2016. This had minimal impact; the change in interest rate was a small decrease from 1.56% to 1.46% and there was little change in the workers compensation payment pattern (note that 2017 is the beginning of a new 5-year cycle of industry payment patterns used by the IRS). We also set the internal rate of return (IRR), weighted average cost of capital[23] in the filing, at 10% prior to doing any sensitivity testing.

The inputs in the filing are:

- Expenses as a percentages of premium of 20.36%
- Reserve to surplus ratio of 1.87
- After-tax return on investments of 2.38% based on the 1986 FITL, and 3-year average of 2013–2015 insurance industry invested asset allocation and rates of returns
- IRR of 10.0%

The outputs are:

- Indicated profit and contingencies of 7.12%
- Loss & LAE provision of 72.52%

First, let's look at the impact on the 10% IRR due to changes in the 2017 FITL. The IRR increases to 11.86%, meaning that if the company does not decrease rates to

[22] Filing Number: 17-19101 dated August 28, 2017. Used with the permission of NCCI.

[23] The weighted average cost of capital in the NCCI filing is affected by the tax rates since about 20% of capital is borrowed by property and casualty companies. For the purposes of this paper, we have assumed that any resulting impact is immaterial.

reflect the lower tax rate, then the IRR will increase by almost 20%. This reflects the change in marginal tax rates, as well as the actual accident year 2018 discount factors using an interest rate of 3.12% compounded semiannually and the new tail portion of the payment pattern shown in Table 17 column (8). The impact of the change in the 2017 FITL marginal tax rates on the after-tax return on investments, assuming no change in the allocation of assets by asset class, is an increase from 2.38% to 2.66%. This is based on the asset allocation assumed by NCCI; see Appendix D, Sheet 5.

Alternatively, if the company wants to maintain a 10% IRR, how much would the profit margin drop and what would the corresponding rate change be?

The outputs are:

- Indicated profit and contingencies of 4.99%
- Loss & LAE provision of 74.65%

That's a decrease in rates of 2.9% (72.52%/74.65% – 1.0). For simplicity, we assumed all expenses were variable.

Now what if after-tax returns on investments double? For simplicity, we've assumed that not only does the after-tax investment return double, but that the IRS interest rate used in discounting also doubles. This is purely theoretical since the IRS will be using a 2-year rolling average, so the interest rates won't move as quickly.

The company continues to target a 10% IRR. The changes in inputs in the original/old tax law filing are:

- After-tax return on investments of 4.76%
- Interest rate for discounting of 2.92%

The outputs under the old tax law are:

- Indicated profit and contingencies of –2.75%
- Loss & LAE provision of 82.39%

Under the 2017 FITL, the inputs are:

- After-tax return on investments of 5.32%
- Interest rate for discounting of 6.29%

The outputs under the 2017 FITL are:

- Indicated profit and contingencies of –4.38%
- Loss & LAE provision of 84.02%

That's a decrease in rates of 1.9% (82.39%/84.02% – 1.0).

Lastly, we tested the impact of shifting tax-exempt securities to taxable securities. We moved the 25.5% industry asset allocation from tax-exempt bonds to industrial and hybrid securities (unaffiliated) of like maturities. There was virtually no impact on the after-tax return on investments under the old law since the weighted average yield spread in the NCCI model is 1.27, which is very close to the optimal level of 1.265. However, under the 2017 FITL, the after-tax return increases to 2.79%, which might not seem like much relative to 2.66%, but it results in an IRR of 12.30% as compared to 11.86% from our first example. The point being that if the yield spreads exceed 1.199 as noted above, companies are likely to shift to taxable securities to produce higher after-tax income and all else equal, higher IRRs.

We did not attempt to quantify the increase in rates for companies to reflect the tax implications of the BEAT, in particular, those that continue to use offshore affiliates for reinsurance.

V. Conclusion

The 2017 FITL represents the first major change in the tax law since 1986, and as in 1986, special rules were promulgated for property and casualty insurers. As a result, any articles or papers based on U.S. Federal taxes under the 1986 FITL are no longer current.

The change in the marginal tax rates in the 2017 FITL appears to be the most significant change that will affect property and casualty insurers. This change will decrease the amount of taxes paid, which will be partially offset by the changes in the calculation of discounted reserves – with the change in the interest rates for discounting having the largest impact on taxpayers that currently elect the IRS payment patterns. However, the impact on after-tax income due to changes in discounting appears to be fairly small relative to the savings attributable to the change in the marginal tax rates. Absent material changes in fixed-income yield spreads, companies are likely to shift to taxable securities to optimize after-tax income on fixed-income investments. And all else equal, we would expect premium rates to decline slightly to reflect the impact of the 2017 FITL. For companies with significant offshore affiliates, the impact of the BEAT will need to be considered as this likely increases the amount of federal taxes payable, all else equal.

Finally, Table 21 summarizes the key changes in the tax law that affect property and casualty insurers, showing the expiring 2016 FITL provisions, and the new 2017 FITL provisions:

Table 21.

	1986 FITL	2017 FITL
Marginal Tax Rate	35% (blended rate based on graduated rates)	21%
Minimum Marginal Tax Rate	2%	0.0% for Property and Casualty insurers; 4.2% for most taxpayers
Alternative Minimum Tax	Applies; 90% cap	AMT repealed
Net Operating Loss		
– Property and Casualty	2 year carryback/20 carryforward	No change
– All Other	2 year carryback/20 carryforward	No carryback/20 carryforward; 80% cap
Base Erosion Anti-Abuse Tax	N/A	Applies
Discounting		
– Interest Rate	U.S. Government	Corporate
– Tail	"AY + 9"	Average of "AY + 7", "AY + 8", "AY + 9"
– Length of Pattern	16	25
– Fresh Start	Yes	No
– Use Own Pattern	Yes/optional	No/repealed
Proration	15% exempt	25% exempt
Dividends Received Deduction		
– Unaffiliated Dividends	70% exempt	50% exempt
– Affiliated	80% exempt	65% exempt

Attachments and Appendices

Attachment 1: Relevant Excerpts for Property and Casualty Insurers from the Tax Reform Act of 1986

Attachment 2: Relevant Excerpts for Property and Casualty Insurers from the Tax Cut and Jobs Act of 2017

Appendices

A: IRS Payment Patterns by Line

B: Notional Company Historical Financial Statements: 1998 through 2017

C: Notional Company Prospective Financial Statements: 2018 through 2037 – Scenarios 1 through 5

D: Sensitivity Testing on Internal Rate of Return

Attachment 1:

Relevant Excerpts for Property and Casualty Insurers from the Tax Reform Act of 1986

(B) Section 703(b) is amended by striking out paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

(C) Section 1363(c)(2) is amended by striking out subparagraph (A) and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(e) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1986.

TITLE VI—CORPORATE PROVISIONS

Subtitle A—Corporate Rate Reductions

SEC. 601. CORPORATE RATE REDUCTIONS.

(a) General Rule.—Subsection (b) of section 11 is amended to read as follows:

"(b) Amount of Tax.—The amount of the tax imposed by subsection (a) shall be tbe sum of—

"(1) 15 percent of so much of the taxable income as does not exceed $50,000,

"(2) 25 percent of so much of the taxable income as exceeds $50,000 but does not exceed $75,000, and

"(3) 34 percent of so much of the taxable income as exceeds $75,000.

In the case of a corporation which has taxable income in excess of $100,000 for any taxable year, the amount of tax determined under the preceding sentence for such taxable year shall be increased by the lesser of (A) 5 percent of such excess, or (B) $11,750."

(b) Effective Date.—

(1) In general.—The amendment made by subsection (a) shall apply to taxable years beginning on or after July 1, 1987.

(2) Cross reference.—

For treatment of taxable years which include July 1, 1987, see section 15 of the Internal Revenue Code of 1986.

Subtitle B—Treatment of Stock and Stock Dividends

SEC. 611. REDUCTION IN DIVIDENDS RECEIVED DEDUCTION.

(a) General Rule.—The following provisions are each amended by striking out "85 percent" and inserting in lieu thereof "80 percent":

(1) Section 243(a)(1) (relating to dividends received by corporations).

(2) Sections 244 (a)(3) and (b)(2) (relating to dividends received on certain preferred stock).

(3) Section 246(b)(1) (relating to limitation on aggregate amount of deductions).

(4) Section 246A(a)(1) (relating to dividends received deduction reduced where portfolio stock is debt financed).

(5) Subparagraph (B) of section 805(a)(4) (relating to dividends received by insurance company).

(b) Effective Dates.—

"(iii) APPLICABLE STATUTORY PREMIUM RECOGNITION PATTERN.—The term 'applicable statutory premium recognition pattern' means the statutory premium recognition pattern—

"(I) which is in effect for the calendar year in which the premiums are received, and

"(II) which is based on the statutory premium recognition pattern which applies to premiums received by the taxpayer in such calendar year.

For purposes of the preceding sentence, premiums received during any calendar year shall be treated as received in the middle of such year."

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to taxable years beginning after December 31, 1986.

(2) SPECIAL TRANSITIONAL RULE FOR TITLE INSURANCE COMPANIES.—For the 1st taxable year beginning after December 31, 1986, in the case of premiums attributable to title insurance—

(A) IN GENERAL.—The unearned premiums at the end of the preceding taxable year as defined in paragraph (4) of section 832(b) shall be determined as if the amendments made by this section had applied to such unearned premiums in the preceding taxable year and by using the interest rate and premium recognition pattern applicable to years ending in calendar year 1987.

(B) FRESH START.—Except as provided in subparagraph (C), any difference between—

(i) the amount determined to be unearned premiums for the year preceding the first taxable year of a title insurance company beginning after December 31, 1986, determined without regard to subparagraph (A), and

(ii) such amount determined with regard to subparagraph (A),

shall not be taken into account for purposes of the Internal Revenue Code of 1986.

(C) EFFECT ON EARNINGS AND PROFITS.—The earnings and profits of any insurance company for its 1st taxable year beginning after December 31, 1986, shall be increased by the amount of the difference determined under subparagraph (A) with respect to such company.

SEC. 1022. TREATMENT OF CERTAIN DIVIDENDS AND TAX-EXEMPT INTEREST.

(a) IN GENERAL.—Paragraph (5) of section 832(b) (defining losses incurred) is amended to read as follows:

"(5) LOSSES INCURRED.—

"(A) IN GENERAL.—The term 'losses incurred' means losses incurred during the taxable year on insurance contracts, computed as follows:

"(i) To losses paid during the taxable year, add salvage and reinsurance recoverable outstanding at the end of the preceding taxable year and deduct salvage and reinsurance recoverable outstanding at the end of the taxable year.

"(ii) To the result so obtained, add all unpaid losses outstanding at the end of the taxable year and deduct unpaid losses outstanding at the end of the preceding taxable year.

"(B) REDUCTION OF DEDUCTION.—The amount which would (but for this subparagraph) be taken into account under subparagraph (A) shall be reduced by an amount equal to 15 percent of the sum of—

"(i) tax-exempt interest received or accrued during such taxable year, and

"(ii) the aggregate amount of deductions provided by sections 243, 244, and 245 for—

"(I) dividends (other than 100 percent dividends) received during the taxable year, and

"(II) 100 percent dividends received during the taxable year to the extent attributable to prorated amounts.

In the case of a 100 percent dividend paid by an insurance company, the portion attributable to prorated amounts shall be determined under subparagraph (E)(ii).

"(C) EXCEPTION FOR INVESTMENTS MADE BEFORE AUGUST 8, 1986.—

"(i) IN GENERAL.—Except as provided in clause (ii), subparagraph (B) shall not apply to any dividend or interest received or accrued on any stock or obligation acquired before August 8, 1986.

"(ii) SPECIAL RULE FOR 100 PERCENT DIVIDENDS.—For purposes of clause (i), the portion of any 100 percent dividend which is attributable to prorated amounts shall be treated as received with respect to stock acquired on the later of—

"(I) the date the payor acquired the stock or obligation to which the prorated amounts are attributable, or

"(II) the 1st day on which the payor and payee were members of the same affiliated group (as defined in section 243(b)(5)).

"(D) DEFINITIONS.—For purposes of this paragraph—

"(i) PRORATED AMOUNTS.—The term 'prorated amounts' means tax-exempt interest and dividends with respect to which a deduction is allowable under section 243, 244, or 245 (other than 100 percent dividends).

"(ii) 100 PERCENT DIVIDEND.—

"(I) IN GENERAL.—The term '100 percent dividend' means any dividend if the percentage used for purposes of determining the deduction allowable under section 243, 244, or 245(b) is 100 percent.

"(II) CERTAIN DIVIDENDS RECEIVED BY FOREIGN CORPORATIONS.—A dividend received by a foreign corporation from a domestic corporation which would be a 100 percent dividend if section 1504(b)(3) did not apply for purposes of applying section 243(b)(5) shall be treated as a 100 percent dividend.

"(E) SPECIAL RULES FOR DIVIDENDS SUBJECT TO PRORATION AT SUBSIDIARY LEVEL.—

"(i) IN GENERAL.—In the case of any 100 percent dividend paid to an insurance company to which this part applies by any insurance company, the amount of the decrease in the deductions of the payee company by reason of the portion of such dividend attributable to prorated amounts shall be reduced (but not below zero) by the amount of the decrease in the deductions (or increase in income) of the payor company attributable to the application of this section or section 805(a)(4)(A) to such amounts.

"(ii) PORTION OF DIVIDEND ATTRIBUTABLE TO PRORATED AMOUNTS.—For purposes of this subparagraph, in determining the portion of any dividend attributable to prorated amounts—

"(I) any dividend by the paying corporation shall be treated as paid first out of earnings and profits attributable to prorated amounts (to the extent thereof), and

"(II) by determining the portion of earnings and profits so attributable without any reduction for the tax imposed by this chapter."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1986.

SEC. 1023. DISCOUNTING OF UNPAID LOSSES AND CERTAIN UNPAID EXPENSES.

(a) LIMITATION OF DEDUCTION IN THE CASE OF PROPERTY AND CASUALTY INSURANCE COMPANIES.—

(1) LOSSES INCURRED.—Clause (ii) of section 832(b)(5)(A) (defining losses incurred), as amended by section 1022, is amended to read as follows:

"(ii) To the result so obtained, add all unpaid losses on life insurance contracts plus all discounted unpaid losses (as defined in section 846) outstanding at the end of the taxable year and deduct unpaid losses on life insurance contracts plus all discounted unpaid losses outstanding at the end of the preceding taxable year."

(2) EXPENSES INCURRED.—Section 832(b)(6) (defining expenses incurred) is amended by inserting after the 1st sentence: "For purposes of this subchapter, the term 'expenses unpaid' shall not include any unpaid loss adjustment expenses shown on the annual statement, but such unpaid loss adjustment expenses shall be included in unpaid losses."

(b) LIMITATION OF DEDUCTION IN THE CASE OF LIFE INSURANCE COMPANIES.—Section 807(c) (relating to reserves and similar items taken into account) is amended by adding at the end thereof the following new sentence: "For purposes of paragraph (2) and section 805(a)(1), the amount of the unpaid losses (other than losses on life insurance contracts) shall be the amount of the discounted unpaid losses as defined in section 846."

(c) DISCOUNTED UNPAID LOSSES DEFINED.—Part IV of subchapter L of chapter 1 (relating to provisions of general application) is amended by adding at the end thereof the following new section:

"SEC. 846. DISCOUNTED UNPAID LOSSES DEFINED.

"(a) DISCOUNTED LOSSES DETERMINED.—

"(1) SEPARATELY COMPUTED FOR EACH ACCIDENT YEAR.—The amount of the discounted unpaid losses as of the end of any taxable year shall be the sum of the discounted unpaid losses (as of such time) separately computed under this section with respect to unpaid losses in each line of business attributable to each accident year.

"(2) METHOD OF DISCOUNTING.—The amount of the discounted unpaid losses as of the end of any taxable year attributable to any accident year shall be the present value of such losses (as of such time) determined by using—

"(A) the amount of the undiscounted unpaid losses as of such time,

"(B) the applicable interest rate, and

"(C) the applicable loss payment pattern.

"(3) LIMITATION ON AMOUNT OF DISCOUNTED LOSSES.—In no event shall the amount of the discounted unpaid losses with respect to any line of business attributable to any accident year exceed the aggregate amount of unpaid losses with respect to such line of business for such accident year included on the annual statement filed by the taxpayer for the year ending with or within the taxable year.

"(4) DETERMINATION OF APPLICABLE FACTORS.—In determining the amount of the discounted unpaid losses attributable to any accident year—

"(A) the applicable interest rate shall be the interest rate determined under subsection (c) for the calendar year with which such accident year ends, and

"(B) the applicable loss payment pattern shall be the loss payment pattern determined under subsection (d) which is in effect for the calendar year with which such accident year ends.

"(b) DETERMINATION OF UNDISCOUNTED UNPAID LOSSES.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'undiscounted unpaid losses' means the unpaid losses shown in the annual statement filed by the taxpayer for the year ending with or within the taxable year of the taxpayer.

"(2) ADJUSTMENT IF LOSSES DISCOUNTED ON ANNUAL STATEMENT.—If—

"(A) the amount of unpaid losses shown in the annual statement is determined on a discounted basis, and

"(B) the extent to which the losses were discounted can be determined on the basis of information disclosed on or with the annual statement,

the amount of the unpaid losses shall be determined without regard to any reduction attributable to such discounting.

"(c) RATE OF INTEREST.—

"(1) IN GENERAL.—For purposes of this section, the rate of interest determined under this subsection shall be the annual rate determined by the Secretary under paragraph (2).

"(2) DETERMINATION OF ANNUAL RATE.—

"(A) IN GENERAL.—The annual rate determined by the Secretary under this paragraph for any calendar year shall be a rate equal to the average of the applicable Federal mid-term rates (as defined in section 1274(d) but based on annual compounding) effective as of the beginning of each of the calendar months in the test period.

"(B) TEST PERIOD.—For purposes of subparagraph (A), the test period is the most recent 60-calendar-montb period ending before the beginning of the calendar year for which the determination is made; except that there shall be excluded from the test period any month beginning before August 1, 1986.

"(d) LOSS PAYMENT PATTERN.—

"(1) IN GENERAL.—For each determination year, the Secretary shall determine a loss payment pattern for each line of business by reference to the historical loss payment pattern applicable to such line of business. Any loss payment pattern determined by the Secretary shall apply to the accident year ending with the determination year and to each of the 4 succeeding accident years.

"(2) METHOD OF DETERMINATION.—Determinations under paragraph (1) for any determination year shall be made by the Secretary—

"(A) by using the aggregate experience reported on the annual statements of insurance companies,

"(B) on the basis of the most recent published aggregate data from such annual statements relating to loss payment patterns available on the 1st day of the determination year,

"(C) as if all losses paid or treated as paid during any year are paid in the middle of such year, and

"(D) in accordance with the computational rules prescribed in paragraph (3).

"(3) COMPUTATIONAL RULES.—For purposes of this subsection—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph, the loss payment pattern for any line of business shall be based on the assumption that all losses are paid—

"(i) during the accident year and the 3 calendar years following the accident year, or

"(ii) in the case of any line of business reported in the schedule or schedules of the annual statement relating to auto liability, other liability, medical malpractice, workers' compensation, and multiple peril lines, during the accident year and the 10 calendar years following the accident year.

"(B) TREATMENT OF CERTAIN LOSSES.—Except as otherwise provided in this paragraph—

"(i) in the case of any line of business not described in subparagraph (A)(ii), losses paid after the 1st year following the accident year shall be treated as paid equally in the 2nd and 3rd year following the accident year, and

"(ii) in the case of a line of business described in subparagraph (A)(ii), losses paid after the close of the period applicable under subparagraph (A)(ii) shall be treated as paid in the last year of such period.

"(C) SPECIAL RULE FOR CERTAIN LONG-TAIL LINES.—In the case of any long-tail line of business—

"(i) the period taken into account under subparagraph (A)(ii) shall be extended (but not by more than 5 years) to the extent required under clause (ii), and

"(ii) the amount of losses which would have been treated as paid in the 10th year after the accident year shall be treated as paid in such 10th year and each subsequent year in an amount equal to the amount of the losses treated as paid in the 9th year after the accident year (or, if lesser, the portion of the unpaid losses not theretofore taken into account).

Notwithstanding clause (ii), to the extent such unpaid losses have not been treated as paid before the last year of the extension, they shall be treated as paid in such last year.

"(D) LONG-TAIL LINE OF BUSINESS.—For purposes of subparagraph (C), the term 'long-tail line of business' means any line of business described in subparagraph (A)(ii) if the amount of losses which (without regard to subparagraph (C)) would be treated as paid in the 10th year after the accident year exceeds the losses treated as paid in the 9th year after the accident year.

"(E) SPECIAL RULE FOR INTERNATIONAL AND REINSURANCE LINES OF BUSINESS.—Except as otherwise provided by regulations, any determination made under subsection (a) with respect to unpaid losses relating to the international or reinsurance lines of business shall be made using, in lieu of the loss payment pattern applicable to the respective lines of business, a pattern determined by the Secretary under paragraphs (1) and (2) based on the combined losses for all lines of business described in subparagraph (A)(ii).

"(F) ADJUSTMENTS IF LOSS EXPERIENCE INFORMATION AVAILABLE FOR LONGER PERIODS.—The Secretary shall make appropriate adjustments in the application of this paragraph if annual statement data with respect to payment of losses is available for longer periods after the accident year than the periods assumed under the rules of this paragraph.

"(G) SPECIAL RULE FOR 9TH YEAR IF NEGATIVE OR ZERO.—If the amount of the losses treated as paid in the 9th year after the accident year is zero or a negative amount, subparagraphs (C)(ii) and (D) shall be applied by substituting the average of the losses treated as paid in the 7th, 8th, and 9th years after the accident year for the losses treated as paid in the 9th year after the accident year.

"(4) DETERMINATION YEAR.—For purposes of this section, the term 'determination year' means calendar year 1987 and each 5th calendar year thereafter.

"(e) ELECTION TO USE COMPANY'S HISTORICAL PAYMENT PATTERN.—

"(1) IN GENERAL.—The taxpayer may elect to apply subsection (a)(2)(C) with respect to all lines of business by using a loss payment pattern determined by reference to the taxpayer's loss payment pattern for the most recent calendar year for which an annual statement was filed before the beginning of the accident year. Any such determination shall be made with the application of the rules of paragraphs (2)(C) and (3) of subsection (d).

"(2) ELECTION.—

"(A) IN GENERAL.—An election under paragraph (1) shall be made separately with respect to each determination year under subsection (d).

"(B) PERIOD FOR WHICH ELECTION IN EFFECT.—Unless revoked with the consent of the Secretary, an election under paragraph (1) with respect to any determination year shall apply to accident years ending with the determination year and to each of the 4 succeeding accident years.

"(C) TIME FOR MAKING ELECTION.—An election under paragraph (1) with respect to any determination year shall be made on the taxpayer's return for the taxable year in which (or with which) the determination year ends.

"(3) NO ELECTION FOR INTERNATIONAL OR REINSURANCE BUSINESS.—No election under this subsection shall apply to any international or reinsurance line of business.

"(4) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection including—

"(A) regulations providing that a taxpayer may not make an election under this subsection if such taxpayer does not have sufficient historical experience for the line of business to determine a loss payment pattern, and

"(B) regulations to prevent the avoidance (through the use of separate corporations or otherwise) of the requirement of this subsection that an election under this subsection applies to all lines of business of the taxpayer.

"(f) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) ACCIDENT YEAR.—The term 'accident year' means the calendar year in which the incident occurs which gives rise to the related unpaid loss.

"(2) UNPAID LOSS ADJUSTMENT EXPENSES.—The term 'unpaid losses' includes any unpaid loss adjustment expenses shown on the annual statement.

"(3) ANNUAL STATEMENT.—The term 'annual statement' means the annual statement approved by the National Association of Insurance Commissioners which the taxpayer is required to file with insurance regulatory authorities of a State.

"(4) LINE OF BUSINESS.—The term 'line of business' means a category for the reporting of loss payment patterns determined on the basis of the annual statement for fire and casualty insurance companies for the calendar year ending with or within the taxable year, except that the multiple peril lines shall be treated as a single line of business.

"(5) MULTIPLE PERIL LINES.—The term 'multiple peril lines' means the lines of business relating to farmowners multiple peril, homeowners multiple peril, commercial multiple peril, ocean marine, aircraft (all perils) and boiler and machinery.

"(6) SPECIAL RULE FOR CERTAIN ACCIDENT AND HEALTH INSURANCE LINES OF BUSINESS.—Any determination under subsection (a) with respect to unpaid losses relating to accident and health insurance lines of businesses (other than credit disability insurance) shall be made—

"(A) in the case of unpaid losses relating to disability income, by using the general rules prescribed under section 807(d) applicable to noncancellable accident and health insurance contracts and using a mortality or morbidity table reflecting the taxpayer's experience; except that—

"(i) the prevailing State assumed interest rate shall be the rate in effect for the year in which the loss occurred rather than the year in which the contract was issued, and "(ii) the limitation of subsection (a)(3) shall apply in lieu of the limitation of the last sentence of section 807(d)(1), and

"(B) in all other cases, by using an assumption (in lieu of a loss payment pattern) that unpaid losses are paid during the year following the accident year.

"(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including—

"(1) regulations providing proper treatment of allocated reinsurance, and

"(2) regulations providing proper treatment of salvage and reinsurance recoverable attributable to unpaid losses."

(d) CLERICAL AMENDMENT.—The table of sections for such part IV is amended by adding at the end thereof the following new item:

"Sec. 846. Discounted unpaid losses defined."

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1986.

(2) TRANSITIONAL RULE.—For the first taxable year beginning after December 31, 1986—

(A) the unpaid losses and the expenses unpaid (as defined in paragraphs (5)(B) and (6) of section 832(b) of the Internal Revenue Code of 1986) at the end of the preceding taxable year, and

(B) the unpaid losses as defined in sections 807(c)(2) and 805(a)(1) of such Code at the end of the preceding taxable year,

shall be determined as if the amendments made by this section had applied to such unpaid losses and expenses unpaid in the preceding taxable year and by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 1987. For subsequent taxable years, such amendments shall be applied with respect to such unpaid losses and expenses unpaid by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 1987.

(3) FRESH START.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, any difference between—

(i) the amount determined to be the unpaid losses and expenses unpaid for the year preceding the 1st taxable year of an insurance company beginning after December 31, 1986, determined without regard to paragraph (2), and

(ii) such amount determined with regard to paragraph (2),

shall not be taken into account for purposes of the Internal Revenue Code of 1986.

(B) RESERVE STRENGTHENING IN YEARS AFTER 1985.—Subparagraph (A) shall not apply to any reserve strengthening in a taxable year beginning in 1986, and such strengthening shall be treated as occurring in the taxpayer's 1st taxable year beginning after December 31, 1986.

(C) EFFECT ON EARNINGS AND PROFITS.—The earnings and profits of any insurance company for its 1st taxable year beginning after December 31, 1986, shall be increased by the amount of the difference determined under subparagraph (A) with respect to such company.

SEC. 1024. REPEAL OF PROTECTION AGAINST LOSS ACCOUNT; REVISION OF SPECIAL TREATMENT FOR SMALL COMPANIES; COMBINATION OF PARTS II AND III.

(a) GENERAL RULE.—Subchapter L of chapter 1 is amended as follows:

(1) Part II (other than sections 822 and 826) is hereby repealed.

(2) Parts III and IV are hereby redesignated as parts II and III, respectively.

(3) Section 822 (relating to determination of taxable investment income) and section 826 (relating to election by reciprocal) are hereby redesignated as sections 834 and 835, respectively, and transferred to the end of part II (as redesignated by paragraph (2)).

(4) Section 831 is amended to read as follows:

"SEC. 831. TAX ON INSURANCE COMPANIES OTHER THAN LIFE INSURANCE COMPANIES.

"(a) GENERAL RULE.—Taxes computed as provided in section 11 shall be imposed for each taxable year on the taxable income of every insurance company other than a life insurance company.

"(b) ALTERNATIVE TAX FOR CERTAIN SMALL COMPANIES.—

"(1) IN GENERAL.—In lieu of the tax otherwise applicable under subsection (a), there is hereby imposed for each taxable year on the income of every insurance company to which this subsection applies a tax computed by multiplying the taxable investment income of such company for such taxable year by the rates provided in section 11(b).

"(2) COMPANIES TO WHICH THIS SUBSECTION APPLIES.—

"(A) IN GENERAL.—This subsection shall apply to every insurance company other than life (including interinsurers and reciprocal underwriters) if—

"(i) the net written premiums (or, if greater, direct written premiums) for the taxable year exceed $350,000 but do not exceed $1,200,000, and

"(ii) such company elects the application of this subsection for such taxable year.

"(B) CONTROLLED GROUP RULES.—

"(i) IN GENERAL.—For purposes of subparagraph (A), in determining whether any company is described in clause (i) of subparagraph (A), such company shall be treated as receiving during the taxable year amounts described in such clause (i) which are received during such year by all other companies which are members of the same controlled group as the insurance company for which the determination is being made.

"(ii) CONTROLLED GROUP.—For purposes of clause (i), the term 'controlled group' means any controlled group of corporations (as defined in section 1563(a)); except that—

"(I) 'more than 50 percent' shall be substituted for 'at least 80 percent' each place it appears in section 1563(a), and

"SEC. 55. ALTERNATIVE MINIMUM TAX IMPOSED.

"(a) GENERAL RULE.—There is hereby imposed (in addition to any other tax imposed by this subtitle) a tax equal to the excess (if any) of—

"(1) the tentative minimum tax for the taxable year, over

"(2) the regular tax for the taxable year.

"(b) TENTATIVE MINIMUM TAX.—For purposes of this part—

"(1) IN GENERAL.—The tentative minimum tax for the taxable year is—

"(A) 20 percent (21 percent in the case of a taxpayer other than a corporation) of so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount, reduced by

"(B) the alternative minimum tax foreign tax credit for the taxable year.

"(2) ALTERNATIVE MINIMUM TAXABLE INCOME.—The term 'alternative minimum taxable income' means the taxahle income of the taxpayer for the taxable year—

"(A) determined with the adjustments provided in section 56 and section 58, and

"(B) increased by the amount of the items of tax preference described in section 57.

"(c) REGULAR TAX.—

"(1) IN GENERAL.—For purposes of this section, the term 'regular tax' means the regular tax liability for the taxable year (as defined in section 26(b)) reduced by the foreign tax credit allowable under section 27(a). Such term shall not include any tax imposed by section 402(e) and shall not include any increase in tax under section 47.

"(2) CROSS REFERENCES.—

"For provisions providing that certain credits are not allowahle against the tax imposed by this section, see sections 26(a), 28(d)(2), 29(b)(5), and 38(c).

"(d) EXEMPTION AMOUNT.—For purposes of this section—

"(1) EXEMPTION AMOUNT FOR TAXPAYERS OTHER THAN CORPORATIONS.—In the case of a taxpayer other than a corporation, the term 'exemption amount' means—

"(A) $40,000 in the case of—

"(i) a joint return, or

"(ii) a surviving spouse,

"(B) $30,000 in the case of an individual who—

"(i) is not a married individual, and

"(ii) is not a surviving spouse, and

"(C) $20,000 in the case of—

"(i) a married individual who files a separate return, or

"(ii) an estate or trust.

For purposes of this paragraph, the term 'surviving spouse' has the meaning given to such term by section 2(a), and marital status shall be determined under section 7703.

"(2) CORPORATIONS.—In the case of a corporation, the term 'exemption amount' means $40,000.

"(3) PHASE-OUT OF EXEMPTION AMOUNT.—The exemption amount of any taxpayer shall be reduced (but not below zero) by an amount equal to 25 percent of the amount by which the alternative minimum taxable income of the taxpayer exceeds—

"(A) $150,000 in the case of a taxpayer described in paragraph (1)(A) or (2),

"(B) $112,500 in the case of a taxpayer described in paragraph (1)(B), and

"(C) $75,000 in the case of a taxpayer described in paragraph (1)(C).

"SEC. 56. ADJUSTMENTS IN COMPUTING ALTERNATIVE MINIMUM TAXABLE INCOME.

"(a) ADJUSTMENTS APPLICABLE TO ALL TAXPAYERS.—In determining the amount of the alternative minimum taxable income for any taxable year the following treatment shall apply (in lieu of the treatment applicable for purposes of computing the regular tax):

"(1) DEPRECIATION.—

"(A) IN GENERAL.—

"(i) PROPERTY OTHER THAN CERTAIN REAL PROPERTY.—Except as provided in clause (ii), the depreciation deduction allowable under section 167 with respect to any tangible property placed in service after December 31, 1986, shall be determined under the alternative system of section 168(g).

"(ii) 150-PERCENT DECLINING BALANCE METHOD FOR CERTAIN PROPERTY.—The method of depreciation used shall be—

"(I) the 150 percent declining balance method,

"(II) switching to the straight line method for the 1st taxable year for which using the straight line method with respect to the adjusted basis as of the beginning of the year will yield a higher allowance.

The preceding sentence shall not apply to any section 1250 property (as defined in section 1250(c)) or to any other property if the depreciation deduction determined under section 168 with respect to such other property for purposes of the regular tax is determined by using the straight line method.

"(B) EXCEPTION FOR CERTAIN PROPERTY.—This paragraph shall not apply to property described in paragraph (1), (2), (3), or (4) of section 168(f).

"(C) COORDINATION WITH TRANSITIONAL RULES.—

"(i) IN GENERAL.—This paragraph shall not apply to property placed in service after December 31, 1986, to which the amendments made by section 201 of the Tax Reform Act of 1986 do not apply.

"(ii) TREATMENT OF CERTAIN PROPERTY PLACED IN SERVICE BEFORE 1987.—This paragraph shall apply to any property to which the amendments made by section 201 of the Tax Reform Act of 1986 apply by reason of an election under section 203(a)(1)(B) of such Act without regard to the requirement of subparagraph (A) that the property be placed in service after December 31, 1986.

"(D) NORMALIZATION RULES.—With respect to public utility property described in section 167(l)(3)(A), the Secretary

SEC. 1013. OPERATIONS LOSS DEDUCTION OF INSOLVENT COMPANIES MAY OFFSET DISTRIBUTIONS FROM POLICYHOLDERS SURPLUS ACCOUNT.

(a) IN GENERAL.—If—

(1) on November 15, 1985, a life insurance company was insolvent,

(2) pursuant to the order of any court of competent jurisdiction in a title 11 or similar case (as defined in section 368(a)(3) of the Internal Revenue Code of 1954), such company is liquidated, and

(3) as a result of such liquidation, the tax imposed by section 801 of such Code for any taxable year (hereinafter in this subsection referred to as the "liquidation year") would (but for this subsection) be increased under section 815(a) of such Code,

then the amount described in section 815(a)(2) of such Code shall be reduced by the loss from operations (if any) for the liquidation year, and by the unused operations loss carryovers (if any) to the liquidation year (determined after the application of section 810 of such Code for such year). No carryover of any loss from operations of such company arising during the liquidation year (or any prior taxable year) shall be allowable for any taxable year succeeding the liquidation year.

(b) DEFINITIONS.—For purposes of subsection (a)—

(1) INSOLVENT.—The term "insolvent" means the excess of liabilities over the fair market value of assets.

(2) LOSS FROM OPERATIONS.—The term "loss from operations" has the meaning given such term by section 810(c) of such Code.

(c) EFFECTIVE DATE.—This section shall apply to liquidations on or after November 15, 1985, in taxable years ending after such date.

Subtitle C—Property and Casualty Insurance Companies

SEC. 1021. INCLUSION IN INCOME OF 20 PERCENT OF UNEARNED PREMIUM RESERVE.

(a) IN GENERAL.—The first sentence of paragraph (4) of section 832(b) (defining premiums earned) is amended by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) To the result so obtained, add 80 percent of the unearned premiums on outstanding business at the end of the preceding taxable year and deduct 80 percent of the unearned premiums on outstanding business at the end of the taxable year.

"(C) To the result so obtained, in the case of a taxable year beginning after December 31, 1986, and before January 1, 1993, add an amount equal to 3⅓ percent of unearned premiums on outstanding business at the end of the most recent taxable year beginning before January 1, 1987."

(b) SPECIAL RULES.—Subsection (b) of section 832 is amended by adding at the end thereof the following new paragraph:

"(7) SPECIAL RULES FOR APPLYING PARAGRAPH (4).—

"(A) REDUCTION NOT TO APPLY TO LIFE INSURANCE RESERVES.—Subparagraph (B) of paragraph (4) shall be applied with respect to amounts included in unearned premiums under the 2nd sentence of such paragraph by substituting '100 percent' for '80 percent' each place it appears in such subparagraph (B), and subparagraph (C) of paragraph (4) shall be applied by not taking such amounts into account.

"(B) SPECIAL TREATMENT OF PREMIUMS ATTRIBUTABLE TO INSURING CERTAIN SECURITIES.—In the case of premiums attributable to insurance against default in the payment of principal or interest on securities described in section 165(g)(2)(C) with maturities of more than 5 years—

"(i) subparagraph (B) of paragraph (4) shall be applied by substituting '90 percent' for '80 percent' each place it appears, and

"(ii) subparagraph (C) of paragraph (4) shall be applied by substituting '1⅔ percent' for '3⅓ percent'.

"(C) TERMINATION AS NONLIFE INSURANCE COMPANY.—Except as provided in section 381(c)(22) (relating to carryovers in certain corporate readjustments), if, for any taxable year beginning before January 1, 1993, the taxpayer ceases to be an insurance company taxable under this part, the aggregate adjustments which would be made under paragraph (4)(C) for such taxable year and subsequent taxable years but for such cessation shall be made for the taxable year preceding such cessation year.

"(8) SPECIAL RULES FOR APPLYING PARAGRAPH (4) TO TITLE INSURANCE PREMIUMS.—

"(A) IN GENERAL.—In the case of premiums attributable to title insurance—

"(i) subparagraph (B) of paragraph (4) shall be applied by substituting 'the discounted unearned premiums' for '80 percent of the unearned premiums' each place it appears, and

"(ii) subparagraph (C) of paragraph (4) shall not apply.

"(B) METHOD OF DISCOUNTING.—For purposes of subparagraph (A), the amount of the discounted unearned premiums as of the end of any taxable year shall be the present value of such premiums (as of such time and separately with respect to premiums received in each calendar year) determined by using—

"(i) the amount of the undiscounted unearned premiums at such time,

"(ii) the applicable interest rate, and

"(iii) the applicable statutory premium recognition pattern.

"(C) DETERMINATION OF APPLICABLE FACTORS.—In determining the amount of the discounted unearned premiums as of the end of any taxable year—

"(i) UNDISCOUNTED UNEARNED PREMIUMS.—The term 'undiscounted unearned premiums' means the unearned premiums shown in the yearly statement filed by the taxpayer for the year ending with or within such taxable year.

"(ii) APPLICABLE INTEREST RATE.—The term 'applicable interest rate' means the annual rate determined under 846(c)(2) for the calendar year in which the premiums are received.

"(iii) APPLICABLE STATUTORY PREMIUM RECOGNITION PATTERN.—The term 'applicable statutory premium recognition pattern' means the statutory premium recognition pattern—

"(I) which is in effect for the calendar year in which the premiums are received, and

"(II) which is based on the statutory premium recognition pattern which applies to premiums received by the taxpayer in such calendar year.

For purposes of the preceding sentence, premiums received during any calendar year shall be treated as received in the middle of such year."

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to taxable years beginning after December 31, 1986.

(2) SPECIAL TRANSITIONAL RULE FOR TITLE INSURANCE COMPANIES.—For the 1st taxable year beginning after December 31, 1986, in the case of premiums attributable to title insurance—

(A) IN GENERAL.—The unearned premiums at the end of the preceding taxable year as defined in paragraph (4) of section 832(b) shall be determined as if the amendments made by this section had applied to such unearned premiums in the preceding taxable year and by using the interest rate and premium recognition pattern applicable to years ending in calendar year 1987.

(B) FRESH START.—Except as provided in subparagraph (C), any difference between—

(i) the amount determined to be unearned premiums for the year preceding the first taxable year of a title insurance company beginning after December 31, 1986, determined without regard to subparagraph (A), and

(ii) such amount determined with regard to subparagraph (A),

shall not be taken into account for purposes of the Internal Revenue Code of 1986.

(C) EFFECT ON EARNINGS AND PROFITS.—The earnings and profits of any insurance company for its 1st taxable year beginning after December 31, 1986, shall be increased by the amount of the difference determined under subparagraph (A) with respect to such company.

SEC. 1022. TREATMENT OF CERTAIN DIVIDENDS AND TAX-EXEMPT INTEREST.

(a) IN GENERAL.—Paragraph (5) of section 832(b) (defining losses incurred) is amended to read as follows:

"(5) LOSSES INCURRED.—

"(A) IN GENERAL.—The term 'losses incurred' means losses incurred during the taxable year on insurance contracts, computed as follows:

"(i) To losses paid during the taxable year, add salvage and reinsurance recoverable outstanding at the end of the preceding taxable year and deduct salvage and reinsurance recoverable outstanding at the end of the taxable year.

"(ii) To the result so obtained, add all unpaid losses outstanding at the end of the taxable year and deduct stock (expressed as a percentage of the amount described in subparagraph (B)(i)(II)).

"(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

"(i) QUALIFIED PREFERRED DIVIDEND.—The term 'qualified preferred dividend' means any dividend payable with respect to any share of stock which—

"(I) provides for fixed preferred dividends payable not less frequently than annually, and

"(II) is not in arrears as to dividends at the time the taxpayer acquires the stock.

"(ii) HOLDING PERIOD.—In determining the holding period for purposes of subparagraph (A)(ii), subsection (d)(3) shall be applied by substituting '5 years' for '2 years'."

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to dividends declared after July 18, 1986, in taxable years ending after such date.

(2) AGGREGATION.—For purposes of section 1059(c)(3) of the Internal Revenue Code of 1986, dividends declared after July 18, 1986, shall not be aggregated with dividends declared on or before July 18, 1986.

(3) REDEMPTIONS.—Section 1059(e)(1) of the Internal Revenue Code of 1986 (as added by subsection (e)) shall apply to dividends declared after the date of the enactment of this Act, in taxable years ending after such date.

Subtitle C—Limitation on Net Operating Loss Carryforwards and Excess Credit Carryforwards

SEC. 621. LIMITATION ON NET OPERATING LOSS CARRYFORWARDS.

(a) IN GENERAL.—Section 382 (relating to special limitations on net operating loss carryovers) is amended to read as follows:

"SEC. 382. LIMITATION ON NET OPERATING LOSS CARRYFORWARDS AND CERTAIN BUILT-IN LOSSES FOLLOWING OWNERSHIP CHANGE.

"(a) GENERAL RULE.—The amount of the taxable income of any new loss corporation for any post-change year which may be offset by pre-change losses shall not exceed the section 382 limitation for such year.

"(b) SECTION 382 LIMITATION.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this section, the section 382 limitation for any post-change year is an amount equal to—

"(A) the value of the old loss corporation, multiplied by

"(B) the long-term tax-exempt rate.

"(2) CARRYFORWARD OF UNUSED LIMITATION.—If the section 382 limitation for any post-change year exceeds the taxable income of the new loss corporation for such year which was offset by pre-change losses, the section 382 limitation for the

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next post-change year shall be increased by the amount of such excess.

"(3) SPECIAL RULE FOR POST-CHANGE YEAR WHICH INCLUDES CHANGE DATE.—In the case of any post-change year which includes the change date—

"(A) LIMITATION DOES NOT APPLY TO TAXABLE INCOME BEFORE CHANGE.—Subsection (a) shall not apply to the portion of the taxable income for such year which is allocable to the period in such year on or before the change date. Except as provided in subsection (h)(5) and in regulations, taxable income shall be allocated ratably to each day in the year.

"(B) LIMITATION FOR PERIOD AFTER CHANGE.—For purposes of applying the limitation of subsection (a) to the remainder of the taxable income for such year, the section 382 limitation shall be an amount which bears the same ratio to such limitation (determined without regard to this paragraph) as—

"(i) the number of days in such year after the change date, bears to

"(ii) the total number of days in such year.

"(c) CARRYFORWARDS DISALLOWED IF CONTINUITY OF BUSINESS REQUIREMENTS NOT MET.—

"(1) IN GENERAL.—Except as provided in paragraph (2), if the new loss corporation does not continue the business enterprise of the old loss corporation at all times during the 2-year period beginning on the change date, the section 382 limitation for any post-change year shall be zero.

"(2) EXCEPTION FOR CERTAIN GAINS.—The section 382 limitation for any post-change year shall not be less than the sum of—

"(A) any increase in such limitation under—

"(i) subsection (h)(1)(A) for recognized built-in gains for such year, and

"(ii) subsection (h)(1)(C) for gain recognized by reason of an election under section 338, plus

"(B) any increase in such limitation under subsection (b)(2) for amounts described in subparagraph (A) which are carried forward to such year.

"(d) PRE-CHANGE LOSS AND POST-CHANGE YEAR.—For purposes of this section—

"(1) PRE-CHANGE LOSS.—The term 'pre-change loss' means—

"(A) any net operating loss carryforward of the old loss corporation to the taxable year ending with the ownership change or in which the change date occurs, and

"(B) the net operating loss of the old loss corporation for the taxable year in which the ownership change occurs to the extent such loss is allocable to the period in such year on or before the change date.

Except as provided in subsection (h)(5) and in regulations, the net operating loss shall, for purposes of subparagraph (B), be allocated ratably to each day in the year.

"(2) POST-CHANGE YEAR.—The term 'post-change year' means any taxable year ending after the change date.

"(e) VALUE OF OLD LOSS CORPORATION.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the value of the old loss corporation is the value of

Attachment 2:

Relevant Excerpts for Property and Casualty Insurers from the Tax Cut and Jobs Act of 2017 partnership, trust, or other entity that holds an interest in the life insurance contract.".

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 101(a) is amended by striking "paragraph (2)" and inserting "paragraphs (2) and (3)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers after December 31, 2017.

SEC. 13523. MODIFICATION OF DISCOUNTING RULES FOR PROPERTY AND CASUALTY INSURANCE COMPANIES.

(a) MODIFICATION OF RATE OF INTEREST USED TO DISCOUNT UNPAID LOSSES.—Paragraph (2) of section 846(c) is amended to read as follows:

"(2) DETERMINATION OF ANNUAL RATE.—The annual rate determined by the Secretary under this paragraph for any calendar year shall be a rate determined on the basis of the corporate bond yield curve (as defined in section 430(h)(2)(D)(i), determined by substituting '60-month period' for '24-month period' therein).".

(b) MODIFICATION OF COMPUTATIONAL RULES FOR LOSS PAYMENT PATTERNS.—Section 846(d)(3) is amended by striking subparagraphs (B) through (G) and inserting the following new subparagraph:

"(B) TREATMENT OF CERTAIN LOSSES.—

"(i) 3-YEAR LOSS PAYMENT PATTERN.—In the case of any line of business not described in subparagraph (A)(ii), losses paid after the 1st year following the accident year shall be treated as paid equally in the 2nd and 3rd year following the accident year.

"(ii) 10-YEAR LOSS PAYMENT PATTERN.—

"(I) IN GENERAL.—The period taken into account under subparagraph (A)(ii) shall be extended to the extent required under subclause (II).

"(II) COMPUTATION OF EXTENSION.—The amount of losses which would have been treated as paid in the 10th year after the accident year shall be treated as paid in such 10th year and each subsequent year in an amount equal to the amount of the average of the losses treated as paid in the 7th, 8th, and 9th years after the accident year (or, if lesser, the portion of the unpaid losses not theretofore taken into account). To the extent such unpaid losses have not been treated as paid before the 24th year after the accident year, they shall be treated as paid in such 24th year.".

(c) REPEAL OF HISTORICAL PAYMENT PATTERN ELECTION.—Section 846, as amended by this Act, is amended by striking subsection (e) and by redesignating subsections (f) and (g) as subsections (e) and (f), respectively.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(e) TRANSITIONAL RULE.—For the first taxable year beginning after December 31, 2017—

(1) the unpaid losses and the expenses unpaid (as defined in paragraphs (5)(B) and (6) of section 832(b) of the Internal

Revenue Code of 1986) at the end of the preceding taxable year, and

(2) the unpaid losses as defined in sections 807(c)(2) and 805(a)(1) of such Code at the end of the preceding taxable year,

shall be determined as if the amendments made by this section had applied to such unpaid losses and expenses unpaid in the preceding taxable year and by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018, and any adjustment shall be taken into account ratably in such first taxable year and the 7 succeeding taxable years. For subsequent taxable years, such amendments shall be applied with respect to such unpaid losses and expenses unpaid by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018.

Subpart C—Banks and Financial Instruments

SEC. 13531. LIMITATION ON DEDUCTION FOR FDIC PREMIUMS.

(a) In General.—Section 162, as amended by sections 13307, is amended by redesignating subsection (r) as subsection (s) and by inserting after subsection (q) the following new subsection:

"(r) Disallowance of FDIC Premiums Paid by Certain Large Financial Institutions.—

"(1) In general.—No deduction shall be allowed for the applicable percentage of any FDIC premium paid or incurred by the taxpayer.

"(2) Exception for small institutions.—Paragraph (1) shall not apply to any taxpayer for any taxable year if the total consolidated assets of such taxpayer (determined as of the close of such taxable year) do not exceed $10,000,000,000.

"(3) Applicable percentage.—For purposes of this subsection, the term 'applicable percentage' means, with respect to any taxpayer for any taxable year, the ratio (expressed as a percentage but not greater than 100 percent) which—

"(A) the excess of—

"(i) the total consolidated assets of such taxpayer (determined as of the close of such taxable year), over

"(ii) $10,000,000,000, bears to

"(B) $40,000,000,000.

"(4) FDIC premiums.—For purposes of this subsection, the term 'FDIC premium' means any assessment imposed under section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)).

"(5) Total consolidated assets.—For purposes of this subsection, the term 'total consolidated assets' has the meaning given such term under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5365).

"(6) Aggregation rule.—

"(A) In general.—Members of an expanded affiliated group shall be treated as a single taxpayer for purposes of applying this subsection.

"(B) Expanded affiliated group.—

"(i) In general.—For purposes of this paragraph, the term 'expanded affiliated group' means an affiliated group as defined in section 1504(a), determined—

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(d) PHASED INCLUSION OF REMAINING BALANCE OF POLICYHOLDERS SURPLUS ACCOUNTS.—In the case of any stock life insurance company which has a balance (determined as of the close of such company's last taxable year beginning before January 1, 2018) in an existing policyholders surplus account (as defined in section 815 of the Internal Revenue Code of 1986, as in effect before its repeal), the tax imposed by section 801 of such Code for the first 8 taxable years beginning after December 31, 2017, shall be the amount which would be imposed by such section for such year on the sum of—

(1) life insurance company taxable income for such year (within the meaning of such section 801 but not less than zero), plus

(2) ⅛ of such balance.

SEC. 13515. MODIFICATION OF PRORATION RULES FOR PROPERTY AND CASUALTY INSURANCE COMPANIES.

(a) IN GENERAL.—Section 832(b)(5)(B) is amended—

(1) by striking "15 percent" and inserting "the applicable percentage", and

(2) by inserting at the end the following new sentence: "For purposes of this subparagraph, the applicable percentage is 5.25 percent divided by the highest rate in effect under section 11(b).".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13516. REPEAL OF SPECIAL ESTIMATED TAX PAYMENTS.

(a) IN GENERAL.—Part III of subchapter L of chapter 1 is amended by striking section 847 (and by striking the item relating to such section in the table of sections for such part).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13517. COMPUTATION OF LIFE INSURANCE TAX RESERVES.

(a) IN GENERAL.—

(1) APPROPRIATE RATE OF INTEREST.—The second sentence of section 807(c) is amended to read as follows: "For purposes of paragraph (3), the appropriate rate of interest is the highest rate or rates permitted to be used to discount the obligations by the National Association of Insurance Commissioners as of the date the reserve is determined.".

(2) METHOD OF COMPUTING RESERVES.—Section 807(d) is amended—

(A) by striking paragraphs (1), (2), (4), and (5),

(B) by redesignating paragraph (6) as paragraph (4),

(C) by inserting before paragraph (3) the following new paragraphs:

"(1) DETERMINATION OF RESERVE.—

"(A) IN GENERAL.—For purposes of this part (other than section 816), the amount of the life insurance reserves for any contract (other than a contract to which subparagraph (B) applies) shall be the greater of—

"(i) the net surrender value of such contract, or

"(ii) 92.81 percent of the reserve determined under paragraph (2).

"(iii) Farm machinery or equipment.

"(10) CROSS REFERENCES.—

"(A) For requirement that an electing real property trade or business use the alternative depreciation system, see section 168(g)(1)(F).

"(B) For requirement that an electing farming business use the alternative depreciation system, see section 168(g)(1)(G).".

(b) TREATMENT OF CARRYFORWARD OF DISALLOWED BUSINESS INTEREST IN CERTAIN CORPORATE ACQUISITIONS.—

(1) IN GENERAL.—Section 381(c) is amended by inserting after paragraph (19) the following new paragraph:

"(20) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The carryover of disallowed business interest described in section 163(j)(2) to taxable years ending after the date of distribution or transfer.".

(2) APPLICATION OF LIMITATION.—Section 382(d) is amended by adding at the end the following new paragraph:

"(3) APPLICATION TO CARRYFORWARD OF DISALLOWED INTEREST.—The term 'pre-change loss' shall include any carryover of disallowed interest described in section 163(j)(2) under rules similar to the rules of paragraph (1).".

(3) CONFORMING AMENDMENT.—Section 382(k)(1) is amended by inserting after the first sentence the following: "Such term shall include any corporation entitled to use a carryforward of disallowed interest described in section 381(c)(20).".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13302. MODIFICATION OF NET OPERATING LOSS DEDUCTION.

(a) LIMITATION ON DEDUCTION.—

(1) IN GENERAL.—Section 172(a) is amended to read as follows:

"(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

"(1) the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year, or

"(2) 80 percent of taxable income computed without regard to the deduction allowable under this section.

For purposes of this subtitle, the term 'net operating loss deduction' means the deduction allowed by this subsection.".

(2) COORDINATION OF LIMITATION WITH CARRYBACKS AND CARRYOVERS.—Section 172(b)(2) is amended by striking "shall be computed—" and all that follows and inserting "shall—

"(A) be computed with the modifications specified in subsection (d) other than paragraphs (1), (4), and (5) thereof, and by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss year or for any taxable year thereafter,

"(B) not be considered to be less than zero, and

"(C) not exceed the amount determined under subsection (a)(2) for such prior taxable year.".

(3) CONFORMING AMENDMENT.—Section 172(d)(6) is amended by striking "and" at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and

inserting "; and", and by adding at the end the following new subparagraph:

"(C) subsection (a)(2) shall be applied by substituting 'real estate investment trust taxable income (as defined in section 857(b)(2) but without regard to the deduction for dividends paid (as defined in section 561))' for 'taxable income'.".

(b) REPEAL OF NET OPERATING LOSS CARRYBACK; INDEFINITE CARRYFORWARD.—

(1) IN GENERAL.—Section 172(b)(1)(A) is amended—

(A) by striking "shall be a net operating loss carryback to each of the 2 taxable years" in clause (i) and inserting "except as otherwise provided in this paragraph, shall not be a net operating loss carryback to any taxable year", and

(B) by striking "to each of the 20 taxable years" in clause (ii) and inserting "to each taxable year".

(2) CONFORMING AMENDMENT.—Section 172(b)(1) is amended by striking subparagraphs (B) through (F).

(c) TREATMENT OF FARMING LOSSES.—

(1) ALLOWANCE OF CARRYBACKS.—Section 172(b)(1), as amended by subsection (b)(2), is amended by adding at the end the following new subparagraph:

"(B) FARMING LOSSES.—

"(i) IN GENERAL.—In the case of any portion of a net operating loss for the taxable year which is a farming loss with respect to the taxpayer, such loss shall be a net operating loss carryback to each of the 2 taxable years preceding the taxable year of such loss.

"(ii) FARMING LOSS.—For purposes of this section, the term 'farming loss' means the lesser of—

"(I) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 263A(e)(4)) are taken into account, or

"(II) the amount of the net operating loss for such taxable year.

"(iii) COORDINATION WITH PARAGRAPH (2).—For purposes of applying paragraph (2), a farming loss for any taxable year shall be treated as a separate net operating loss for such taxable year to be taken into account after the remaining portion of the net operating loss for such taxable year.

"(iv) ELECTION.—Any taxpayer entitled to a 2-year carryback under clause (i) from any loss year may elect not to have such clause apply to such loss year. Such election shall be made in such manner as prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer's return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.".

(2) CONFORMING AMENDMENTS.—

(A) Section 172 is amended by striking subsections (f), (g), and (h), and by redesignating subsection (i) as subsection (f).

(B) Section 537(b)(4) is amended by inserting "(as in effect before the date of enactment of the Tax Cuts and Jobs Act)" after "as defined in section 172(f)".

(d) Treatment of Certain Insurance Losses.—

(1) Treatment of carryforwards and carrybacks.—Section 172(b)(1), as amended by subsections (b)(2) and (c)(1), is amended by adding at the end the following new subparagraph:

"(C) Insurance companies.—In the case of an insurance company (as defined in section 816(a)) other than a life insurance company, the net operating loss for any taxable year—

"(i) shall be a net operating loss carryback to each of the 2 taxable years preceding the taxable year of such loss, and

"(ii) shall be a net operating loss carryover to each of the 20 taxable years following the taxable year of the loss.".

(2) Exemption from limitation.—Section 172, as amended by subsection (c)(2)(A), is amended by redesignating subsection (f) as subsection (g) and inserting after subsection (e) the following new subsection:

"(f) Special Rule for Insurance Companies.—In the case of an insurance company (as defined in section 816(a)) other than a life insurance company—

"(1) the amount of the deduction allowed under subsection (a) shall be the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year, and

"(2) subparagraph (C) of subsection (b)(2) shall not apply.".

(e) Effective Date.—

(1) Net operating loss limitation.—The amendments made by subsections (a) and (d)(2) shall apply to losses arising in taxable years beginning after December 31, 2017.

(2) Carryforwards and carrybacks.—The amendments made by subsections (b), (c), and (d)(1) shall apply to net operating losses arising in taxable years ending after December 31, 2017.

SEC. 13303. LIKE-KIND EXCHANGES OF REAL PROPERTY.

(a) In General.—Section 1031(a)(1) is amended by striking "property" each place it appears and inserting "real property".

(b) Conforming Amendments.—

(1)(A) Paragraph (2) of section 1031(a) is amended to read as follows:

"(2) Exception for real property held for sale.—This subsection shall not apply to any exchange of real property held primarily for sale.".

(B) Section 1031 is amended by striking subsection (i).

(2) Section 1031 is amended by striking subsection (e).

(3) Section 1031, as amended by paragraph (2), is amended by inserting after subsection (d) the following new subsection:

"(e) Application to Certain Partnerships.—For purposes of this section, an interest in a partnership which has in effect a

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) levies made after the date of the enactment of this Act, and

(2) levies made on or before such date if the 9-month period has not expired under section 6343(b) of the Internal Revenue Code of 1986 (without regard to this section) as of such date.

PART VIII—INDIVIDUAL MANDATE

SEC. 11081. ELIMINATION OF SHARED RESPONSIBILITY PAYMENT FOR INDIVIDUALS FAILING TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

(a) IN GENERAL.—Section 5000A(c) is amended—

(1) in paragraph (2)(B)(iii), by striking "2.5 percent" and inserting "Zero percent", and

(2) in paragraph (3)—

(A) by striking "$695" in subparagraph (A) and inserting "$0", and

(B) by striking subparagraph (D).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to months beginning after December 31, 2018.

Subtitle B—Alternative Minimum Tax

SEC. 12001. REPEAL OF TAX FOR CORPORATIONS.

(a) IN GENERAL.—Section 55(a) is amended by striking "There" and inserting "In the case of a taxpayer other than a corporation, there".

(b) CONFORMING AMENDMENTS.—

(1) Section 38(c)(6) is amended by adding at the end the following new subparagraph:

"(E) CORPORATIONS.—In the case of a corporation, this subsection shall be applied by treating the corporation as having a tentative minimum tax of zero.".

(2) Section 53(d)(2) is amended by inserting ", except that in the case of a corporation, the tentative minimum tax shall be treated as zero" before the period at the end.

(3)(A) Section 55(b)(1) is amended to read as follows:

"(1) AMOUNT OF TENTATIVE TAX.—

"(A) IN GENERAL.—The tentative minimum tax for the taxable year is the sum of—

"(i) 26 percent of so much of the taxable excess as does not exceed $175,000, plus

"(ii) 28 percent of so much of the taxable excess as exceeds $175,000.

The amount determined under the preceding sentence shall be reduced by the alternative minimum tax foreign tax credit for the taxable year.

"(B) TAXABLE EXCESS.—For purposes of this subsection, the term 'taxable excess' means so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount.

"(C) MARRIED INDIVIDUAL FILING SEPARATE RETURN.—In the case of a married individual filing a separate return, subparagraph (A) shall be applied by substituting 50 percent of the dollar amount otherwise applicable under clause (i) and clause (ii) thereof. For purposes of the preceding sentence, marital status shall be determined under section 7703.".

(B) Section 55(b)(3) is amended by striking "paragraph (1)(A)(i)" and inserting "paragraph (1)(A)".

(C) Section 59(a) is amended—

(i) by striking "subparagraph (A)(i) or (B)(i) of section 55(b)(1) (whichever applies) in lieu of the highest rate of tax specified in section 1 or 11 (whichever applies)" in paragraph (1)(C) and inserting "section 55(b)(1) in lieu of the highest rate of tax specified in section 1", and

(ii) in paragraph (2), by striking "means" and all that follows and inserting "means the amount determined under the first sentence of section 55(b)(1)(A).".

(D) Section 897(a)(2)(A) is amended by striking "section 55(b)(1)(A)" and inserting "section 55(b)(1)".

(E) Section 911(f) is amended—

(i) in paragraph (1)(B)—

(I) by striking "section 55(b)(1)(A)(ii)" and inserting "section 55(b)(1)(B)", and

(II) by striking "section 55(b)(1)(A)(i)" and inserting "section 55(b)(1)(A)", and

(ii) in paragraph (2)(B), by striking "section 55(b)(1)(A)(ii)" each place it appears and inserting "section 55(b)(1)(B)".

(4) Section 55(c)(1) is amended by striking ", the section 936 credit allowable under section 27(b), and the Puerto Rico economic activity credit under section 30A".

(5) Section 55(d), as amended by section 11002, is amended—

(A) by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively,

(B) in paragraph (2) (as so redesignated), by inserting "and" at the end of subparagraph (B), by striking ", and" at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D), and

(C) in paragraph (3) (as so redesignated)—

(i) by striking "(b)(1)(A)(i)" in subparagraph (B)(i) and inserting "(b)(1)(A)", and

(ii) by striking "paragraph (3)" in subparagraph (B)(iii) and inserting "paragraph (2)".

(6) Section 55 is amended by striking subsection (e).

(7) Section 56(b)(2) is amended by striking subparagraph (C) and by redesignating subparagraph (D) as subparagraph (C).

(8)(A) Section 56 is amended by striking subsections (c) and (g).

(B) Section 847 is amended by striking the last sentence of paragraph (9).

(C) Section 848 is amended by striking subsection (i).

(9) Section 58(a) is amended by striking paragraph (3) and redesignating paragraph (4) as paragraph (3).

(10) Section 59 is amended by striking subsections (b) and (f).

(11) Section 11(d) is amended by striking "the taxes imposed by subsection (a) and section 55" and inserting "the tax imposed by subsection (a)".

(12) Section 12 is amended by striking paragraph (7).

(13) Section 168(k) is amended by striking paragraph (4).

(14) Section 882(a)(1) is amended by striking ", 55,".

(15) Section 962(a)(1) is amended by striking "sections 11 and 55" and inserting "section 11".

(16) Section 1561(a) is amended—

(A) by inserting "and" at the end of paragraph (1), by striking ", and" at the end of paragraph (2) and inserting a period, and by striking paragraph (3), and

(B) by striking the last sentence.

(17) Section 6425(c)(1)(A) is amended to read as follows:

"(A) the tax imposed by section 11 or 1201(a), or subchapter L of chapter 1, whichever is applicable, over".

(18) Section 6655(e)(2) is amended by striking "and alternative minimum taxable income" each place it appears in subparagraphs (A) and (B)(i).

(19) Section 6655(g)(1)(A) is amended by inserting "plus" at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 12002. CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY OF CORPORATIONS.

(a) Credits Treated as Refundable.—Section 53 is amended by adding at the end the following new subsection:

"(e) Portion of Credit Treated as Refundable.—

"(1) In general.—In the case of any taxable year of a corporation beginning in 2018, 2019, 2020, or 2021, the limitation under subsection (c) shall be increased by the AMT refundable credit amount for such year.

"(2) AMT refundable credit amount.—For purposes of paragraph (1), the AMT refundable credit amount is an amount equal to 50 percent (100 percent in the case of a taxable year beginning in 2021) of the excess (if any) of—

"(A) the minimum tax credit determined under subsection (b) for the taxable year, over

"(B) the minimum tax credit allowed under subsection (a) for such year (before the application of this subsection for such year).

"(3) Credit refundable.—For purposes of this title (other than this section), the credit allowed by reason of this subsection shall be treated as a credit allowed under subpart C (and not this subpart).

"(4) Short taxable years.—In the case of any taxable year of less than 365 days, the AMT refundable credit amount determined under paragraph (2) with respect to such taxable year shall be the amount which bears the same ratio to such amount determined without regard to this paragraph as the number of days in such taxable year bears to 365.".

(b) Treatment of References.—Section 53(d) is amended by adding at the end the following new paragraph:

"(3) AMT term references.—In the case of a corporation, any references in this subsection to section 55, 56, or 57 shall be treated as a reference to such section as in effect before the amendments made by Tax Cuts and Jobs Act.".

(c) CONFORMING AMENDMENT.—Section 1374(b)(3)(B) is amended by striking the last sentence thereof.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) CONFORMING AMENDMENT.—The amendment made by subsection (c) shall apply to taxable years beginning after December 31, 2021.

SEC. 12003. INCREASED EXEMPTION FOR INDIVIDUALS.

(a) IN GENERAL.—Section 55(d), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

"(4) SPECIAL RULE FOR TAXABLE YEARS BEGINNING AFTER 2017 AND BEFORE 2026.—

"(A) IN GENERAL.—In the case of any taxable year beginning after December 31, 2017, and before January 1, 2026—

"(i) paragraph (1) shall be applied—

"(I) by substituting '$109,400' for '$78,750' in subparagraph (A), and

"(II) by substituting '$70,300' for '$50,600' in subparagraph (B), and

"(ii) paragraph (2) shall be applied—

"(I) by substituting '$1,000,000' for '$150,000' in subparagraph (A),

"(II) by substituting '50 percent of the dollar amount applicable under subparagraph (A)' for '$112,500' in subparagraph (B), and

"(III) in the case of a taxpayer described in paragraph (1)(D), without regard to the substitution under subclause (I).

"(B) INFLATION ADJUSTMENT.—

"(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2018, the amounts described in clause (ii) shall each be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(ii) AMOUNTS DESCRIBED.—The amounts described in this clause are the $109,400 amount in subparagraph (A)(i)(I), the $70,300 amount in subparagraph (A)(i)(II), and the $1,000,000 amount in subparagraph (A)(ii)(I).

"(iii) ROUNDING.—Any increased amount determined under clause (i) shall be rounded to the nearest multiple of $100.

"(iv) COORDINATION WITH CURRENT ADJUSTMENTS.—In the case of any taxable year to which subparagraph (A) applies, no adjustment shall be made under paragraph (3) to any of the numbers which are substituted under subparagraph (A) and adjusted under this subparagraph.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

Subtitle C—Business-related Provisions

PART I—CORPORATE PROVISIONS

SEC. 13001. 21-PERCENT CORPORATE TAX RATE.

(a) IN GENERAL.—Subsection (b) of section 11 is amended to read as follows:

“(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) shall be 21 percent of taxable income.”.

(b) CONFORMING AMENDMENTS.—

(1) The following sections are each amended by striking “section 11(b)(1)” and inserting “section 11(b)”:

(A) Section 280C(c)(3)(B)(ii)(II).

(B) Paragraphs (2)(B) and (6)(A)(ii) of section 860E(e).

(C) Section 7874(e)(1)(B).

(2)(A) Part I of subchapter P of chapter 1 is amended by striking section 1201 (and by striking the item relating to such section in the table of sections for such part).

(B) Section 12 is amended by striking paragraphs (4) and (6), and by redesignating paragraph (5) as paragraph (4).

(C) Section 453A(c)(3) is amended by striking “or 1201 (whichever is appropriate)”.

(D) Section 527(b) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed” and inserting:

“(b) TAX IMPOSED.—A tax”.

(E) Sections 594(a) is amended by striking “taxes imposed by section 11 or 1201(a)” and inserting “tax imposed by section 11”.

(F) Section 691(c)(4) is amended by striking “1201,”.

(G) Section 801(a) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed” and inserting:

“(a) TAX IMPOSED.—A tax”.

(H) Section 831(e) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(I) Sections 832(c)(5) and 834(b)(1)(D) are each amended by striking “sec. 1201 and following,”.

(J) Section 852(b)(3)(A) is amended by striking “section 1201(a)” and inserting “section 11(b)”.

(K) Section 857(b)(3) is amended—

(i) by striking subparagraph (A) and redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively,

(ii) in subparagraph (C), as so redesignated—

(I) by striking “subparagraph (A)(ii)” in clause (i) thereof and inserting “paragraph (1)”,

(ii) the amount of the timing differences which reverse during such period.

(C) ALTERNATIVE METHOD.—The “alternative method” is the method in which the taxpayer—

(i) computes the excess tax reserve on all public utility property included in the plant account on the basis of the weighted average life or composite rate used to compute depreciation for regulatory purposes, and

(ii) reduces the excess tax reserve ratably over the remaining regulatory life of the property.

(4) TAX INCREASED FOR NORMALIZATION VIOLATION.—If, for any taxable year ending after the date of the enactment of this Act, the taxpayer does not use a normalization method of accounting for the corporate rate reductions provided in the amendments made by this section—

(A) the taxpayer’s tax for the taxable year shall be increased by the amount by which it reduces its excess tax reserve more rapidly than permitted under a normalization method of accounting, and

(B) such taxpayer shall not be treated as using a normalization method of accounting for purposes of subsections (f)(2) and (i)(9)(C) of section 168 of the Internal Revenue Code of 1986.

SEC. 13002. REDUCTION IN DIVIDEND RECEIVED DEDUCTIONS TO REFLECT LOWER CORPORATE INCOME TAX RATES.

(a) DIVIDENDS RECEIVED BY CORPORATIONS.—

(1) IN GENERAL.—Section 243(a)(1) is amended by striking “70 percent” and inserting “50 percent”.

(2) DIVIDENDS FROM 20-PERCENT OWNED CORPORATIONS.—Section 243(c)(1) is amended—

(A) by striking “80 percent” and inserting “65 percent”, and

(B) by striking “70 percent” and inserting “50 percent”.

(3) CONFORMING AMENDMENT.—The heading for section 243(c) is amended by striking “RETENTION OF 80-PERCENT DIVIDEND RECEIVED DEDUCTION” and inserting “INCREASED PERCENTAGE”.

(b) DIVIDENDS RECEIVED FROM FSC.—Section 245(c)(1)(B) is amended—

(1) by striking “70 percent” and inserting “50 percent”, and

(2) by striking “80 percent” and inserting “65 percent”.

(c) LIMITATION ON AGGREGATE AMOUNT OF DEDUCTIONS.—Section 246(b)(3) is amended—

(1) by striking “80 percent” in subparagraph (A) and inserting “65 percent”, and

(2) by striking “70 percent” in subparagraph (B) and inserting “50 percent”.

(d) REDUCTION IN DEDUCTION WHERE PORTFOLIO STOCK IS DEBT-FINANCED.—Section 246A(a)(1) is amended—

(1) by striking “70 percent” and inserting “50 percent”, and

(2) by striking “80 percent” and inserting “65 percent”.

(e) INCOME FROM SOURCES WITHIN THE UNITED STATES.—Section 861(a)(2) is amended—

(1) by striking "100/70th" and inserting "100/50th" in subparagraph (B), and

(2) in the flush sentence at the end—

(A) by striking "100/80th" and inserting "100/65th", and

(B) by striking "100/70th" and inserting "100/50th".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART II—SMALL BUSINESS REFORMS

SEC. 13101. MODIFICATIONS OF RULES FOR EXPENSING DEPRECIABLE BUSINESS ASSETS.

(a) INCREASE IN LIMITATION.—

(1) DOLLAR LIMITATION.—Section 179(b)(1) is amended by striking "$500,000" and inserting "$1,000,000".

(2) REDUCTION IN LIMITATION.—Section 179(b)(2) is amended by striking "$2,000,000" and inserting "$2,500,000".

(3) INFLATION ADJUSTMENTS.—

(A) IN GENERAL.—Subparagraph (A) of section 179(b)(6), as amended by section 11002(d), is amended—

(i) by striking "2015" and inserting "2018", and

(ii) in clause (ii), by striking "calendar year 2014" and inserting "calendar year 2017".

(B) SPORT UTILITY VEHICLES.—Section 179(b)(6) is amended—

(i) in subparagraph (A), by striking "paragraphs (1) and (2)" and inserting "paragraphs (1), (2), and (5)(A)", and

(ii) in subparagraph (B), by inserting "($100 in the case of any increase in the amount under paragraph (5)(A))" after "$10,000".

(b) SECTION 179 PROPERTY TO INCLUDE QUALIFIED REAL PROPERTY.—

(1) IN GENERAL.—Subparagraph (B) of section 179(d)(1) is amended to read as follows:

"(B) which is—

"(i) section 1245 property (as defined in section 1245(a)(3)), or

"(ii) at the election of the taxpayer, qualified real property (as defined in subsection (f)), and".

(2) QUALIFIED REAL PROPERTY DEFINED.—Subsection (f) of section 179 is amended to read as follows:

"(f) QUALIFIED REAL PROPERTY.—For purposes of this section, the term 'qualified real property' means—

"(1) any qualified improvement property described in section 168(e)(6), and

"(2) any of the following improvements to nonresidential real property placed in service after the date such property was first placed in service:

"(A) Roofs.

"(B) Heating, ventilation, and air-conditioning property.

"(C) Fire protection and alarm systems.

"(D) Security systems.".

Appendix A:

IRS Payment Patterns by Line

Appendix A
Exhibit 1

Workers Compensation

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	18.8885%	18.8885%	81.1115%	18.8885%	18.8885%	81.1115%	18.8885%	18.8885%	81.1115%
AY + 1	41.2063%	22.3179%	58.7937%	41.2063%	22.3179%	58.7937%	41.2063%	22.3179%	58.7937%
AY + 2	54.6053%	13.3989%	45.3947%	54.6053%	13.3989%	45.3947%	54.6053%	13.3989%	45.3947%
AY + 3	65.0211%	10.4158%	34.9789%	65.0211%	10.4158%	34.9789%	65.0211%	10.4158%	34.9789%
AY + 4	70.9099%	5.8888%	29.0901%	70.9099%	5.8888%	29.0901%	70.9099%	5.8888%	29.0901%
AY + 5	75.5957%	4.6858%	24.4043%	75.5957%	4.6858%	24.4043%	75.5957%	4.6858%	24.4043%
AY + 6	78.3945%	2.7987%	21.6055%	78.3945%	2.7987%	21.6055%	78.3945%	2.7987%	21.6055%
AY + 7	80.4084%	2.0140%	19.5916%	80.4084%	2.0140%	19.5916%	80.4084%	2.0140%	19.5916%
AY + 8	82.6060%	2.1976%	17.3940%	82.6060%	2.1976%	17.3940%	82.6060%	2.1976%	17.3940%
AY + 9	83.3419%	0.7359%	16.6581%	83.3419%	0.7359%	16.6581%	83.3419%	0.7359%	16.6581%
AY + 10				84.0778%	0.7359%	15.9222%	84.9911%	1.6492%	15.0089%
AY + 11				84.8137%	0.7359%	15.1863%	86.6402%	1.6492%	13.3598%
AY + 12				85.5496%	0.7359%	14.4504%	88.2894%	1.6492%	11.7106%
AY + 13				86.2855%	0.7359%	13.7145%	89.9385%	1.6492%	10.0615%
AY + 14				87.0214%	0.7359%	12.9786%	91.5877%	1.6492%	8.4123%
AY + 15				100.0000%	12.9786%	0.0000%	93.2368%	1.6492%	6.7632%
AY + 16							94.8860%	1.6492%	5.1140%
AY + 17							96.5351%	1.6492%	3.4649%
AY + 18							98.1843%	1.6492%	1.8157%
AY + 19							99.8334%	1.6492%	0.1666%
AY + 20							100.0000%	0.1666%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 2

Private Passenger Auto

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	44.2532%	44.2532%	55.7468%	44.2532%	44.2532%	55.7468%	44.2532%	44.2532%	55.7468%
AY + 1	73.2726%	29.0194%	26.7274%	73.2726%	29.0194%	26.7274%	73.2726%	29.0194%	26.7274%
AY + 2	85.5755%	12.3030%	14.4245%	85.5755%	12.3030%	14.4245%	85.5755%	12.3030%	14.4245%
AY + 3	92.5509%	6.9753%	7.4491%	92.5509%	6.9753%	7.4491%	92.5509%	6.9753%	7.4491%
AY + 4	96.1222%	3.5713%	3.8778%	96.1222%	3.5713%	3.8778%	96.1222%	3.5713%	3.8778%
AY + 5	97.6010%	1.4788%	2.3990%	97.6010%	1.4788%	2.3990%	97.6010%	1.4788%	2.3990%
AY + 6	98.4827%	0.8817%	1.5173%	98.4827%	0.8817%	1.5173%	98.4827%	0.8817%	1.5173%
AY + 7	99.0184%	0.5357%	0.9816%	99.0184%	0.5357%	0.9816%	99.0184%	0.5357%	0.9816%
AY + 8	99.3931%	0.3748%	0.6069%	99.3931%	0.3748%	0.6069%	99.3931%	0.3748%	0.6069%
AY + 9	99.5151%	0.1219%	0.4849%	99.5151%	0.1219%	0.4849%	99.5151%	0.1219%	0.4849%
AY + 10				99.6370%	0.1219%	0.3630%	99.8592%	0.3441%	0.1408%
AY + 11				99.7589%	0.1219%	0.2411%	100.0000%	0.1408%	0.0000%
AY + 12				99.8809%	0.1219%	0.1191%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.1191%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 3

Commercial Auto Liability

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	24.2508%	24.2508%	75.7492%	24.2508%	24.2508%	75.7492%	24.2508%	24.2508%	75.7492%
AY + 1	47.7395%	23.4887%	52.2605%	47.7395%	23.4887%	52.2605%	47.7395%	23.4887%	52.2605%
AY + 2	67.0389%	19.2994%	32.9611%	67.0389%	19.2994%	32.9611%	67.0389%	19.2994%	32.9611%
AY + 3	81.9577%	14.9187%	18.0423%	81.9577%	14.9187%	18.0423%	81.9577%	14.9187%	18.0423%
AY + 4	90.4239%	8.4663%	9.5761%	90.4239%	8.4663%	9.5761%	90.4239%	8.4663%	9.5761%
AY + 5	94.8570%	4.4331%	5.1430%	94.8570%	4.4331%	5.1430%	94.8570%	4.4331%	5.1430%
AY + 6	96.9822%	2.1252%	3.0178%	96.9822%	2.1252%	3.0178%	96.9822%	2.1252%	3.0178%
AY + 7	98.4557%	1.4735%	1.5443%	98.4557%	1.4735%	1.5443%	98.4557%	1.4735%	1.5443%
AY + 8	98.8779%	0.4222%	1.1221%	98.8779%	0.4222%	1.1221%	98.8779%	0.4222%	1.1221%
AY + 9	99.2050%	0.3271%	0.7950%	99.2050%	0.3271%	0.7950%	99.2050%	0.3271%	0.7950%
AY + 10				99.5321%	0.3271%	0.4679%	99.9459%	0.7409%	0.0541%
AY + 11				99.8592%	0.3271%	0.1408%	100.0000%	0.0541%	0.0000%
AY + 12				100.0000%	0.1408%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 4

Medical Professional Liability - Occurrence

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	1.2386%	1.2386%	98.7614%	1.2386%	1.2386%	98.7614%	1.2386%	1.2386%	98.7614%
AY + 1	5.2924%	4.0538%	94.7076%	5.2924%	4.0538%	94.7076%	5.2924%	4.0538%	94.7076%
AY + 2	14.8262%	9.5338%	85.1738%	14.8262%	9.5338%	85.1738%	14.8262%	9.5338%	85.1738%
AY + 3	26.6655%	11.8393%	73.3345%	26.6655%	11.8393%	73.3345%	26.6655%	11.8393%	73.3345%
AY + 4	41.5985%	14.9330%	58.4015%	41.5985%	14.9330%	58.4015%	41.5985%	14.9330%	58.4015%
AY + 5	56.3171%	14.7186%	43.6829%	56.3171%	14.7186%	43.6829%	56.3171%	14.7186%	43.6829%
AY + 6	68.2736%	11.9566%	31.7264%	68.2736%	11.9566%	31.7264%	68.2736%	11.9566%	31.7264%
AY + 7	78.6335%	10.3599%	21.3665%	78.6335%	10.3599%	21.3665%	78.6335%	10.3599%	21.3665%
AY + 8	85.3884%	6.7549%	14.6116%	85.3884%	6.7549%	14.6116%	85.3884%	6.7549%	14.6116%
AY + 9	90.0684%	4.6800%	9.9316%	90.0684%	4.6800%	9.9316%	90.0684%	4.6800%	9.9316%
AY + 10				94.7485%	4.6800%	5.2515%	97.3334%	7.2649%	2.6666%
AY + 11				99.4285%	4.6800%	0.5715%	100.0000%	2.6666%	0.0000%
AY + 12				100.0000%	0.5715%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 5

Medical Professional Liability - Claims Made

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	6.8144%	6.8144%	93.1856%	6.8144%	6.8144%	93.1856%	6.8144%	6.8144%	93.1856%
AY + 1	25.0695%	18.2551%	74.9305%	25.0695%	18.2551%	74.9305%	25.0695%	18.2551%	74.9305%
AY + 2	47.0364%	21.9670%	52.9636%	47.0364%	21.9670%	52.9636%	47.0364%	21.9670%	52.9636%
AY + 3	62.7316%	15.6952%	37.2684%	62.7316%	15.6952%	37.2684%	62.7316%	15.6952%	37.2684%
AY + 4	74.6396%	11.9080%	25.3604%	74.6396%	11.9080%	25.3604%	74.6396%	11.9080%	25.3604%
AY + 5	83.1471%	8.5076%	16.8529%	83.1471%	8.5076%	16.8529%	83.1471%	8.5076%	16.8529%
AY + 6	87.4013%	4.2542%	12.5987%	87.4013%	4.2542%	12.5987%	87.4013%	4.2542%	12.5987%
AY + 7	91.1849%	3.7837%	8.8151%	91.1849%	3.7837%	8.8151%	91.1849%	3.7837%	8.8151%
AY + 8	94.3050%	3.1200%	5.6950%	94.3050%	3.1200%	5.6950%	94.3050%	3.1200%	5.6950%
AY + 9	96.0034%	1.6984%	3.9966%	96.0034%	1.6984%	3.9966%	96.0034%	1.6984%	3.9966%
AY + 10				97.7018%	1.6984%	2.2982%	98.8708%	2.8674%	1.1292%
AY + 11				99.4003%	1.6984%	0.5997%	100.0000%	1.1292%	0.0000%
AY + 12				100.0000%	0.5997%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 6

Other Liability - Occurrence

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	10.9439%	10.9439%	89.0561%	10.9439%	10.9439%	89.0561%	10.9439%	10.9439%	89.0561%
AY + 1	25.2513%	14.3074%	74.7487%	25.2513%	14.3074%	74.7487%	25.2513%	14.3074%	74.7487%
AY + 2	40.0614%	14.8102%	59.9386%	40.0614%	14.8102%	59.9386%	40.0614%	14.8102%	59.9386%
AY + 3	54.3875%	14.3260%	45.6125%	54.3875%	14.3260%	45.6125%	54.3875%	14.3260%	45.6125%
AY + 4	66.7723%	12.3848%	33.2277%	66.7723%	12.3848%	33.2277%	66.7723%	12.3848%	33.2277%
AY + 5	74.8811%	8.1089%	25.1189%	74.8811%	8.1089%	25.1189%	74.8811%	8.1089%	25.1189%
AY + 6	81.1383%	6.2572%	18.8617%	81.1383%	6.2572%	18.8617%	81.1383%	6.2572%	18.8617%
AY + 7	84.0893%	2.9509%	15.9107%	84.0893%	2.9509%	15.9107%	84.0893%	2.9509%	15.9107%
AY + 8	87.8378%	3.7485%	12.1622%	87.8378%	3.7485%	12.1622%	87.8378%	3.7485%	12.1622%
AY + 9	89.3528%	1.5150%	10.6472%	89.3528%	1.5150%	10.6472%	89.3528%	1.5150%	10.6472%
AY + 10				90.8677%	1.5150%	9.1323%	92.0909%	2.7381%	7.9091%
AY + 11				92.3827%	1.5150%	7.6173%	94.8290%	2.7381%	5.1710%
AY + 12				93.8977%	1.5150%	6.1023%	97.5672%	2.7381%	2.4328%
AY + 13				95.4127%	1.5150%	4.5873%	100.0000%	2.4328%	0.0000%
AY + 14				96.9277%	1.5150%	3.0723%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	3.0723%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 7

Other Liability - Claims Made

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	8.3437%	8.3437%	91.6563%	8.3437%	8.3437%	91.6563%	8.3437%	8.3437%	91.6563%
AY + 1	26.0549%	17.7112%	73.9451%	26.0549%	17.7112%	73.9451%	26.0549%	17.7112%	73.9451%
AY + 2	43.6885%	17.6336%	56.3115%	43.6885%	17.6336%	56.3115%	43.6885%	17.6336%	56.3115%
AY + 3	60.0923%	16.4038%	39.9077%	60.0923%	16.4038%	39.9077%	60.0923%	16.4038%	39.9077%
AY + 4	72.3371%	12.2448%	27.6629%	72.3371%	12.2448%	27.6629%	72.3371%	12.2448%	27.6629%
AY + 5	79.2676%	6.9305%	20.7324%	79.2676%	6.9305%	20.7324%	79.2676%	6.9305%	20.7324%
AY + 6	84.8737%	5.6061%	15.1263%	84.8737%	5.6061%	15.1263%	84.8737%	5.6061%	15.1263%
AY + 7	88.8292%	3.9555%	11.1708%	88.8292%	3.9555%	11.1708%	88.8292%	3.9555%	11.1708%
AY + 8	91.7152%	2.8860%	8.2848%	91.7152%	2.8860%	8.2848%	91.7152%	2.8860%	8.2848%
AY + 9	93.5344%	1.8192%	6.4656%	93.5344%	1.8192%	6.4656%	93.5344%	1.8192%	6.4656%
AY + 10				95.3535%	1.8192%	4.6465%	96.4212%	2.8869%	3.5788%
AY + 11				97.1727%	1.8192%	2.8273%	99.3081%	2.8869%	0.6919%
AY + 12				98.9919%	1.8192%	1.0081%	100.0000%	0.6919%	0.0000%
AY + 13				100.0000%	1.0081%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 8

Reinsurance - Nonproportional Assumed Property

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	20.3652%	20.3652%	79.6348%	20.3652%	20.3652%	79.6348%	20.3652%	20.3652%	79.6348%
AY + 1	57.1136%	36.7483%	42.8864%	57.1136%	36.7483%	42.8864%	57.1136%	36.7483%	42.8864%
AY + 2	70.6981%	13.5845%	29.3019%	70.6981%	13.5845%	29.3019%	70.6981%	13.5845%	29.3019%
AY + 3	83.7580%	13.0599%	16.2420%	83.7580%	13.0599%	16.2420%	83.7580%	13.0599%	16.2420%
AY + 4	88.7225%	4.9646%	11.2775%	88.7225%	4.9646%	11.2775%	88.7225%	4.9646%	11.2775%
AY + 5	92.8703%	4.1477%	7.1297%	92.8703%	4.1477%	7.1297%	92.8703%	4.1477%	7.1297%
AY + 6	98.0683%	5.1980%	1.9317%	98.0683%	5.1980%	1.9317%	98.0683%	5.1980%	1.9317%
AY + 7	98.4666%	0.3983%	1.5334%	98.4666%	0.3983%	1.5334%	98.4666%	0.3983%	1.5334%
AY + 8	98.5153%	0.0487%	1.4847%	98.5153%	0.0487%	1.4847%	98.5153%	0.0487%	1.4847%
AY + 9	97.6780%	-0.8373%	2.3220%	97.6780%	-0.8373%	2.3220%	97.6780%	-0.8373%	2.3220%
AY + 10				98.8799%	1.2019%	1.1201%	98.8799%	1.2019%	1.1201%
AY + 11				100.0000%	1.1201%	0.0000%	100.0000%	1.1201%	0.0000%
AY + 12				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 9

Reinsurance - Nonproportional Assumed Liability

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	9.5596%	9.5596%	90.4404%	9.5596%	9.5596%	90.4404%	9.5596%	9.5596%	90.4404%
AY + 1	20.2541%	10.6945%	79.7459%	20.2541%	10.6945%	79.7459%	20.2541%	10.6945%	79.7459%
AY + 2	34.4709%	14.2168%	65.5291%	34.4709%	14.2168%	65.5291%	34.4709%	14.2168%	65.5291%
AY + 3	46.2349%	11.7640%	53.7651%	46.2349%	11.7640%	53.7651%	46.2349%	11.7640%	53.7651%
AY + 4	57.8993%	11.6644%	42.1007%	57.8993%	11.6644%	42.1007%	57.8993%	11.6644%	42.1007%
AY + 5	62.2298%	4.3305%	37.7702%	62.2298%	4.3305%	37.7702%	62.2298%	4.3305%	37.7702%
AY + 6	69.9207%	7.6909%	30.0793%	69.9207%	7.6909%	30.0793%	69.9207%	7.6909%	30.0793%
AY + 7	78.8975%	8.9767%	21.1025%	78.8975%	8.9767%	21.1025%	78.8975%	8.9767%	21.1025%
AY + 8	74.0269%	-4.8705%	25.9731%	74.0269%	-4.8705%	25.9731%	74.0269%	-4.8705%	25.9731%
AY + 9	80.6762%	6.6492%	19.3238%	80.6762%	6.6492%	19.3238%	80.6762%	6.6492%	19.3238%
AY + 10				87.3254%	6.6492%	12.6746%	84.2613%	3.5851%	15.7387%
AY + 11				93.9746%	6.6492%	6.0254%	87.8465%	3.5851%	12.1535%
AY + 12				100.0000%	6.0254%	0.0000%	91.4316%	3.5851%	8.5684%
AY + 13				100.0000%	0.0000%	0.0000%	95.0167%	3.5851%	4.9833%
AY + 14				100.0000%	0.0000%	0.0000%	98.6019%	3.5851%	1.3981%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	1.3981%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 10

Reinsurance - Nonproportional Assumed Financial Lines

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	6.7987%	6.7987%	93.2013%	6.7987%	6.7987%	93.2013%	6.7987%	6.7987%	93.2013%
AY + 1	34.7956%	27.9969%	65.2044%	34.7956%	27.9969%	65.2044%	34.7956%	27.9969%	65.2044%
AY + 2	63.3091%	28.5135%	36.6909%	63.3091%	28.5135%	36.6909%	63.3091%	28.5135%	36.6909%
AY + 3	82.8514%	19.5423%	17.1486%	82.8514%	19.5423%	17.1486%	82.8514%	19.5423%	17.1486%
AY + 4	73.3639%	-9.4875%	26.6361%	73.3639%	-9.4875%	26.6361%	73.3639%	-9.4875%	26.6361%
AY + 5	64.2369%	-9.1270%	35.7631%	64.2369%	-9.1270%	35.7631%	64.2369%	-9.1270%	35.7631%
AY + 6	69.4209%	5.1840%	30.5791%	69.4209%	5.1840%	30.5791%	69.4209%	5.1840%	30.5791%
AY + 7	79.6435%	10.2226%	20.3565%	79.6435%	10.2226%	20.3565%	79.6435%	10.2226%	20.3565%
AY + 8	84.5979%	4.9543%	15.4021%	84.5979%	4.9543%	15.4021%	84.5979%	4.9543%	15.4021%
AY + 9	76.9455%	-7.6524%	23.0545%	76.9455%	-7.6524%	23.0545%	76.9455%	-7.6524%	23.0545%
AY + 10				79.4537%	2.5082%	20.5463%	79.4537%	2.5082%	20.5463%
AY + 11				81.9619%	2.5082%	18.0381%	81.9619%	2.5082%	18.0381%
AY + 12				84.4701%	2.5082%	15.5299%	84.4701%	2.5082%	15.5299%
AY + 13				86.9782%	2.5082%	13.0218%	86.9782%	2.5082%	13.0218%
AY + 14				89.4864%	2.5082%	10.5136%	89.4864%	2.5082%	10.5136%
AY + 15				100.0000%	10.5136%	0.0000%	91.9946%	2.5082%	8.0054%
AY + 16							94.5028%	2.5082%	5.4972%
AY + 17							97.0110%	2.5082%	2.9890%
AY + 18							99.5192%	2.5082%	0.4808%
AY + 19							100.0000%	0.4808%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 11

Product Liability - Occurrence

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	7.4434%	7.4434%	92.5566%	7.4434%	7.4434%	92.5566%	7.4434%	7.4434%	92.5566%
AY + 1	17.0397%	9.5964%	82.9603%	17.0397%	9.5964%	82.9603%	17.0397%	9.5964%	82.9603%
AY + 2	30.6164%	13.5767%	69.3836%	30.6164%	13.5767%	69.3836%	30.6164%	13.5767%	69.3836%
AY + 3	39.7684%	9.1521%	60.2316%	39.7684%	9.1521%	60.2316%	39.7684%	9.1521%	60.2316%
AY + 4	60.6208%	20.8524%	39.3792%	60.6208%	20.8524%	39.3792%	60.6208%	20.8524%	39.3792%
AY + 5	69.5349%	8.9141%	30.4651%	69.5349%	8.9141%	30.4651%	69.5349%	8.9141%	30.4651%
AY + 6	74.5323%	4.9973%	25.4677%	74.5323%	4.9973%	25.4677%	74.5323%	4.9973%	25.4677%
AY + 7	79.1082%	4.5759%	20.8918%	79.1082%	4.5759%	20.8918%	79.1082%	4.5759%	20.8918%
AY + 8	84.3521%	5.2439%	15.6479%	84.3521%	5.2439%	15.6479%	84.3521%	5.2439%	15.6479%
AY + 9	85.4974%	1.1453%	14.5026%	85.4974%	1.1453%	14.5026%	85.4974%	1.1453%	14.5026%
AY + 10				86.6428%	1.1453%	13.3572%	89.1525%	3.6550%	10.8475%
AY + 11				87.7881%	1.1453%	12.2119%	92.8075%	3.6550%	7.1925%
AY + 12				88.9334%	1.1453%	11.0666%	96.4626%	3.6550%	3.5374%
AY + 13				90.0787%	1.1453%	9.9213%	100.0000%	3.5374%	0.0000%
AY + 14				91.2241%	1.1453%	8.7759%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	8.7759%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 12

Product Liability - Claims Made

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	5.6423%	5.6423%	94.3577%	5.6423%	5.6423%	94.3577%	5.6423%	5.6423%	94.3577%
AY + 1	18.6449%	13.0027%	81.3551%	18.6449%	13.0027%	81.3551%	18.6449%	13.0027%	81.3551%
AY + 2	23.3871%	4.7421%	76.6129%	23.3871%	4.7421%	76.6129%	23.3871%	4.7421%	76.6129%
AY + 3	53.5055%	30.1184%	46.4945%	53.5055%	30.1184%	46.4945%	53.5055%	30.1184%	46.4945%
AY + 4	61.3468%	7.8413%	38.6532%	61.3468%	7.8413%	38.6532%	61.3468%	7.8413%	38.6532%
AY + 5	59.7449%	-1.6019%	40.2551%	59.7449%	-1.6019%	40.2551%	59.7449%	-1.6019%	40.2551%
AY + 6	81.6886%	21.9438%	18.3114%	81.6886%	21.9438%	18.3114%	81.6886%	21.9438%	18.3114%
AY + 7	77.4639%	-4.2247%	22.5361%	77.4639%	-4.2247%	22.5361%	77.4639%	-4.2247%	22.5361%
AY + 8	83.3342%	5.8703%	16.6658%	83.3342%	5.8703%	16.6658%	83.3342%	5.8703%	16.6658%
AY + 9	75.6829%	-7.6512%	24.3171%	75.6829%	-7.6512%	24.3171%	75.6829%	-7.6512%	24.3171%
AY + 10				79.6674%	3.9845%	20.3326%	79.6674%	3.9845%	20.3326%
AY + 11				83.6520%	3.9845%	16.3480%	83.6520%	3.9845%	16.3480%
AY + 12				87.6365%	3.9845%	12.3635%	87.6365%	3.9845%	12.3635%
AY + 13				91.6210%	3.9845%	8.3790%	91.6210%	3.9845%	8.3790%
AY + 14				95.6055%	3.9845%	4.3945%	95.6055%	3.9845%	4.3945%
AY + 15				100.0000%	4.3945%	0.0000%	99.5900%	3.9845%	0.4100%
AY + 16							100.0000%	0.4100%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 13

Homeowners, CMP, and Special

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	61.4255%	61.4255%	38.5745%	61.4255%	61.4255%	38.5745%	61.4255%	61.4255%	38.5745%
AY + 1	83.4690%	22.0435%	16.5310%	83.4690%	22.0435%	16.5310%	83.4690%	22.0435%	16.5310%
AY + 2	88.9351%	5.4661%	11.0649%	88.9351%	5.4661%	11.0649%	88.9351%	5.4661%	11.0649%
AY + 3	93.6790%	4.7439%	6.3210%	93.6790%	4.7439%	6.3210%	93.6790%	4.7439%	6.3210%
AY + 4	96.5419%	2.8629%	3.4581%	96.5419%	2.8629%	3.4581%	96.5419%	2.8629%	3.4581%
AY + 5	97.4215%	0.8796%	2.5785%	97.4215%	0.8796%	2.5785%	97.4215%	0.8796%	2.5785%
AY + 6	98.1837%	0.7621%	1.8163%	98.1837%	0.7621%	1.8163%	98.1837%	0.7621%	1.8163%
AY + 7	98.7054%	0.5217%	1.2946%	98.7054%	0.5217%	1.2946%	98.7054%	0.5217%	1.2946%
AY + 8	98.7368%	0.0315%	1.2632%	98.7368%	0.0315%	1.2632%	98.7368%	0.0315%	1.2632%
AY + 9	99.0111%	0.2742%	0.9889%	99.0111%	0.2742%	0.9889%	99.0111%	0.2742%	0.9889%
AY + 10				99.2853%	0.2742%	0.7147%	99.2869%	0.2758%	0.7131%
AY + 11				99.5596%	0.2742%	0.4404%	99.5627%	0.2758%	0.4373%
AY + 12				99.8338%	0.2742%	0.1662%	99.8385%	0.2758%	0.1615%
AY + 13				100.0000%	0.1662%	0.0000%	100.0000%	0.1615%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 14

Warranty

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	88.2719%	88.2719%	11.7281%	88.2719%	88.2719%	11.7281%	88.2719%	88.2719%	11.7281%
AY + 1	99.0069%	10.7350%	0.9931%	99.0069%	10.7350%	0.9931%	99.0069%	10.7350%	0.9931%
AY + 2	99.5035%	0.4965%	0.4965%	99.5035%	0.4965%	0.4965%	99.5035%	0.4965%	0.4965%
AY + 3	100.0000%	0.4965%	0.0000%	100.0000%	0.4965%	0.0000%	100.0000%	0.4965%	0.0000%
AY + 4	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 5				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 6				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 7				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 8				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 9				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 10				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 11				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 12				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 15

Financial Guaranty/ Mortgage Guaranty

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	14.6310%	14.6310%	85.3690%	14.6310%	14.6310%	85.3690%	14.6310%	14.6310%	85.3690%
AY + 1	43.2762%	28.6452%	56.7238%	43.2762%	28.6452%	56.7238%	43.2762%	28.6452%	56.7238%
AY + 2	71.6381%	28.3619%	28.3619%	71.6381%	28.3619%	28.3619%	71.6381%	28.3619%	28.3619%
AY + 3	100.0000%	28.3619%	0.0000%	100.0000%	28.3619%	0.0000%	100.0000%	28.3619%	0.0000%
AY + 4	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 5				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 6				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 7				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 8				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 9				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 10				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 11				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 12				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 16

Other (Including Credit, Accident/Health)

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	49.7040%	49.7040%	50.2960%	49.7040%	49.7040%	50.2960%	49.7040%	49.7040%	50.2960%
AY + 1	82.6834%	32.9794%	17.3166%	82.6834%	32.9794%	17.3166%	82.6834%	32.9794%	17.3166%
AY + 2	91.3417%	8.6583%	8.6583%	91.3417%	8.6583%	8.6583%	91.3417%	8.6583%	8.6583%
AY + 3	100.0000%	8.6583%	0.0000%	100.0000%	8.6583%	0.0000%	100.0000%	8.6583%	0.0000%
AY + 4	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 5				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 6				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 7				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 8				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 9				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 10				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 11				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 12				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 17

Fidelity/Surety

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	21.7976%	21.7976%	78.2024%	21.7976%	21.7976%	78.2024%	21.7976%	21.7976%	78.2024%
AY + 1	52.4263%	30.6287%	47.5737%	52.4263%	30.6287%	47.5737%	52.4263%	30.6287%	47.5737%
AY + 2	76.2132%	23.7868%	23.7868%	76.2132%	23.7868%	23.7868%	76.2132%	23.7868%	23.7868%
AY + 3	100.0000%	23.7868%	0.0000%	100.0000%	23.7868%	0.0000%	100.0000%	23.7868%	0.0000%
AY + 4	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 5				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 6				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 7				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 8				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 9				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 10				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 11				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 12				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 18

Auto Physical Damage

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	90.8377%	90.8377%	9.1623%	90.8377%	90.8377%	9.1623%	90.8377%	90.8377%	9.1623%
AY + 1	99.6473%	8.8095%	0.3527%	99.6473%	8.8095%	0.3527%	99.6473%	8.8095%	0.3527%
AY + 2	99.8236%	0.1764%	0.1764%	99.8236%	0.1764%	0.1764%	99.8236%	0.1764%	0.1764%
AY + 3	100.0000%	0.1764%	0.0000%	100.0000%	0.1764%	0.0000%	100.0000%	0.1764%	0.0000%
AY + 4	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 5				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 6				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 7				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 8				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 9				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 10				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 11				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 12				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 19

Special Property

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	55.5334%	55.5334%	44.4666%	55.5334%	55.5334%	44.4666%	55.5334%	55.5334%	44.4666%
AY + 1	89.0419%	33.5085%	10.9581%	89.0419%	33.5085%	10.9581%	89.0419%	33.5085%	10.9581%
AY + 2	94.5210%	5.4790%	5.4790%	94.5210%	5.4790%	5.4790%	94.5210%	5.4790%	5.4790%
AY + 3	100.0000%	5.4790%	0.0000%	100.0000%	5.4790%	0.0000%	100.0000%	5.4790%	0.0000%
AY + 4	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 5				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 6				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 7				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 8				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 9				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 10				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 11				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 12				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 13				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 14				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 15				100.0000%	0.0000%	0.0000%	100.0000%	0.0000%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix A
Exhibit 20

International

	A.M. Best Aggregates as of 12/31/15			1986 FITL: AY 2017			2017 FITL: AY 2018		
	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid	Cumulative Losses Paid	Incremental Losses Paid	Losses Unpaid
AY + 0	39.3005%	39.3005%	60.6995%	39.3005%	39.3005%	60.6995%	39.3005%	39.3005%	60.6995%
AY + 1	62.8221%	23.5216%	37.1779%	62.8221%	23.5216%	37.1779%	62.8221%	23.5216%	37.1779%
AY + 2	73.9459%	11.1239%	26.0541%	73.9459%	11.1239%	26.0541%	73.9459%	11.1239%	26.0541%
AY + 3	82.9485%	9.0026%	17.0515%	82.9485%	9.0026%	17.0515%	82.9485%	9.0026%	17.0515%
AY + 4	88.5979%	5.6494%	11.4021%	88.5979%	5.6494%	11.4021%	88.5979%	5.6494%	11.4021%
AY + 5	91.0343%	2.4364%	8.9657%	91.0343%	2.4364%	8.9657%	91.0343%	2.4364%	8.9657%
AY + 6	92.8782%	1.8439%	7.1218%	92.8782%	1.8439%	7.1218%	92.8782%	1.8439%	7.1218%
AY + 7	94.0847%	1.2066%	5.9153%	94.0847%	1.2066%	5.9153%	94.0847%	1.2066%	5.9153%
AY + 8	94.8431%	0.7584%	5.1569%	94.8431%	0.7584%	5.1569%	94.8431%	0.7584%	5.1569%
AY + 9	95.3502%	0.5071%	4.6498%	95.3502%	0.5071%	4.6498%	95.3502%	0.5071%	4.6498%
AY + 10				95.8574%	0.5071%	4.1426%	96.1742%	0.8240%	3.8258%
AY + 11				96.3645%	0.5071%	3.6355%	96.9982%	0.8240%	3.0018%
AY + 12				96.8716%	0.5071%	3.1284%	97.8223%	0.8240%	2.1777%
AY + 13				97.3788%	0.5071%	2.6212%	98.6463%	0.8240%	1.3537%
AY + 14				97.8859%	0.5071%	2.1141%	99.4703%	0.8240%	0.5297%
AY + 15				100.0000%	2.1141%	0.0000%	100.0000%	0.5297%	0.0000%
AY + 16							100.0000%	0.0000%	0.0000%
AY + 17							100.0000%	0.0000%	0.0000%
AY + 18							100.0000%	0.0000%	0.0000%
AY + 19							100.0000%	0.0000%	0.0000%
AY + 20							100.0000%	0.0000%	0.0000%
AY + 21							100.0000%	0.0000%	0.0000%
AY + 22							100.0000%	0.0000%	0.0000%
AY + 23							100.0000%	0.0000%	0.0000%
AY + 24							100.0000%	0.0000%	0.0000%

Appendix B:

Notional Company Historical Financial Statements:

1998 through 2017

Appendix B
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Scenario: 1986 FITL

	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007
Underwriting Income										
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions										
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	5,327	6,683	7,452	7,913	8,207	8,406	8,548	8,654	8,737	8,801
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	5,327	6,683	7,452	7,913	8,207	8,406	8,548	8,654	8,737	8,801
Federal Tax										
Federal Income Tax	4,590	3,969	3,548	3,347	3,146	2,955	2,821	2,750	2,658	2,776
Net Income	737	2,714	3,904	4,566	5,061	5,451	5,727	5,904	6,079	6,025
Surplus										
Opening Surplus	200,000	200,737	202,714	203,904	204,566	205,061	205,451	205,727	205,904	206,079
Income for Period	737	2,714	3,904	4,566	5,061	5,451	5,727	5,904	6,079	6,025
Shareholder Dividends	0	(737)	(2,714)	(3,904)	(4,566)	(5,061)	(5,451)	(5,727)	(5,904)	(6,079)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	200,737	202,714	203,904	204,566	205,061	205,451	205,727	205,904	206,079	206,025
Financial Ratios										
Net Written Premium/Surplus	0.623	0.617	0.613	0.611	0.610	0.608	0.608	0.607	0.607	0.607
Reserves/Surplus	0.366	0.565	0.679	0.750	0.797	0.830	0.853	0.872	0.886	0.897
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate										
Annual	86.2%	59.4%	47.6%	42.3%	38.3%	35.2%	33.0%	31.8%	30.4%	31.5%
Inception to Date	86.2%	71.3%	62.2%	56.5%	52.3%	49.0%	46.4%	44.3%	42.6%	41.4%

Appendix B
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Scenario: 1986 FITL

	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Underwriting Income										
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions										
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	8,845	8,874	8,890	8,900	8,904	8,905	8,907	8,907	8,905	8,904
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,845	8,874	8,890	8,900	8,904	8,905	8,907	8,907	8,905	8,904
Federal Tax										
Federal Income Tax	2,887	2,928	2,851	2,765	2,614	2,442	2,489	2,628	2,705	2,762
Net Income	5,958	5,946	6,039	6,135	6,290	6,463	6,418	6,279	6,200	6,142
Surplus										
Opening Surplus	206,025	205,958	205,946	206,039	206,135	206,290	206,463	206,418	206,279	206,200
Income for Period	5,958	5,946	6,039	6,135	6,290	6,463	6,418	6,279	6,200	6,142
Shareholder Dividends	(6,025)	(5,958)	(5,946)	(6,039)	(6,135)	(6,290)	(6,463)	(6,418)	(6,279)	(6,200)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	205,958	205,946	206,039	206,135	206,290	206,463	206,418	206,279	206,200	206,142
Financial Ratios										
Net Written Premium/Surplus	0.607	0.607	0.607	0.606	0.606	0.605	0.606	0.606	0.606	0.606
Reserves/Surplus	0.906	0.910	0.912	0.913	0.912	0.912	0.912	0.912	0.913	0.913
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate										
Annual	32.6%	33.0%	32.1%	31.1%	29.4%	27.4%	27.9%	29.5%	30.4%	31.0%
Inception to Date	40.5%	39.8%	39.1%	38.5%	37.8%	37.1%	36.6%	36.1%	35.8%	35.6%

Appendix B
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Scenario: 1986 FITL

	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007
Assets										
Cash & Invested Assets	278,827	321,183	345,952	361,413	371,707	378,906	384,048	388,154	391,337	393,701
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	278,827	321,183	345,952	361,413	371,707	378,906	384,048	388,154	391,337	393,701
Liabilities										
Outstanding Loss & LAE Reserve	73,500	114,500	138,500	153,500	163,500	170,500	175,500	179,500	182,600	184,900
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	4,590	3,969	3,548	3,347	3,146	2,955	2,821	2,750	2,658	2,776
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	78,090	118,469	142,048	156,847	166,646	173,455	178,321	182,250	185,258	187,676
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	0	(737)	(3,451)	(7,355)	(11,921)	(16,982)	(22,433)	(28,160)	(34,064)	(40,143)
Retained Earnings Prior to Shareholder Dividends	737	3,451	7,355	11,921	16,982	22,433	28,160	34,064	40,143	46,168
Total Capital	200,737	202,714	203,904	204,566	205,061	205,451	205,727	205,904	206,079	206,025
Total Liabilities & Capital	278,827	321,183	345,952	361,413	371,707	378,906	384,048	388,154	391,337	393,701

Appendix B
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Scenario: 1986 FITL

	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Assets										
Cash & Invested Assets	395,345	396,374	396,890	397,100	397,104	397,105	397,107	397,107	397,105	397,104
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	395,345	396,374	396,890	397,100	397,104	397,105	397,107	397,107	397,105	397,104
Liabilities										
Outstanding Loss & LAE Reserve	186,500	187,500	188,000	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,887	2,928	2,851	2,765	2,614	2,442	2,489	2,628	2,705	2,762
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	189,387	190,428	190,851	190,965	190,814	190,642	190,689	190,828	190,905	190,962
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(46,168)	(52,126)	(58,072)	(64,111)	(70,246)	(76,536)	(82,999)	(89,417)	(95,696)	(101,896)
Retained Earnings Prior to Shareholder Dividends	52,126	58,072	64,111	70,246	76,536	82,999	89,417	95,696	101,896	108,038
Total Capital	205,958	205,946	206,039	206,135	206,290	206,463	206,418	206,279	206,200	206,142
Total Liabilities & Capital	395,345	396,374	396,890	397,100	397,104	397,105	397,107	397,107	397,105	397,104

Appendix B
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Scenario: 1986 FITL

	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007
Invested Assets										
(1) Starting Invested Assets	200,000	278,827	321,183	345,952	361,413	371,707	378,906	384,048	388,154	391,337
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	4,500	6,274	7,227	7,784	8,132	8,363	8,525	8,641	8,733	8,805
Collected Premium										
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)										
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(26,500)	(59,000)	(76,000)	(85,000)	(90,000)	(93,000)	(95,000)	(96,000)	(96,900)	(97,700)
(18) Federal Tax for Prior Year	0	(4,590)	(3,969)	(3,548)	(3,347)	(3,146)	(2,955)	(2,821)	(2,750)	(2,658)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(51,500)	(88,590)	(104,969)	(113,548)	(118,347)	(121,146)	(122,955)	(123,821)	(124,650)	(125,358)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(579)	(997)	(1,181)	(1,277)	(1,331)	(1,363)	(1,383)	(1,393)	(1,402)	(1,410)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	5,327	6,683	7,452	7,913	8,207	8,406	8,548	8,654	8,737	8,801
(27) Net Cash	73,500	36,410	20,031	11,452	6,653	3,854	2,045	1,179	350	(358)
(28) Dividends Paid	0	737	2,714	3,904	4,566	5,061	5,451	5,727	5,904	6,079
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	278,827	321,183	345,952	361,413	371,707	378,906	384,048	388,154	391,337	393,701

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix B
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Scenario: 1986 FITL

	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Invested Assets										
(1) Starting Invested Assets	393,701	395,345	396,374	396,890	397,100	397,104	397,105	397,107	397,107	397,105
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,858	8,895	8,918	8,930	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium										
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)										
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(98,400)	(99,000)	(99,500)	(99,800)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(2,776)	(2,887)	(2,928)	(2,851)	(2,765)	(2,614)	(2,442)	(2,489)	(2,628)	(2,705)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(126,176)	(126,887)	(127,428)	(127,651)	(127,765)	(127,614)	(127,442)	(127,489)	(127,628)	(127,705)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,419)	(1,427)	(1,434)	(1,436)	(1,437)	(1,436)	(1,434)	(1,434)	(1,436)	(1,437)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	8,845	8,874	8,890	8,900	8,904	8,905	8,907	8,907	8,905	8,904
(27) Net Cash	(1,176)	(1,887)	(2,428)	(2,651)	(2,765)	(2,614)	(2,442)	(2,489)	(2,628)	(2,705)
(28) Dividends Paid	6,025	5,958	5,946	6,039	6,135	6,290	6,463	6,418	6,279	6,200
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	395,345	396,374	396,890	397,100	397,104	397,105	397,107	397,107	397,105	397,104

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix B
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Scenario: 1986 FITL

	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007
Premium										
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE										
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions										
Initial Letter of Credit	0									
Initial Invested Assets	200,000									
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

100.0%	Dividends (Percent of Profit)
No	FIT Exempt
100%	Percent of Premium Collected in Year Written

	12	24	36	48	60	72	84	96	108	120
Payout Pattern	26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix B
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Scenario: 1986 FITL

	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Premium										
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE										
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix B
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Scenario: 1986 FITL

Is Program Tax Exempt? No

	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007
Ordinary Tax										
(1) Profit (Loss) Before Tax	5,327	6,683	7,452	7,913	8,207	8,406	8,548	8,654	8,737	8,801
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4) Discounting of Loss Reserves	8,074	4,944	2,972	1,931	1,046	285	(252)	(566)	(918)	(636)
(5) Ordinary Taxable Income	13,401	11,627	10,424	9,844	9,253	8,691	8,296	8,088	7,819	8,165
(6) Tax Rate	34.3%	34.1%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
(7) Ordinary Tax	4,590	3,969	3,548	3,347	3,146	2,955	2,821	2,750	2,658	2,776
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	13,401	11,627	10,424	9,844	9,253	8,691	8,296	8,088	7,819	8,165
(9) Alternative Minimum Tax Income	13,401	11,627	10,424	9,844	9,253	8,691	8,296	8,088	7,819	8,165
(10) Alternative Minimum Tax	2,680	2,325	2,085	1,969	1,851	1,738	1,659	1,618	1,564	1,633
Resulting Federal Tax	4,590	3,969	3,548	3,347	3,146	2,955	2,821	2,750	2,658	2,776
Cumulative Tax	4,590	8,559	12,107	15,454	18,600	21,555	24,376	27,126	29,784	32,560

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (85.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)
(8): = Profit Before Tax + 20% Change in UPR + Discounting of Loss Reserves
(9): = (5) + [(8) - (5)] x 0.75 if (8) > (5), otherwise = (5)
(10): = (9) x 20%
Federal Tax = Maximum of (7), (10), and 0

Appendix B
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Scenario: 1986 FITL

Is Program Tax Exempt? No

	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Ordinary Tax										
(1) Profit (Loss) Before Tax	8,845	8,874	8,890	8,900	8,904	8,905	8,907	8,907	8,905	8,904
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4) Discounting of Loss Reserves	(355)	(262)	(506)	(769)	(1,217)	(1,722)	(1,585)	(1,177)	(948)	(781)
(5) Ordinary Taxable Income	8,490	8,612	8,384	8,131	7,687	7,183	7,322	7,730	7,957	8,123
(6) Tax Rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
(7) Ordinary Tax	2,887	2,928	2,851	2,765	2,614	2,442	2,489	2,628	2,705	2,762
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	8,490	8,612	8,384	8,131	7,687	7,183	7,322	7,730	7,957	8,123
(9) Alternative Minimum Tax Income	8,490	8,612	8,384	8,131	7,687	7,183	7,322	7,730	7,957	8,123
(10) Alternative Minimum Tax	1,698	1,722	1,677	1,626	1,537	1,437	1,464	1,546	1,591	1,625
Resulting Federal Tax	2,887	2,928	2,851	2,765	2,614	2,442	2,489	2,628	2,705	2,762
Cumulative Tax	35,447	38,375	41,226	43,991	46,605	49,047	51,536	54,164	56,869	59,631

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (85.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)
(8): = Profit Before Tax + 20% Change in UPR + Discounting of Loss Reserves
(9): = (5) + [(8) - (5)] x 0.75 if (8) > (5), otherwise = (5)
(10): = (9) x 20%
Federal Tax = Maximum of (7), (10), and 0

Appendix B
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Scenario: 1986 FITL

Accident Year	Payment Year 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1998	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800
1999		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900
2000			26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000
2001				26,500	32,500	17,000	9,000	5,000	3,000	2,000
2002					26,500	32,500	17,000	9,000	5,000	3,000
2003						26,500	32,500	17,000	9,000	5,000
2004							26,500	32,500	17,000	9,000
2005								26,500	32,500	17,000
2006									26,500	32,500
2007										26,500
2008										
2009										
2010										
2011										
2012										
2013										
2014										
2015										
2016										
2017										
Total	26,500	59,000	76,000	85,000	90,000	93,000	95,000	96,000	96,900	97,700

Appendix B
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Scenario: 1986 FITL

Accident	Payment Year										
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
1998	700	600	500	300	200						100,000
1999	800	700	600	500	300	200					100,000
2000	900	800	700	600	500	300	200				100,000
2001	1,000	900	800	700	600	500	300	200			100,000
2002	2,000	1,000	900	800	700	600	500	300	200		100,000
2003	3,000	2,000	1,000	900	800	700	600	500	300	200	100,000
2004	5,000	3,000	2,000	1,000	900	800	700	600	500	300	99,800
2005	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	99,500
2006	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	99,000
2007	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	98,400
2008	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	97,700
2009		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	96,900
2010			26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	96,000
2011				26,500	32,500	17,000	9,000	5,000	3,000	2,000	95,000
2012					26,500	32,500	17,000	9,000	5,000	3,000	93,000
2013						26,500	32,500	17,000	9,000	5,000	90,000
2014							26,500	32,500	17,000	9,000	85,000
2015								26,500	32,500	17,000	76,000
2016									26,500	32,500	59,000
2017										26,500	26,500
Total	98,400	99,000	99,500	99,800	100,000	100,000	100,000	100,000	100,000	100,000	1,811,800

Appendix B
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Scenario: 1986 FITL

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1998	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300
1999		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
2000			73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
2001				73,500	41,000	24,000	15,000	10,000	7,000	5,000
2002					73,500	41,000	24,000	15,000	10,000	7,000
2003						73,500	41,000	24,000	15,000	10,000
2004							73,500	41,000	24,000	15,000
2005								73,500	41,000	24,000
2006									73,500	41,000
2007										73,500
2008										
2009										
2010										
2011										
2012										
2013										
2014										
2015										
2016										
2017										
Total	73,500	114,500	138,500	153,500	163,500	170,500	175,500	179,500	182,600	184,900

(2) Net Discounted Loss & LAE Reserves

Accident Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1998	65,426	36,045	20,791	12,824	8,478	5,919	4,231	3,467	2,757	2,106
1999		65,437	36,052	20,796	12,827	8,480	5,921	4,232	3,467	2,758
2000			65,667	36,192	20,886	12,888	8,522	5,951	4,254	3,483
2001				65,767	36,252	20,925	12,914	8,541	5,965	4,263
2002					66,090	36,448	21,051	13,000	8,601	6,008
2003						66,588	36,752	21,247	13,132	8,694
2004							67,109	37,070	21,452	13,271
2005								67,558	37,344	21,629
2006									68,112	37,683
2007										68,125
2008										
2009										
2010										
2011										
2012										
2013										
2014										
2015										
2016										
2017										
Total	65,426	101,482	122,510	135,579	144,533	151,248	156,500	161,066	165,084	168,020

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Outstanding	73,500	114,500	138,500	153,500	163,500	170,500	175,500	179,500	182,600	184,900
Discounted Outstanding	65,426	101,482	122,510	135,579	144,533	151,248	156,500	161,066	165,084	168,020
(3) Amount of Discount	8,074	13,018	15,990	17,921	18,967	19,252	19,000	18,434	17,516	16,880
(4) Tax Adjustment	8,074	4,944	2,972	1,931	1,046	285	(252)	(566)	(918)	(636)

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from XX to XX+1

Appendix B
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Scenario: 1986 FITL

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1998	1,600	1,000	500	200	0					
1999	2,300	1,600	1,000	500	200	0				
2000	3,100	2,300	1,600	1,000	500	200	0			
2001	4,000	3,100	2,300	1,600	1,000	500	200	0		
2002	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0	
2003	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0
2004	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200
2005	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500
2006	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000
2007	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600
2008	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300
2009		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
2010			73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
2011				73,500	41,000	24,000	15,000	10,000	7,000	5,000
2012					73,500	41,000	24,000	15,000	10,000	7,000
2013						73,500	41,000	24,000	15,000	10,000
2014							73,500	41,000	24,000	15,000
2015								73,500	41,000	24,000
2016									73,500	41,000
2017										73,500
Total	186,500	187,500	188,000	188,200	188,200	188,200	188,200	188,200	188,200	188,200

(2) Net Discounted Loss & LAE Reserves

Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1998	1,505	941	471	189	0					
1999	2,107	1,506	943	472	189	0				
2000	2,768	2,113	1,509	944	473	190	0			
2001	3,490	2,772	2,115	1,510	946	474	190	0		
2002	4,295	3,512	2,787	2,123	1,513	949	476	191	0	
2003	6,074	4,343	3,545	2,809	2,136	1,518	952	478	192	0
2004	8,792	6,144	4,393	3,581	2,832	2,149	1,523	955	480	192
2005	13,391	8,876	6,204	4,436	3,611	2,851	2,160	1,529	959	481
2006	21,848	13,540	8,980	6,278	4,489	3,648	2,875	2,174	1,535	961
2007	37,690	21,852	13,543	8,982	6,280	4,490	3,649	2,876	2,174	1,538
2008	68,015	37,623	21,809	13,514	8,962	6,265	4,480	3,641	2,871	2,172
2009		68,015	37,623	21,809	13,514	8,962	6,265	4,480	3,641	2,871
2010			68,321	37,810	21,930	13,596	9,019	6,306	4,509	3,662
2011				68,755	38,076	22,102	13,712	9,101	6,364	4,550
2012					69,478	38,520	22,389	13,907	9,238	6,461
2013						70,437	39,109	22,771	14,166	9,419
2014							70,937	39,417	22,971	14,302
2015								71,087	39,509	23,031
2016									71,252	39,611
2017										71,391
Total	169,975	171,237	172,243	173,212	174,429	176,151	177,736	178,913	179,861	180,642

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Outstanding	186,500	187,500	188,000	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	169,975	171,237	172,243	173,212	174,429	176,151	177,736	178,913	179,861	180,642
(3) Amount of Discount	16,525	16,263	15,757	14,988	13,771	12,049	10,464	9,287	8,339	7,558
(4) Tax Adjustment	(355)	(262)	(506)	(769)	(1,217)	(1,722)	(1,585)	(1,177)	(948)	(781)

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from XX to XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Going Concern

Scenario 1: Interest Rate: Current, Patterns: Own, Tax Rate: Old

Appendix C - Scenario 1
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions											
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,904	8,903	8,902	8,902	8,901	8,901	8,901	8,901	8,901	8,901
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,904	8,903	8,902	8,902	8,901	8,901	8,901	8,901	8,901	8,901
Federal Tax											
Federal Income Tax	2,762	2,848	2,904	2,943	2,972	2,992	3,006	3,015	3,020	3,023	3,025
Net Income	6,142	6,056	5,999	5,959	5,930	5,909	5,895	5,886	5,881	5,878	5,876
Surplus											
Opening Surplus	206,200	206,142	206,056	205,999	205,959	205,930	205,909	205,895	205,886	205,881	205,878
Income for Period	6,142	6,056	5,999	5,959	5,930	5,909	5,895	5,886	5,881	5,878	5,876
Shareholder Dividends	(6,200)	(6,142)	(6,056)	(5,999)	(5,959)	(5,930)	(5,909)	(5,895)	(5,886)	(5,881)	(5,878)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	206,056	205,999	205,959	205,930	205,909	205,895	205,886	205,881	205,878	205,876
Financial Ratios											
Net Written Premium/Surplus	0.606	0.607	0.607	0.607	0.607	0.607	0.607	0.607	0.607	0.607	0.607
Reserves/Surplus	0.913	0.913	0.914	0.914	0.914	0.914	0.914	0.914	0.914	0.914	0.914
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate											
Annual	31.0%	32.0%	32.6%	33.1%	33.4%	33.6%	33.8%	33.9%	33.9%	34.0%	34.0%
Inception to Date - 1988 & later	35.6%	35.4%	35.3%	35.2%	35.1%	35.0%	35.0%	34.9%	34.9%	34.9%	34.8%
Inception to Date - 2018 & later		32.0%	32.3%	32.6%	32.8%	32.9%	33.1%	33.2%	33.3%	33.4%	33.4%

Appendix C - Scenario 1
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions										
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901
Federal Tax										
Federal Income Tax	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026
Net Income	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875
Surplus										
Opening Surplus	205,876	205,875	205,875	205,875	205,875	205,875	205,875	205,875	205,875	205,875
Income for Period	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875
Shareholder Dividends	(5,876)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)	(5,875)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	205,875	205,875	205,875	205,875	205,875	205,875	205,875	205,875	205,875	205,875
Financial Ratios										
Net Written Premium/Surplus	0.607	0.607	0.607	0.607	0.607	0.607	0.607	0.607	0.607	0.607
Reserves/Surplus	0.914	0.914	0.914	0.914	0.914	0.914	0.914	0.914	0.914	0.914
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate										
Annual	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Inception to Date - 1988 & later	34.8%	34.8%	34.7%	34.7%	34.7%	34.7%	34.7%	34.6%	34.6%	34.6%
Inception to Date - 2018 & later	33.5%	33.5%	33.6%	33.6%	33.6%	33.6%	33.7%	33.7%	33.7%	33.7%

Appendix C - Scenario 1
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	397,104	397,103	397,102	397,102	397,101	397,101	397,101	397,101	397,101	397,101
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	397,104	397,103	397,102	397,102	397,101	397,101	397,101	397,101	397,101	397,101
Liabilities											
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	2,848	2,904	2,943	2,972	2,992	3,006	3,015	3,020	3,023	3,025
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	191,048	191,104	191,143	191,172	191,192	191,206	191,215	191,220	191,223	191,225
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(114,094)	(120,093)	(126,052)	(131,982)	(137,891)	(143,786)	(149,672)	(155,553)	(161,431)
Retained Earnings Prior to Shareholder Dividends	108,038	114,094	120,093	126,052	131,982	137,891	143,786	149,672	155,553	161,431	167,307
Total Capital	206,142	206,056	205,999	205,959	205,930	205,909	205,895	205,886	205,881	205,878	205,876
Total Liabilities & Capital	397,104	397,104	397,103	397,102	397,102	397,101	397,101	397,101	397,101	397,101	397,101

Appendix C - Scenario 1
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101
Liabilities										
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	191,226	191,226	191,226	191,226	191,226	191,226	191,226	191,226	191,226	191,226
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(167,307)	(173,182)	(179,057)	(184,932)	(190,807)	(196,682)	(202,557)	(208,432)	(214,307)	(220,182)
Retained Earnings Prior to Shareholder Dividends	173,182	179,057	184,932	190,807	196,682	202,557	208,432	214,307	220,182	226,057
Total Capital	205,875	205,875	205,875	205,875	205,875	205,875	205,875	205,875	205,875	205,875
Total Liabilities & Capital	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101

Appendix C - Scenario 1
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	397,104	397,103	397,102	397,102	397,101	397,101	397,101	397,101	397,101
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium											
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(2,848)	(2,904)	(2,943)	(2,972)	(2,992)	(3,006)	(3,015)	(3,020)	(3,023)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(127,762)	(127,848)	(127,904)	(127,943)	(127,972)	(127,992)	(128,006)	(128,015)	(128,020)	(128,023)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(1,437)	(1,438)	(1,439)	(1,439)	(1,440)	(1,440)	(1,440)	(1,440)	(1,440)	(1,440)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,904	8,903	8,902	8,902	8,901	8,901	8,901	8,901	8,901	8,901
(27) Net Cash	(2,705)	(2,762)	(2,848)	(2,904)	(2,943)	(2,972)	(2,992)	(3,006)	(3,015)	(3,020)	(3,023)
(28) Dividends Paid	6,200	6,142	6,056	5,999	5,959	5,930	5,909	5,895	5,886	5,881	5,878
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	397,104	397,103	397,102	397,102	397,101	397,101	397,101	397,101	397,101	397,101

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 1
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium										
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)										
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(3,025)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(128,025)	(128,026)	(128,026)	(128,026)	(128,026)	(128,026)	(128,026)	(128,026)	(128,026)	(128,026)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,440)	(1,440)	(1,440)	(1,440)	(1,440)	(1,440)	(1,440)	(1,440)	(1,440)	(1,440)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901
(27) Net Cash	(3,025)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)
(28) Dividends Paid	5,876	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101	397,101

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 1
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
		100.0%	Dividends (Percent of Profit)								
		No	FIT Exempt								
		100%	Percent of Premium Collected in Year Written								
		12	24	36	48	60	72	84	96	108	120
Payout Pattern		26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 1
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE										
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 1
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,904	8,903	8,902	8,902	8,901	8,901	8,901	8,901	8,901	8,901
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(527)	(362)	(246)	(161)	(100)	(60)	(34)	(17)	(9)	(5)
(4B) Amortization of Change due to 2017 FITL		0	0	0	0	0	0	0	0		
(5) Ordinary Taxable Income	8,123	8,377	8,541	8,656	8,741	8,801	8,841	8,867	8,884	8,892	8,896
(6) Tax Rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
(7) Ordinary Tax	2,762	2,848	2,904	2,943	2,972	2,992	3,006	3,015	3,020	3,023	3,025
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	8,377	8,541	8,656	8,741	8,801	8,841	8,867	8,884	8,892	8,896
(9) Alternative Minimum Tax Income	8,123	8,377	8,541	8,656	8,741	8,801	8,841	8,867	8,884	8,892	8,896
(10) Alternative Minimum Tax	1,625	1,675	1,708	1,731	1,748	1,760	1,768	1,773	1,777	1,778	1,779
Resulting Federal Tax	2,762	2,848	2,904	2,943	2,972	2,992	3,006	3,015	3,020	3,023	3,025
Cumulative Tax	59,631	62,479	65,383	68,326	71,298	74,290	77,296	80,311	83,331	86,354	89,379

Change due to 2017 FITL at 12/31/17:
0

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (85.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 1
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(2)	(1)	(0)	0	0	0	0	0	0	0
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	8,899	8,900	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901
(6) Tax Rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
(7) Ordinary Tax	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	8,899	8,900	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901
(9) Alternative Minimum Tax Income	8,899	8,900	8,901	8,901	8,901	8,901	8,901	8,901	8,901	8,901
(10) Alternative Minimum Tax	1,780	1,780	1,780	1,780	1,780	1,780	1,780	1,780	1,780	1,780
Resulting Federal Tax	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026	3,026
Cumulative Tax	92,405	95,431	98,457	101,483	104,509	107,535	110,561	113,587	116,613	119,639

Change due to 2017 FITL at 12/31/17:
0

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (85.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 1
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Payment Year										
Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700
2019		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800
2020			26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900
2021				26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000
2022					26,500	32,500	17,000	9,000	5,000	3,000	2,000
2023						26,500	32,500	17,000	9,000	5,000	3,000
2024							26,500	32,500	17,000	9,000	5,000
2025								26,500	32,500	17,000	9,000
2026									26,500	32,500	17,000
2027										26,500	32,500
2028											26,500
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	26,500	59,000	76,000	85,000	90,000	93,000	95,000	96,000	96,900	97,700	98,400

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 1
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	600	500	300	200						100,000
2019	700	600	500	300	200					100,000
2020	800	700	600	500	300	200				100,000
2021	900	800	700	600	500	300	200			100,000
2022	1,000	900	800	700	600	500	300	200		100,000
2023	2,000	1,000	900	800	700	600	500	300	200	100,000
2024	3,000	2,000	1,000	900	800	700	600	500	300	99,800
2025	5,000	3,000	2,000	1,000	900	800	700	600	500	99,500
2026	9,000	5,000	3,000	2,000	1,000	900	800	700	600	99,000
2027	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	98,400
2028	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	97,700
2029	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	96,900
2030		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	96,000
2031			26,500	32,500	17,000	9,000	5,000	3,000	2,000	95,000
2032				26,500	32,500	17,000	9,000	5,000	3,000	93,000
2033					26,500	32,500	17,000	9,000	5,000	90,000
2034						26,500	32,500	17,000	9,000	85,000
2035							26,500	32,500	17,000	76,000
2036								26,500	32,500	59,000
2037									26,500	26,500
Total	99,000	99,500	99,800	100,000	100,000	100,000	100,000	100,000	100,000	1,811,800

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 1
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
2019		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
2020			73,500	41,000	24,000	15,000	10,000	7,000	5,000
2021				73,500	41,000	24,000	15,000	10,000	7,000
2022					73,500	41,000	24,000	15,000	10,000
2023						73,500	41,000	24,000	15,000
2024							73,500	41,000	24,000
2025								73,500	41,000
2026									73,500
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	73,500	114,500	138,500	153,500	163,500	170,500	175,500	179,500	182,600
Prior Business	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014
2019		71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864
2020			71,391	39,697	23,153	14,425	9,599	6,718	4,801
2021				71,391	39,697	23,153	14,425	9,599	6,718
2022					71,391	39,697	23,153	14,425	9,599
2023						71,391	39,697	23,153	14,425
2024							71,391	39,697	23,153
2025								71,391	39,697
2026									71,391
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	71,391	111,088	134,241	148,666	158,265	164,983	169,784	173,648	176,662
Prior Business	109,778	70,443	47,537	33,272	23,774	17,116	12,348	8,502	5,497

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	180,642	180,642	181,169	181,531	181,778	181,938	182,039	182,099	182,132	182,150	182,159
(3) Amount of Discount	7,558	7,558	7,031	6,669	6,422	6,262	6,161	6,101	6,068	6,050	6,041
(4) Tax Adjustment		*0*	(527)	(362)	(246)	(161)	(100)	(60)	(34)	(17)	(9)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix C - Scenario 1
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
2018	2,300	1,600	1,000	500	200	0					
2019	3,100	2,300	1,600	1,000	500	200	0				
2020	4,000	3,100	2,300	1,600	1,000	500	200	0			
2021	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0		
2022	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0	
2023	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0
2024	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200
2025	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500
2026	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000
2027	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600
2028		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300
2029			73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
2030				73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
2031					73,500	41,000	24,000	15,000	10,000	7,000	5,000
2032						73,500	41,000	24,000	15,000	10,000	7,000
2033							73,500	41,000	24,000	15,000	10,000
2034								73,500	41,000	24,000	15,000
2035									73,500	41,000	24,000
2036										73,500	41,000
2037											73,500
Total	184,900	186,500	187,500	188,000	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Prior Business	3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
2018	2,252	1,577	986	493	197	0					
2019	3,014	2,252	1,577	986	493	197	0				
2020	3,864	3,014	2,252	1,577	986	493	197	0			
2021	4,801	3,864	3,014	2,252	1,577	986	493	197	0		
2022	6,718	4,801	3,864	3,014	2,252	1,577	986	493	197	0	
2023	9,599	6,718	4,801	3,864	3,014	2,252	1,577	986	493	197	0
2024	14,425	9,599	6,718	4,801	3,864	3,014	2,252	1,577	986	493	197
2025	23,153	14,425	9,599	6,718	4,801	3,864	3,014	2,252	1,577	986	493
2026	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014	2,252	1,577	986
2027	71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014	2,252	1,577
2028		71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014	2,252
2029			71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014
2030				71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864
2031					71,391	39,697	23,153	14,425	9,599	6,718	4,801
2032						71,391	39,697	23,153	14,425	9,599	6,718
2033							71,391	39,697	23,153	14,425	9,599
2034								71,391	39,697	23,153	14,425
2035									71,391	39,697	23,153
2036										71,391	39,697
2037											71,391
Total	178,914	180,491	181,477	181,970	182,167	182,167	182,167	182,167	182,167	182,167	182,167
Prior Business	3,250	1,675	690	197	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	182,164	182,166	182,167	182,167	182,167	182,167	182,167	182,167	182,167	182,167	182,167
(3) Amount of Discount	6,036	6,034	6,033	6,033	6,033	6,033	6,033	6,033	6,033	6,033	6,033
(4) Tax Adjustment	(5)	(2)	(1)	(0)	0	0	0	0	0	0	0

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or Change in (3) from 20XX to 20XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Going Concern

Scenario 2: Interest Rate: Current, Patterns: Own, Tax Rate: New

Appendix C - Scenario 2
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions											
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,904	8,915	8,915	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,904	8,915	8,915	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Federal Tax											
Federal Income Tax	2,762	1,759	1,796	1,820	1,838	1,851	1,859	1,865	1,868	1,870	1,871
Net Income	6,142	7,145	7,119	7,095	7,076	7,063	7,055	7,049	7,046	7,044	7,043
Surplus											
Opening Surplus	206,200	206,142	207,145	207,119	207,095	207,076	207,063	207,055	207,049	207,046	207,044
Income for Period	6,142	7,145	7,119	7,095	7,076	7,063	7,055	7,049	7,046	7,044	7,043
Shareholder Dividends	(6,200)	(6,142)	(7,145)	(7,119)	(7,095)	(7,076)	(7,063)	(7,055)	(7,049)	(7,046)	(7,044)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	207,145	207,119	207,095	207,076	207,063	207,055	207,049	207,046	207,044	207,043
Financial Ratios											
Net Written Premium/Surplus	0.606	0.603	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604
Reserves/Surplus	0.913	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate											
Annual	31.0%	19.8%	20.1%	20.4%	20.6%	20.8%	20.9%	20.9%	21.0%	21.0%	21.0%
Inception to Date - 1988 & later	35.6%	34.8%	34.1%	33.4%	32.9%	32.4%	31.9%	31.5%	31.1%	30.7%	30.4%
Inception to Date - 2018 & later		19.8%	20.0%	20.1%	20.2%	20.3%	20.4%	20.5%	20.6%	20.6%	20.6%

Appendix C - Scenario 2
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions										
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Federal Tax										
Federal Income Tax	1,871	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Net Income	7,043	7,042	7,042	7,042	7,042	7,042	7,042	7,042	7,042	7,042
Surplus										
Opening Surplus	207,043	207,043	207,042	207,042	207,042	207,042	207,042	207,042	207,042	207,042
Income for Period	7,043	7,042	7,042	7,042	7,042	7,042	7,042	7,042	7,042	7,042
Shareholder Dividends	(7,043)	(7,043)	(7,042)	(7,042)	(7,042)	(7,042)	(7,042)	(7,042)	(7,042)	(7,042)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	207,043	207,042	207,042	207,042	207,042	207,042	207,042	207,042	207,042	207,042
Financial Ratios										
Net Written Premium/Surplus	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604
Reserves/Surplus	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate										
Annual	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Inception to Date - 1988 & later	30.1%	29.8%	29.5%	29.2%	29.0%	28.8%	28.5%	28.3%	28.2%	28.0%
Inception to Date - 2018 & later	20.7%	20.7%	20.7%	20.7%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%

Appendix C - Scenario 2
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	397,104	397,115	397,115	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	397,104	397,115	397,115	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Liabilities											
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	1,759	1,796	1,820	1,838	1,851	1,859	1,865	1,868	1,870	1,871
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	189,959	189,996	190,020	190,038	190,051	190,059	190,065	190,068	190,070	190,071
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(115,183)	(122,302)	(129,397)	(136,473)	(143,536)	(150,591)	(157,640)	(164,686)	(171,730)
Retained Earnings Prior to Shareholder Dividends	108,038	115,183	122,302	129,397	136,473	143,536	150,591	157,640	164,686	171,730	178,773
Total Capital	206,142	207,145	207,119	207,095	207,076	207,063	207,055	207,049	207,046	207,044	207,043
Total Liabilities & Capital	397,104	397,104	397,115	397,115	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Appendix C - Scenario 2
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Liabilities										
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	1,871	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,071	190,072	190,072	190,072	190,072	190,072	190,072	190,072	190,072	190,072
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(178,773)	(185,816)	(192,858)	(199,900)	(206,942)	(213,984)	(221,026)	(228,068)	(235,110)	(242,152)
Retained Earnings Prior to Shareholder Dividends	185,816	192,858	199,900	206,942	213,984	221,026	228,068	235,110	242,152	249,194
Total Capital	207,043	207,042	207,042	207,042	207,042	207,042	207,042	207,042	207,042	207,042
Total Liabilities & Capital	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Appendix C - Scenario 2
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	397,104	397,115	397,115	397,114	397,114	397,114	397,114	397,114	397,114
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium											
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(1,759)	(1,796)	(1,820)	(1,838)	(1,851)	(1,859)	(1,865)	(1,868)	(1,870)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(127,762)	(126,759)	(126,796)	(126,820)	(126,838)	(126,851)	(126,859)	(126,865)	(126,868)	(126,870)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(1,437)	(1,426)	(1,426)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,904	8,915	8,915	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(27) Net Cash	(2,705)	(2,762)	(1,759)	(1,796)	(1,820)	(1,838)	(1,851)	(1,859)	(1,865)	(1,868)	(1,870)
(28) Dividends Paid	6,200	6,142	7,145	7,119	7,095	7,076	7,063	7,055	7,049	7,046	7,044
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	397,104	397,115	397,115	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 2
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium										
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)										
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(1,871)	(1,871)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(126,871)	(126,871)	(126,872)	(126,872)	(126,872)	(126,872)	(126,872)	(126,872)	(126,872)	(126,872)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(27) Net Cash	(1,871)	(1,871)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)
(28) Dividends Paid	7,043	7,043	7,042	7,042	7,042	7,042	7,042	7,042	7,042	7,042
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 2
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

100.0% Dividends (Percent of Profit)
No FIT Exempt
100% Percent of Premium Collected in Year Written

	12	24	36	48	60	72	84	96	108	120
Payout Pattern	26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 2
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE										
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 2
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,904	8,915	8,915	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(527)	(362)	(246)	(161)	(100)	(60)	(34)	(17)	(9)	(5)
(4B) Amortization of Change due to 2017 FITL		0	0	0	0	0	0	0	0		
(5) Ordinary Taxable Income	8,123	8,377	8,553	8,669	8,753	8,814	8,854	8,880	8,897	8,905	8,909
(6) Tax Rate	34.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	2,762	1,759	1,796	1,820	1,838	1,851	1,859	1,865	1,868	1,870	1,871
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	1,625	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	2,762	1,759	1,796	1,820	1,838	1,851	1,859	1,865	1,868	1,870	1,871
Cumulative Tax	59,631	61,390	63,186	65,006	66,844	68,695	70,554	72,419	74,287	76,157	78,028

Change due to 2017 FITL at 12/31/17:
0

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 2
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(2)	(1)	(0)	0	0	0	0	0	0	0
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	8,912	8,913	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(6) Tax Rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	1,871	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	1,871	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Cumulative Tax	79,899	81,771	83,643	85,515	87,387	89,259	91,131	93,003	94,875	96,747

Change due to 2017 FITL at 12/31/17:
0

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 2
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

Accident Year	Payment Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700
2019		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800
2020			26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900
2021				26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000
2022					26,500	32,500	17,000	9,000	5,000	3,000	2,000
2023						26,500	32,500	17,000	9,000	5,000	3,000
2024							26,500	32,500	17,000	9,000	5,000
2025								26,500	32,500	17,000	9,000
2026									26,500	32,500	17,000
2027										26,500	32,500
2028											26,500
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	26,500	59,000	76,000	85,000	90,000	93,000	95,000	96,000	96,900	97,700	98,400

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 2
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	600	500	300	200						100,000
2019	700	600	500	300	200					100,000
2020	800	700	600	500	300	200				100,000
2021	900	800	700	600	500	300	200			100,000
2022	1,000	900	800	700	600	500	300	200		100,000
2023	2,000	1,000	900	800	700	600	500	300	200	100,000
2024	3,000	2,000	1,000	900	800	700	600	500	300	99,800
2025	5,000	3,000	2,000	1,000	900	800	700	600	500	99,500
2026	9,000	5,000	3,000	2,000	1,000	900	800	700	600	99,000
2027	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	98,400
2028	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	97,700
2029	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	96,900
2030		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	96,000
2031			26,500	32,500	17,000	9,000	5,000	3,000	2,000	95,000
2032				26,500	32,500	17,000	9,000	5,000	3,000	93,000
2033					26,500	32,500	17,000	9,000	5,000	90,000
2034						26,500	32,500	17,000	9,000	85,000
2035							26,500	32,500	17,000	76,000
2036								26,500	32,500	59,000
2037									26,500	26,500
Total	99,000	99,500	99,800	100,000	100,000	100,000	100,000	100,000	100,000	1,811,800

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 2
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
2019		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
2020			73,500	41,000	24,000	15,000	10,000	7,000	5,000
2021				73,500	41,000	24,000	15,000	10,000	7,000
2022					73,500	41,000	24,000	15,000	10,000
2023						73,500	41,000	24,000	15,000
2024							73,500	41,000	24,000
2025								73,500	41,000
2026									73,500
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	73,500	114,500	138,500	153,500	163,500	170,500	175,500	179,500	182,600
Prior Business	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014
2019		71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864
2020			71,391	39,697	23,153	14,425	9,599	6,718	4,801
2021				71,391	39,697	23,153	14,425	9,599	6,718
2022					71,391	39,697	23,153	14,425	9,599
2023						71,391	39,697	23,153	14,425
2024							71,391	39,697	23,153
2025								71,391	39,697
2026									71,391
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	71,391	111,088	134,241	148,666	158,265	164,983	169,784	173,648	176,662
Prior Business	109,778	70,443	47,537	33,272	23,774	17,116	12,348	8,502	5,497

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	180,642	180,642	181,169	181,531	181,778	181,938	182,039	182,099	182,132	182,150	182,159
(3) Amount of Discount	7,558	7,558	7,031	6,669	6,422	6,262	6,161	6,101	6,068	6,050	6,041
(4) Tax Adjustment		*0*	(527)	(362)	(246)	(161)	(100)	(60)	(34)	(17)	(9)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Appendix C - Scenario 2
Exhibit 2
Sheet 3

Going Concern Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	2,300	1,600	1,000	500	200	0					
	2019	3,100	2,300	1,600	1,000	500	200	0				
	2020	4,000	3,100	2,300	1,600	1,000	500	200	0			
	2021	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0		
	2022	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0	
	2023	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0
	2024	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200
	2025	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500
	2026	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000
	2027	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600
	2028		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300
	2029			73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
	2030				73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
	2031					73,500	41,000	24,000	15,000	10,000	7,000	5,000
	2032						73,500	41,000	24,000	15,000	10,000	7,000
	2033							73,500	41,000	24,000	15,000	10,000
	2034								73,500	41,000	24,000	15,000
	2035									73,500	41,000	24,000
	2036										73,500	41,000
	2037											73,500
	Total	184,900	186,500	187,500	188,000	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Prior Business		3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	2,252	1,577	986	493	197	0					
	2019	3,014	2,252	1,577	986	493	197	0				
	2020	3,864	3,014	2,252	1,577	986	493	197	0			
	2021	4,801	3,864	3,014	2,252	1,577	986	493	197	0		
	2022	6,718	4,801	3,864	3,014	2,252	1,577	986	493	197	0	
	2023	9,599	6,718	4,801	3,864	3,014	2,252	1,577	986	493	197	0
	2024	14,425	9,599	6,718	4,801	3,864	3,014	2,252	1,577	986	493	197
	2025	23,153	14,425	9,599	6,718	4,801	3,864	3,014	2,252	1,577	986	493
	2026	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014	2,252	1,577	986
	2027	71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014	2,252	1,577
	2028		71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014	2,252
	2029			71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864	3,014
	2030				71,391	39,697	23,153	14,425	9,599	6,718	4,801	3,864
	2031					71,391	39,697	23,153	14,425	9,599	6,718	4,801
	2032						71,391	39,697	23,153	14,425	9,599	6,718
	2033							71,391	39,697	23,153	14,425	9,599
	2034								71,391	39,697	23,153	14,425
	2035									71,391	39,697	23,153
	2036										71,391	39,697
	2037											71,391
	Total	178,914	180,491	181,477	181,970	182,167	182,167	182,167	182,167	182,167	182,167	182,167
Prior Business		3,250	1,675	690	197	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	182,164	182,166	182,167	182,167	182,167	182,167	182,167	182,167	182,167	182,167	182,167
(3) Amount of Discount	6,036	6,034	6,033	6,033	6,033	6,033	6,033	6,033	6,033	6,033	6,033
(4) Tax Adjustment	(5)	(2)	(1)	(0)	0	0	0	0	0	0	0

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Going Concern

Scenario 3: Interest Rate: Current, Patterns: IRS Old Tail, Tax Rate: New

Appendix C - Scenario 3
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions											
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,904	8,914	8,913	8,912	8,912	8,911	8,911	8,911	8,911	8,914
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,904	8,914	8,913	8,912	8,912	8,911	8,911	8,911	8,911	8,914
Federal Tax											
Federal Income Tax	2,762	1,847	1,916	1,996	2,039	2,079	2,103	2,116	2,122	1,867	1,870
Net Income	6,142	7,057	6,998	6,917	6,873	6,833	6,808	6,795	6,789	7,044	7,044
Surplus											
Opening Surplus	206,200	206,142	207,057	206,998	206,917	206,873	206,833	206,808	206,795	206,789	207,044
Income for Period	6,142	7,057	6,998	6,917	6,873	6,833	6,808	6,795	6,789	7,044	7,044
Shareholder Dividends	(6,200)	(6,142)	(7,057)	(6,998)	(6,917)	(6,873)	(6,833)	(6,808)	(6,795)	(6,789)	(7,044)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	207,057	206,998	206,917	206,873	206,833	206,808	206,795	206,789	207,044	207,044
Financial Ratios											
Net Written Premium/Surplus	0.606	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604
Reserves/Surplus	0.913	0.909	0.909	0.910	0.910	0.910	0.910	0.910	0.910	0.909	0.909
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate											
Annual	31.0%	20.7%	21.5%	22.4%	22.9%	23.3%	23.6%	23.7%	23.8%	21.0%	21.0%
Inception to Date - 1988 & later	35.6%	34.8%	34.2%	33.6%	33.2%	32.8%	32.4%	32.0%	31.7%	31.4%	31.0%
Inception to Date - 2018 & later		20.7%	21.1%	21.5%	21.9%	22.2%	22.4%	22.6%	22.7%	22.6%	22.4%

Appendix C - Scenario 3
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions										
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Federal Tax										
Federal Income Tax	1,871	1,871	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Net Income	7,043	7,043	7,042	7,042	7,042	7,042	7,042	7,042	7,042	7,042
Surplus										
Opening Surplus	207,044	207,043	207,043	207,042	207,042	207,042	207,042	207,042	207,042	207,042
Income for Period	7,043	7,043	7,042	7,042	7,042	7,042	7,042	7,042	7,042	7,042
Shareholder Dividends	(7,044)	(7,043)	(7,043)	(7,042)	(7,042)	(7,042)	(7,042)	(7,042)	(7,042)	(7,042)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	207,043	207,043	207,042	207,042	207,042	207,042	207,042	207,042	207,042	207,042
Financial Ratios										
Net Written Premium/Surplus	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604
Reserves/Surplus	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate										
Annual	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Inception to Date - 1988 & later	30.7%	30.3%	30.1%	29.8%	29.5%	29.3%	29.0%	28.8%	28.6%	28.4%
Inception to Date - 2018 & later	22.3%	22.2%	22.1%	22.0%	21.9%	21.9%	21.8%	21.8%	21.7%	21.7%

Appendix C - Scenario 3
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111	397,114
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111	397,114
Liabilities											
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	1,847	1,916	1,996	2,039	2,079	2,103	2,116	2,122	1,867	1,870
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	190,047	190,116	190,196	190,239	190,279	190,303	190,316	190,322	190,067	190,070
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(115,095)	(122,093)	(129,010)	(135,883)	(142,716)	(149,524)	(156,319)	(163,108)	(170,152)
Retained Earnings Prior to Shareholder Dividends	108,038	115,095	122,093	129,010	135,883	142,716	149,524	156,319	163,108	170,152	177,196
Total Capital	206,142	207,057	206,998	206,917	206,873	206,833	206,808	206,795	206,789	207,044	207,044
Total Liabilities & Capital	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111	397,114

Appendix C - Scenario 3
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Liabilities										
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	1,871	1,871	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,071	190,071	190,072	190,072	190,072	190,072	190,072	190,072	190,072	190,072
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(177,196)	(184,239)	(191,282)	(198,324)	(205,366)	(212,408)	(219,450)	(226,492)	(233,534)	(240,576)
Retained Earnings Prior to Shareholder Dividends	184,239	191,282	198,324	205,366	212,408	219,450	226,492	233,534	240,576	247,618
Total Capital	207,043	207,043	207,042	207,042	207,042	207,042	207,042	207,042	207,042	207,042
Total Liabilities & Capital	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Appendix C - Scenario 3
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium											
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(1,847)	(1,916)	(1,996)	(2,039)	(2,079)	(2,103)	(2,116)	(2,122)	(1,867)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(127,762)	(126,847)	(126,916)	(126,996)	(127,039)	(127,079)	(127,103)	(127,116)	(127,122)	(126,867)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(1,437)	(1,427)	(1,428)	(1,429)	(1,429)	(1,430)	(1,430)	(1,430)	(1,430)	(1,427)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,904	8,914	8,913	8,912	8,912	8,911	8,911	8,911	8,911	8,914
(27) Net Cash	(2,705)	(2,762)	(1,847)	(1,916)	(1,996)	(2,039)	(2,079)	(2,103)	(2,116)	(2,122)	(1,867)
(28) Dividends Paid	6,200	6,142	7,057	6,998	6,917	6,873	6,833	6,808	6,795	6,789	7,044
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111	397,114

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 3
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium										
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)										
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(1,870)	(1,871)	(1,871)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(126,870)	(126,871)	(126,871)	(126,872)	(126,872)	(126,872)	(126,872)	(126,872)	(126,872)	(126,872)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(27) Net Cash	(1,870)	(1,871)	(1,871)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)	(1,872)
(28) Dividends Paid	7,044	7,043	7,043	7,042	7,042	7,042	7,042	7,042	7,042	7,042
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 3
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

100.0% Dividends (Percent of Profit)
No FIT Exempt
100% Percent of Premium Collected in Year Written

		12	24	36	48	60	72	84	96	108	120
Payout Pattern		26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 3
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE										
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 3
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,904	8,914	8,913	8,912	8,912	8,911	8,911	8,911	8,911	8,914
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(1,341)	(1,018)	(637)	(433)	(241)	(127)	(65)	(36)	(21)	(11)
(4B) Amortization of Change due to 2017 FITL		1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230		
(5) Ordinary Taxable Income	8,123	8,793	9,125	9,505	9,709	9,901	10,014	10,076	10,104	8,890	8,903
(6) Tax Rate	34.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	2,762	1,847	1,916	1,996	2,039	2,079	2,103	2,116	2,122	1,867	1,870
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	1,625	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	2,762	1,847	1,916	1,996	2,039	2,079	2,103	2,116	2,122	1,867	1,870
Cumulative Tax	59,631	61,478	63,394	65,390	67,429	69,508	71,611	73,727	75,849	77,716	79,586

Change due to 2017 FITL at 12/31/17:
9,837

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 3
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(5)	(2)	(0)	(1)	0	0	0	0	0	0
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	8,909	8,912	8,914	8,913	8,914	8,914	8,914	8,914	8,914	8,914
(6) Tax Rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	1,871	1,871	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	1,871	1,871	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Cumulative Tax	81,457	83,328	85,200	87,072	88,944	90,816	92,688	94,560	96,432	98,304

Change due to 2017 FITL at 12/31/17:
9,837

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 3
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

Accident Year	Payment Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700
2019		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800
2020			26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900
2021				26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000
2022					26,500	32,500	17,000	9,000	5,000	3,000	2,000
2023						26,500	32,500	17,000	9,000	5,000	3,000
2024							26,500	32,500	17,000	9,000	5,000
2025								26,500	32,500	17,000	9,000
2026									26,500	32,500	17,000
2027										26,500	32,500
2028											26,500
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	26,500	59,000	76,000	85,000	90,000	93,000	95,000	96,000	96,900	97,700	98,400

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 3
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	600	500	300	200						100,000
2019	700	600	500	300	200					100,000
2020	800	700	600	500	300	200				100,000
2021	900	800	700	600	500	300	200			100,000
2022	1,000	900	800	700	600	500	300	200		100,000
2023	2,000	1,000	900	800	700	600	500	300	200	100,000
2024	3,000	2,000	1,000	900	800	700	600	500	300	99,800
2025	5,000	3,000	2,000	1,000	900	800	700	600	500	99,500
2026	9,000	5,000	3,000	2,000	1,000	900	800	700	600	99,000
2027	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	98,400
2028	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	97,700
2029	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	96,900
2030		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	96,000
2031			26,500	32,500	17,000	9,000	5,000	3,000	2,000	95,000
2032				26,500	32,500	17,000	9,000	5,000	3,000	93,000
2033					26,500	32,500	17,000	9,000	5,000	90,000
2034						26,500	32,500	17,000	9,000	85,000
2035							26,500	32,500	17,000	76,000
2036								26,500	32,500	59,000
2037									26,500	26,500
Total	99,000	99,500	99,800	100,000	100,000	100,000	100,000	100,000	100,000	1,811,800

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 3
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
2019		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
2020			73,500	41,000	24,000	15,000	10,000	7,000	5,000
2021				73,500	41,000	24,000	15,000	10,000	7,000
2022					73,500	41,000	24,000	15,000	10,000
2023						73,500	41,000	24,000	15,000
2024							73,500	41,000	24,000
2025								73,500	41,000
2026									73,500
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	73,500	114,500	138,500	153,500	163,500	170,500	175,500	179,500	182,600
Prior Business	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	68,843	38,077	22,154	13,732	9,130	6,375	4,566	3,673	2,859
2019		68,843	38,077	22,154	13,732	9,130	6,375	4,566	3,673
2020			68,843	38,077	22,154	13,732	9,130	6,375	4,566
2021				68,843	38,077	22,154	13,732	9,130	6,375
2022					68,843	38,077	22,154	13,732	9,130
2023						68,843	38,077	22,154	13,732
2024							68,843	38,077	22,154
2025								68,843	38,077
2026									68,843
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	68,843	106,920	129,074	142,806	151,936	158,311	162,877	166,550	169,409
Prior Business	103,303	66,244	44,727	31,428	22,538	16,291	11,789	8,152	5,314

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	180,642	170,805	172,146	173,164	173,801	174,234	174,474	174,602	174,666	174,702	174,723
(3) Amount of Discount	7,558	17,395	16,054	15,036	14,399	13,966	13,726	13,598	13,534	13,498	13,477
(4) Tax Adjustment		*9,837*	(1,341)	(1,018)	(637)	(433)	(241)	(127)	(65)	(36)	(21)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix C - Scenario 3
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	2,300	1,600	1,000	500	200	0					
	2019	3,100	2,300	1,600	1,000	500	200	0				
	2020	4,000	3,100	2,300	1,600	1,000	500	200	0			
	2021	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0		
	2022	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0	
	2023	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0
	2024	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200
	2025	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500
	2026	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000
	2027	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600
	2028		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300
	2029			73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
	2030				73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
	2031					73,500	41,000	24,000	15,000	10,000	7,000	5,000
	2032						73,500	41,000	24,000	15,000	10,000	7,000
	2033							73,500	41,000	24,000	15,000	10,000
	2034								73,500	41,000	24,000	15,000
	2035									73,500	41,000	24,000
	2036										73,500	41,000
	2037											73,500
	Total	184,900	186,500	187,500	188,000	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Prior Business		3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	2,145	1,544	966	483	193	0					
	2019	2,859	2,145	1,545	966	483	193	0				
	2020	3,673	2,859	2,145	1,545	966	483	193	0			
	2021	4,566	3,673	2,859	2,145	1,546	966	483	193	0		
	2022	6,375	4,566	3,673	2,859	2,145	1,546	966	483	193	0	
	2023	9,130	6,375	4,566	3,673	2,859	2,145	1,546	966	483	193	0
	2024	13,732	9,130	6,375	4,566	3,673	2,859	2,145	1,546	966	483	193
	2025	22,154	13,732	9,130	6,375	4,566	3,673	2,859	2,145	1,546	966	483
	2026	38,077	22,154	13,732	9,130	6,375	4,566	3,673	2,859	2,145	1,546	966
	2027	68,843	38,077	22,154	13,732	9,130	6,375	4,566	3,673	2,859	2,145	1,546
	2028		68,843	38,077	22,154	13,732	9,130	6,375	4,566	3,673	2,859	2,145
	2029			68,843	38,077	22,154	13,732	9,130	6,375	4,566	3,673	2,859
	2030				68,843	38,077	22,154	13,732	9,130	6,375	4,566	3,673
	2031					68,843	38,077	22,154	13,732	9,130	6,375	4,566
	2032						68,843	38,077	22,154	13,732	9,130	6,375
	2033							68,843	38,077	22,154	13,732	9,130
	2034								68,843	38,077	22,154	13,732
	2035									68,843	38,077	22,154
	2036										68,843	38,077
	2037											68,843
	Total	171,554	173,098	174,065	174,548	174,742	174,742	174,742	174,742	174,742	174,742	174,742
Prior Business		3,180	1,640	676	193	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	174,734	174,738	174,741	174,741	174,742	174,742	174,742	174,742	174,742	174,742	174,742
(3) Amount of Discount	13,466	13,462	13,459	13,459	13,458	13,458	13,458	13,458	13,458	13,458	13,458
(4) Tax Adjustment	(11)	(5)	(2)	(0)	(1)	0	0	0	0	0	0

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Going Concern

Scenario 4: Interest Rate: Current, Patterns: IRS New Tail, Tax Rate: New

Appendix C - Scenario 4
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions											
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,904	8,914	8,913	8,912	8,912	8,911	8,911	8,911	8,911	8,914
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,904	8,914	8,913	8,912	8,912	8,911	8,911	8,911	8,911	8,914
Federal Tax											
Federal Income Tax	2,762	1,830	1,918	2,008	2,053	2,085	2,114	2,129	2,136	1,863	1,867
Net Income	6,142	7,074	6,996	6,905	6,859	6,827	6,797	6,782	6,775	7,048	7,047
Surplus											
Opening Surplus	206,200	206,142	207,074	206,996	206,905	206,859	206,827	206,797	206,782	206,775	207,048
Income for Period	6,142	7,074	6,996	6,905	6,859	6,827	6,797	6,782	6,775	7,048	7,047
Shareholder Dividends	(6,200)	(6,142)	(7,074)	(6,996)	(6,905)	(6,859)	(6,827)	(6,797)	(6,782)	(6,775)	(7,048)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	207,074	206,996	206,905	206,859	206,827	206,797	206,782	206,775	207,048	207,047
Financial Ratios											
Net Written Premium/Surplus	0.606	0.604	0.604	0.604	0.604	0.604	0.604	0.605	0.605	0.604	0.604
Reserves/Surplus	0.913	0.909	0.909	0.910	0.910	0.910	0.910	0.910	0.910	0.909	0.909
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate											
Annual	31.0%	20.6%	21.5%	22.5%	23.0%	23.4%	23.7%	23.9%	24.0%	20.9%	20.9%
Inception to Date - 1988 & later	35.6%	34.8%	34.2%	33.6%	33.2%	32.8%	32.4%	32.1%	31.8%	31.4%	31.0%
Inception to Date - 2018 & later		20.6%	21.0%	21.5%	21.9%	22.2%	22.5%	22.7%	22.8%	22.6%	22.4%

Appendix C - Scenario 4
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions										
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Federal Tax										
Federal Income Tax	1,868	1,869	1,870	1,871	1,871	1,871	1,872	1,872	1,872	1,872
Net Income	7,046	7,045	7,044	7,043	7,043	7,043	7,042	7,042	7,042	7,042
Surplus										
Opening Surplus	207,047	207,046	207,045	207,044	207,043	207,043	207,043	207,042	207,042	207,042
Income for Period	7,046	7,045	7,044	7,043	7,043	7,043	7,042	7,042	7,042	7,042
Shareholder Dividends	(7,047)	(7,046)	(7,045)	(7,044)	(7,043)	(7,043)	(7,043)	(7,042)	(7,042)	(7,042)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	207,046	207,045	207,044	207,043	207,043	207,043	207,042	207,042	207,042	207,042
Financial Ratios										
Net Written Premium/Surplus	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604
Reserves/Surplus	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate										
Annual	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Inception to Date - 1988 & later	30.7%	30.4%	30.1%	29.8%	29.5%	29.3%	29.1%	28.8%	28.6%	28.4%
Inception to Date - 2018 & later	22.3%	22.2%	22.1%	22.0%	22.0%	21.9%	21.8%	21.8%	21.8%	21.7%

Appendix C - Scenario 4
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111	397,114
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111	397,114
Liabilities											
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	1,830	1,918	2,008	2,053	2,085	2,114	2,129	2,136	1,863	1,867
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	190,030	190,118	190,208	190,253	190,285	190,314	190,329	190,336	190,063	190,067
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(115,112)	(122,108)	(129,013)	(135,872)	(142,699)	(149,496)	(156,278)	(163,053)	(170,101)
Retained Earnings Prior to Shareholder Dividends	108,038	115,112	122,108	129,013	135,872	142,699	149,496	156,278	163,053	170,101	177,148
Total Capital	206,142	207,074	206,996	206,905	206,859	206,827	206,797	206,782	206,775	207,048	207,047
Total Liabilities & Capital	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111	397,114

Appendix C - Scenario 4
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Liabilities										
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	1,868	1,869	1,870	1,871	1,871	1,871	1,872	1,872	1,872	1,872
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,068	190,069	190,070	190,071	190,071	190,071	190,072	190,072	190,072	190,072
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(177,148)	(184,194)	(191,239)	(198,283)	(205,326)	(212,369)	(219,412)	(226,454)	(233,496)	(240,538)
Retained Earnings Prior to Shareholder Dividends	184,194	191,239	198,283	205,326	212,369	219,412	226,454	233,496	240,538	247,580
Total Capital	207,046	207,045	207,044	207,043	207,043	207,043	207,042	207,042	207,042	207,042
Total Liabilities & Capital	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Appendix C - Scenario 4
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium											
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(1,830)	(1,918)	(2,008)	(2,053)	(2,085)	(2,114)	(2,129)	(2,136)	(1,863)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(127,762)	(126,830)	(126,918)	(127,008)	(127,053)	(127,085)	(127,114)	(127,129)	(127,136)	(126,863)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(1,437)	(1,427)	(1,428)	(1,429)	(1,429)	(1,430)	(1,430)	(1,430)	(1,430)	(1,427)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,904	8,914	8,913	8,912	8,912	8,911	8,911	8,911	8,911	8,914
(27) Net Cash	(2,705)	(2,762)	(1,830)	(1,918)	(2,008)	(2,053)	(2,085)	(2,114)	(2,129)	(2,136)	(1,863)
(28) Dividends Paid	6,200	6,142	7,074	6,996	6,905	6,859	6,827	6,797	6,782	6,775	7,048
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	397,104	397,114	397,113	397,112	397,112	397,111	397,111	397,111	397,111	397,114

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 4
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium										
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)										
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(1,867)	(1,868)	(1,869)	(1,870)	(1,871)	(1,871)	(1,871)	(1,872)	(1,872)	(1,872)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(126,867)	(126,868)	(126,869)	(126,870)	(126,871)	(126,871)	(126,871)	(126,872)	(126,872)	(126,872)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(27) Net Cash	(1,867)	(1,868)	(1,869)	(1,870)	(1,871)	(1,871)	(1,871)	(1,872)	(1,872)	(1,872)
(28) Dividends Paid	7,047	7,046	7,045	7,044	7,043	7,043	7,043	7,042	7,042	7,042
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 4
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

100.0% Dividends (Percent of Profit)
No FIT Exempt
100% Percent of Premium Collected in Year Written

	12	24	36	48	60	72	84	96	108	120
Payout Pattern	26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 4
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE										
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 4
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,904	8,914	8,913	8,912	8,912	8,911	8,911	8,911	8,911	8,914
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(1,517)	(1,109)	(678)	(466)	(312)	(175)	(101)	(66)	(41)	(22)
(4B) Amortization of Change due to 2017 FITL		1,328	1,328	1,328	1,328	1,328	1,328	1,328	1,328		
(5) Ordinary Taxable Income	8,123	8,715	9,133	9,563	9,775	9,929	10,064	10,139	10,173	8,870	8,892
(6) Tax Rate	34.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	2,762	1,830	1,918	2,008	2,053	2,085	2,114	2,129	2,136	1,863	1,867
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	1,625	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	2,762	1,830	1,918	2,008	2,053	2,085	2,114	2,129	2,136	1,863	1,867
Cumulative Tax	59,631	61,461	63,379	65,387	67,440	69,525	71,639	73,768	75,904	77,767	79,634

Change due to 2017 FITL at 12/31/17:
10,626

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 4
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(18)	(13)	(8)	(7)	(4)	(4)	0	(1)	(2)	2
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	8,896	8,901	8,906	8,907	8,910	8,910	8,914	8,913	8,912	8,916
(6) Tax Rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	1,868	1,869	1,870	1,871	1,871	1,871	1,872	1,872	1,872	1,872
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	1,868	1,869	1,870	1,871	1,871	1,871	1,872	1,872	1,872	1,872
Cumulative Tax	81,502	83,371	85,241	87,112	88,983	90,854	92,726	94,598	96,470	98,342

Change due to 2017 FITL at 12/31/17:
10,626

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 4
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

Accident Year	Payment Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700
2019		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800
2020			26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900
2021				26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000
2022					26,500	32,500	17,000	9,000	5,000	3,000	2,000
2023						26,500	32,500	17,000	9,000	5,000	3,000
2024							26,500	32,500	17,000	9,000	5,000
2025								26,500	32,500	17,000	9,000
2026									26,500	32,500	17,000
2027										26,500	32,500
2028											26,500
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	26,500	59,000	76,000	85,000	90,000	93,000	95,000	96,000	96,900	97,700	98,400

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 4
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	600	500	300	200						100,000
2019	700	600	500	300	200					100,000
2020	800	700	600	500	300	200				100,000
2021	900	800	700	600	500	300	200			100,000
2022	1,000	900	800	700	600	500	300	200		100,000
2023	2,000	1,000	900	800	700	600	500	300	200	100,000
2024	3,000	2,000	1,000	900	800	700	600	500	300	99,800
2025	5,000	3,000	2,000	1,000	900	800	700	600	500	99,500
2026	9,000	5,000	3,000	2,000	1,000	900	800	700	600	99,000
2027	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	98,400
2028	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	97,700
2029	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	96,900
2030		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	96,000
2031			26,500	32,500	17,000	9,000	5,000	3,000	2,000	95,000
2032				26,500	32,500	17,000	9,000	5,000	3,000	93,000
2033					26,500	32,500	17,000	9,000	5,000	90,000
2034						26,500	32,500	17,000	9,000	85,000
2035							26,500	32,500	17,000	76,000
2036								26,500	32,500	59,000
2037									26,500	26,500
Total	99,000	99,500	99,800	100,000	100,000	100,000	100,000	100,000	100,000	1,811,800

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 4
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
2019		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
2020			73,500	41,000	24,000	15,000	10,000	7,000	5,000
2021				73,500	41,000	24,000	15,000	10,000	7,000
2022					73,500	41,000	24,000	15,000	10,000
2023						73,500	41,000	24,000	15,000
2024							73,500	41,000	24,000
2025								73,500	41,000
2026									73,500
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	73,500	114,500	138,500	153,500	163,500	170,500	175,500	179,500	182,600
Prior Business	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	68,813	38,053	22,135	13,717	9,117	6,365	4,558	3,666	2,852
2019		68,813	38,053	22,135	13,717	9,117	6,365	4,558	3,666
2020			68,813	38,053	22,135	13,717	9,117	6,365	4,558
2021				68,813	38,053	22,135	13,717	9,117	6,365
2022					68,813	38,053	22,135	13,717	9,117
2023						68,813	38,053	22,135	13,717
2024							68,813	38,053	22,135
2025								68,813	38,053
2026									68,813
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	68,813	106,866	129,001	142,718	151,835	158,200	162,758	166,424	169,276
Prior Business	102,720	65,776	44,320	31,068	22,263	16,072	11,615	8,015	5,205

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	180,642	170,016	171,533	172,642	173,321	173,786	174,098	174,272	174,373	174,439	174,481
(3) Amount of Discount	7,558	18,184	16,667	15,558	14,879	14,414	14,102	13,928	13,827	13,761	13,719
(4) Tax Adjustment		*10,626*	(1,517)	(1,109)	(678)	(466)	(312)	(175)	(101)	(66)	(41)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix C - Scenario 4
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Going Concern Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
2018	2,300	1,600	1,000	500	200	0					
2019	3,100	2,300	1,600	1,000	500	200	0				
2020	4,000	3,100	2,300	1,600	1,000	500	200	0			
2021	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0		
2022	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0	
2023	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0
2024	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200
2025	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500
2026	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000
2027	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600
2028		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300
2029			73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
2030				73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
2031					73,500	41,000	24,000	15,000	10,000	7,000	5,000
2032						73,500	41,000	24,000	15,000	10,000	7,000
2033							73,500	41,000	24,000	15,000	10,000
2034								73,500	41,000	24,000	15,000
2035									73,500	41,000	24,000
2036										73,500	41,000
2037											73,500
Total	184,900	186,500	187,500	188,000	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Prior Business	3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
2018	2,139	1,506	945	474	190	0					
2019	2,852	2,139	1,512	947	475	190	0				
2020	3,666	2,852	2,139	1,516	949	475	190	0			
2021	4,558	3,666	2,852	2,139	1,519	951	476	190	0		
2022	6,365	4,558	3,666	2,852	2,139	1,521	952	476	190	0	
2023	9,117	6,365	4,558	3,666	2,852	2,139	1,523	952	476	191	0
2024	13,717	9,117	6,365	4,558	3,666	2,852	2,139	1,523	952	476	190
2025	22,135	13,717	9,117	6,365	4,558	3,666	2,852	2,139	1,524	953	476
2026	38,053	22,135	13,717	9,117	6,365	4,558	3,666	2,852	2,139	1,524	952
2027	68,813	38,053	22,135	13,717	9,117	6,365	4,558	3,666	2,852	2,139	1,524
2028		68,813	38,053	22,135	13,717	9,117	6,365	4,558	3,666	2,852	2,139
2029			68,813	38,053	22,135	13,717	9,117	6,365	4,558	3,666	2,852
2030				68,813	38,053	22,135	13,717	9,117	6,365	4,558	3,666
2031					68,813	38,053	22,135	13,717	9,117	6,365	4,558
2032						68,813	38,053	22,135	13,717	9,117	6,365
2033							68,813	38,053	22,135	13,717	9,117
2034								68,813	38,053	22,135	13,717
2035									68,813	38,053	22,135
2036										68,813	38,053
2037											68,813
Total	171,415	172,921	173,872	174,352	174,548	174,552	174,556	174,556	174,557	174,559	174,557
Prior Business	3,088	1,600	661	189	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	174,503	174,521	174,533	174,541	174,548	174,552	174,556	174,556	174,557	174,559	174,557
(3) Amount of Discount	13,697	13,679	13,667	13,659	13,652	13,648	13,644	13,644	13,643	13,641	13,643
(4) Tax Adjustment	(22)	(18)	(13)	(8)	(7)	(4)	(4)	0	(1)	(2)	2

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Going Concern

Scenario 5: Interest Rate: New, Patterns: IRS New Tail, Tax Rate: New

Appendix C - Scenario 5
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions											
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,904	8,909	8,909	8,908	8,908	8,908	8,908	8,908	8,908	8,914
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,904	8,909	8,909	8,908	8,908	8,908	8,908	8,908	8,908	8,914
Federal Tax											
Federal Income Tax	2,762	2,289	2,316	2,384	2,399	2,403	2,414	2,419	2,420	1,869	1,871
Net Income	6,142	6,615	6,593	6,525	6,509	6,505	6,494	6,489	6,488	7,039	7,043
Surplus											
Opening Surplus	206,200	206,142	206,615	206,593	206,525	206,509	206,505	206,494	206,489	206,488	207,039
Income for Period	6,142	6,615	6,593	6,525	6,509	6,505	6,494	6,489	6,488	7,039	7,043
Shareholder Dividends	(6,200)	(6,142)	(6,615)	(6,593)	(6,525)	(6,509)	(6,505)	(6,494)	(6,489)	(6,488)	(7,039)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	206,615	206,593	206,525	206,509	206,505	206,494	206,489	206,488	207,039	207,043
Financial Ratios											
Net Written Premium/Surplus	0.606	0.605	0.605	0.605	0.605	0.605	0.605	0.605	0.605	0.604	0.604
Reserves/Surplus	0.913	0.911	0.911	0.911	0.911	0.911	0.911	0.911	0.911	0.909	0.909
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate											
Annual	31.0%	25.7%	26.0%	26.8%	26.9%	27.0%	27.1%	27.2%	27.2%	21.0%	21.0%
Inception to Date - 1988 & later	35.6%	35.1%	34.6%	34.3%	33.9%	33.7%	33.4%	33.2%	32.9%	32.5%	32.1%
Inception to Date - 2018 & later		25.7%	25.9%	26.2%	26.3%	26.5%	26.6%	26.7%	26.7%	26.1%	25.6%

Appendix C - Scenario 5
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Gross Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Underwriting Deductions										
Loss & LAE Incurred	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total Underwriting Deductions	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
Federal Tax										
Federal Income Tax	1,872	1,872	1,872	1,872	1,871	1,871	1,872	1,871	1,872	1,873
Net Income	7,042	7,042	7,042	7,042	7,043	7,043	7,042	7,043	7,042	7,041
Surplus										
Opening Surplus	207,043	207,042	207,042	207,042	207,042	207,043	207,043	207,042	207,043	207,042
Income for Period	7,042	7,042	7,042	7,042	7,043	7,043	7,042	7,043	7,042	7,041
Shareholder Dividends	(7,043)	(7,042)	(7,042)	(7,042)	(7,042)	(7,043)	(7,043)	(7,042)	(7,043)	(7,042)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	207,042	207,042	207,042	207,042	207,043	207,043	207,042	207,043	207,042	207,041
Financial Ratios										
Net Written Premium/Surplus	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604	0.604
Reserves/Surplus	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909	0.909
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Effective Tax Rate										
Annual	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Inception to Date - 1988 & later	31.7%	31.4%	31.1%	30.7%	30.5%	30.2%	29.9%	29.7%	29.5%	29.2%
Inception to Date - 2018 & later	25.2%	24.8%	24.5%	24.3%	24.0%	23.9%	23.7%	23.5%	23.4%	23.3%

Appendix C - Scenario 5
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	397,104	397,109	397,109	397,108	397,108	397,108	397,108	397,108	397,108	397,114
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	397,104	397,109	397,109	397,108	397,108	397,108	397,108	397,108	397,108	397,114
Liabilities											
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	2,289	2,316	2,384	2,399	2,403	2,414	2,419	2,420	1,869	1,871
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	190,489	190,516	190,584	190,599	190,603	190,614	190,619	190,620	190,069	190,071
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(114,653)	(121,246)	(127,771)	(134,280)	(140,785)	(147,279)	(153,768)	(160,256)	(167,295)
Retained Earnings Prior to Shareholder Dividends	108,038	114,653	121,246	127,771	134,280	140,785	147,279	153,768	160,256	167,295	174,338
Total Capital	206,142	206,615	206,593	206,525	206,509	206,505	206,494	206,489	206,488	207,039	207,043
Total Liabilities & Capital	397,104	397,104	397,109	397,109	397,108	397,108	397,108	397,108	397,108	397,108	397,114

Appendix C - Scenario 5
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
Liabilities										
Outstanding Loss & LAE Reserve	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	1,872	1,872	1,872	1,872	1,871	1,871	1,872	1,871	1,872	1,873
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,072	190,072	190,072	190,072	190,071	190,071	190,072	190,071	190,072	190,073
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(174,338)	(181,380)	(188,422)	(195,464)	(202,506)	(209,549)	(216,592)	(223,634)	(230,677)	(237,719)
Retained Earnings Prior to Shareholder Dividends	181,380	188,422	195,464	202,506	209,549	216,592	223,634	230,677	237,719	244,760
Total Capital	207,042	207,042	207,042	207,042	207,043	207,043	207,042	207,043	207,042	207,041
Total Liabilities & Capital	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Appendix C - Scenario 5
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	397,104	397,109	397,109	397,108	397,108	397,108	397,108	397,108	397,108
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium											
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(2,289)	(2,316)	(2,384)	(2,399)	(2,403)	(2,414)	(2,419)	(2,420)	(1,869)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(127,762)	(127,289)	(127,316)	(127,384)	(127,399)	(127,403)	(127,414)	(127,419)	(127,420)	(126,869)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(1,437)	(1,432)	(1,432)	(1,433)	(1,433)	(1,433)	(1,433)	(1,433)	(1,433)	(1,427)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,904	8,909	8,909	8,908	8,908	8,908	8,908	8,908	8,908	8,914
(27) Net Cash	(2,705)	(2,762)	(2,289)	(2,316)	(2,384)	(2,399)	(2,403)	(2,414)	(2,419)	(2,420)	(1,869)
(28) Dividends Paid	6,200	6,142	6,615	6,593	6,525	6,509	6,505	6,494	6,489	6,488	7,039
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	397,104	397,109	397,109	397,108	397,108	397,108	397,108	397,108	397,108	397,114

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 5
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935	8,935
Collected Premium										
(5) Net Written Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406	1,406
(15) Premium Collected During Year	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Other Cash Out (-) or In (+)										
(16) Expenses	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
(17) Paid Loss & LAE	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
(18) Federal Tax for Prior Year	(1,871)	(1,872)	(1,872)	(1,872)	(1,872)	(1,871)	(1,871)	(1,872)	(1,871)	(1,872)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(126,871)	(126,872)	(126,872)	(126,872)	(126,872)	(126,871)	(126,871)	(126,872)	(126,871)	(126,872)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)	(1,427)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(27) Net Cash	(1,871)	(1,872)	(1,872)	(1,872)	(1,872)	(1,871)	(1,871)	(1,872)	(1,871)	(1,872)
(28) Dividends Paid	7,043	7,042	7,042	7,042	7,042	7,043	7,043	7,042	7,043	7,042
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114	397,114

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 5
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
		100.0%	Dividends (Percent of Profit)								
		No	FIT Exempt								
		100%	Percent of Premium Collected in Year Written								
		12	24	36	48	60	72	84	96	108	120
Payout Pattern		26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 5
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Going Concern Scenario
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Incurred Loss & LAE										
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Incurred Loss & LAE	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 5
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,904	8,909	8,909	8,908	8,908	8,908	8,908	8,908	8,908	8,914
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(624)	(497)	(178)	(103)	(82)	(31)	(6)	(4)	(8)	(2)
(4B) Amortization of Change due to 2017 FITL		2,619	2,619	2,619	2,619	2,619	2,619	2,619	2,619		
(5) Ordinary Taxable Income	8,123	10,899	11,031	11,350	11,424	11,444	11,496	11,521	11,523	8,900	8,912
(6) Tax Rate	34.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	2,762	2,289	2,316	2,384	2,399	2,403	2,414	2,419	2,420	1,869	1,871
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	1,625	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	2,762	2,289	2,316	2,384	2,399	2,403	2,414	2,419	2,420	1,869	1,871
Cumulative Tax	59,631	61,920	64,236	66,620	69,019	71,422	73,836	76,255	78,675	80,544	82,415

Change due to 2017 FITL at 12/31/17:
20,950

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 5
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,914
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(2)	(2)	(2)	(1)	(3)	(4)	(1)	(3)	(1)	4
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	8,912	8,912	8,912	8,913	8,911	8,910	8,913	8,911	8,913	8,918
(6) Tax Rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	1,872	1,872	1,872	1,872	1,871	1,871	1,872	1,871	1,872	1,873
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	1,872	1,872	1,872	1,872	1,871	1,871	1,872	1,871	1,872	1,873
Cumulative Tax	84,287	86,159	88,031	89,903	91,774	93,645	95,517	97,388	99,260	101,133

Change due to 2017 FITL at 12/31/17:
20,950

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 5
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

Accident Year	Payment Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700
2019		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800
2020			26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900
2021				26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000
2022					26,500	32,500	17,000	9,000	5,000	3,000	2,000
2023						26,500	32,500	17,000	9,000	5,000	3,000
2024							26,500	32,500	17,000	9,000	5,000
2025								26,500	32,500	17,000	9,000
2026									26,500	32,500	17,000
2027										26,500	32,500
2028											26,500
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	26,500	59,000	76,000	85,000	90,000	93,000	95,000	96,000	96,900	97,700	98,400

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 5
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	600	500	300	200						100,000
2019	700	600	500	300	200					100,000
2020	800	700	600	500	300	200				100,000
2021	900	800	700	600	500	300	200			100,000
2022	1,000	900	800	700	600	500	300	200		100,000
2023	2,000	1,000	900	800	700	600	500	300	200	100,000
2024	3,000	2,000	1,000	900	800	700	600	500	300	99,800
2025	5,000	3,000	2,000	1,000	900	800	700	600	500	99,500
2026	9,000	5,000	3,000	2,000	1,000	900	800	700	600	99,000
2027	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	98,400
2028	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	97,700
2029	26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	96,900
2030		26,500	32,500	17,000	9,000	5,000	3,000	2,000	1,000	96,000
2031			26,500	32,500	17,000	9,000	5,000	3,000	2,000	95,000
2032				26,500	32,500	17,000	9,000	5,000	3,000	93,000
2033					26,500	32,500	17,000	9,000	5,000	90,000
2034						26,500	32,500	17,000	9,000	85,000
2035							26,500	32,500	17,000	76,000
2036								26,500	32,500	59,000
2037									26,500	26,500
Total	99,000	99,500	99,800	100,000	100,000	100,000	100,000	100,000	100,000	1,811,800

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 5
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
2019		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
2020			73,500	41,000	24,000	15,000	10,000	7,000	5,000
2021				73,500	41,000	24,000	15,000	10,000	7,000
2022					73,500	41,000	24,000	15,000	10,000
2023						73,500	41,000	24,000	15,000
2024							73,500	41,000	24,000
2025								73,500	41,000
2026									73,500
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	73,500	114,500	138,500	153,500	163,500	170,500	175,500	179,500	182,600
Prior Business	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	64,253	35,195	20,328	12,470	8,255	5,739	4,118	3,330	2,601
2019		64,253	35,195	20,328	12,470	8,255	5,739	4,118	3,330
2020			64,253	35,195	20,328	12,470	8,255	5,739	4,118
2021				64,253	35,195	20,328	12,470	8,255	5,739
2022					64,253	35,195	20,328	12,470	8,255
2023						64,253	35,195	20,328	12,470
2024							64,253	35,195	20,328
2025								64,253	35,195
2026									64,253
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	64,253	99,448	119,776	132,246	140,501	146,240	150,358	153,688	156,289
Prior Business	96,063	61,365	41,214	28,848	20,675	14,967	10,855	7,528	4,935

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	180,642	159,692	160,316	160,813	160,990	161,094	161,176	161,207	161,213	161,216	161,224
(3) Amount of Discount	7,558	28,508	27,884	27,387	27,210	27,106	27,024	26,993	26,987	26,984	26,976
(4) Tax Adjustment		*20,950*	(624)	(497)	(178)	(103)	(82)	(31)	(6)	(4)	(8)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or Change in (3) from 20XX to 20XX+1

Appendix C - Scenario 5
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Going Concern Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	2,300	1,600	1,000	500	200	0					
	2019	3,100	2,300	1,600	1,000	500	200	0				
	2020	4,000	3,100	2,300	1,600	1,000	500	200	0			
	2021	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0		
	2022	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0	
	2023	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200	0
	2024	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500	200
	2025	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000	500
	2026	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600	1,000
	2027	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600
	2028		73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300
	2029			73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100
	2030				73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000
	2031					73,500	41,000	24,000	15,000	10,000	7,000	5,000
	2032						73,500	41,000	24,000	15,000	10,000	7,000
	2033							73,500	41,000	24,000	15,000	10,000
	2034								73,500	41,000	24,000	15,000
	2035									73,500	41,000	24,000
	2036										73,500	41,000
	2037											73,500
	Total	184,900	186,500	187,500	188,000	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Prior Business		3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	1,975	1,437	899	450	180	0					
	2019	2,601	1,975	1,438	899	450	180	0				
	2020	3,330	2,601	1,975	1,439	900	450	180	0			
	2021	4,118	3,330	2,601	1,975	1,439	901	451	180	0		
	2022	5,739	4,118	3,330	2,601	1,975	1,441	902	451	181	0	
	2023	8,255	5,739	4,118	3,330	2,601	1,975	1,443	902	451	181	0
	2024	12,470	8,255	5,739	4,118	3,330	2,601	1,975	1,444	903	452	180
	2025	20,328	12,470	8,255	5,739	4,118	3,330	2,601	1,975	1,445	903	451
	2026	35,195	20,328	12,470	8,255	5,739	4,118	3,330	2,601	1,975	1,445	902
	2027	64,253	35,195	20,328	12,470	8,255	5,739	4,118	3,330	2,601	1,975	1,444
	2028		64,253	35,195	20,328	12,470	8,255	5,739	4,118	3,330	2,601	1,975
	2029			64,253	35,195	20,328	12,470	8,255	5,739	4,118	3,330	2,601
	2030				64,253	35,195	20,328	12,470	8,255	5,739	4,118	3,330
	2031					64,253	35,195	20,328	12,470	8,255	5,739	4,118
	2032						64,253	35,195	20,328	12,470	8,255	5,739
	2033							64,253	35,195	20,328	12,470	8,255
	2034								64,253	35,195	20,328	12,470
	2035									64,253	35,195	20,328
	2036										64,253	35,195
	2037											64,253
	Total	158,264	159,701	160,601	161,052	161,233	161,236	161,240	161,241	161,244	161,245	161,241
Prior Business		2,962	1,527	629	180	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200	188,200
Discounted Outstanding	161,226	161,228	161,230	161,232	161,233	161,236	161,240	161,241	161,244	161,245	161,241
(3) Amount of Discount	26,974	26,972	26,970	26,968	26,967	26,964	26,960	26,959	26,956	26,955	26,959
(4) Tax Adjustment	(2)	(2)	(2)	(2)	(1)	(3)	(4)	(1)	(3)	(1)	4

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Runoff

Scenario 1: Interest Rate: Current, Patterns: Own, Tax Rate: Old

Appendix C - Scenario 1
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions											
Loss & LAE Incurred	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	125,000	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,077	6,780	6,021	5,566	5,275	5,077	4,938	4,834	4,752	4,689
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,077	6,780	6,021	5,566	5,275	5,077	4,938	4,834	4,752	4,689
Federal Tax											
Federal Income Tax	2,762	1,850	1,739	1,675	1,642	1,623	1,610	1,600	1,591	1,583	1,576
Net Income	6,142	6,227	5,041	4,346	3,924	3,652	3,467	3,338	3,243	3,169	3,113
Surplus											
Opening Surplus	206,200	206,142	206,227	205,041	204,346	203,924	203,652	203,467	203,338	203,243	203,169
Income for Period	6,142	6,227	5,041	4,346	3,924	3,652	3,467	3,338	3,243	3,169	3,113
Shareholder Dividends	(6,200)	(6,142)	(6,227)	(5,041)	(4,346)	(3,924)	(3,652)	(3,467)	(3,338)	(3,243)	(3,169)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	206,227	205,041	204,346	203,924	203,652	203,467	203,338	203,243	203,169	203,113
Financial Ratios											
Net Written Premium/Surplus	0.606	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.913	0.556	0.359	0.243	0.170	0.121	0.087	0.062	0.043	0.028	0.016
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate											
Annual	31.0%	22.9%	25.6%	27.8%	29.5%	30.8%	31.7%	32.4%	32.9%	33.3%	33.6%
Inception to Date - 1988 & later	35.6%	35.0%	34.6%	34.4%	34.3%	34.2%	34.1%	34.1%	34.1%	34.0%	34.0%
Inception to Date - 2018 & later		22.9%	24.2%	25.2%	26.1%	26.9%	27.6%	28.1%	28.6%	29.1%	29.4%

Appendix C - Scenario 1
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions										
Loss & LAE Incurred	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	4,644	4,614	4,597	4,588	4,585	4,585	4,585	4,585	4,585	4,585
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	4,644	4,614	4,597	4,588	4,585	4,585	4,585	4,585	4,585	4,585
Federal Tax										
Federal Income Tax	1,570	1,564	1,561	1,559	1,559	1,559	1,559	1,559	1,559	1,559
Net Income	3,074	3,050	3,036	3,029	3,026	3,026	3,026	3,026	3,026	3,026
Surplus										
Opening Surplus	203,113	203,074	203,050	203,036	203,029	203,026	203,026	203,026	203,026	203,026
Income for Period	3,074	3,050	3,036	3,029	3,026	3,026	3,026	3,026	3,026	3,026
Shareholder Dividends	(3,113)	(3,074)	(3,050)	(3,036)	(3,029)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	203,074	203,050	203,036	203,029	203,026	203,026	203,026	203,026	203,026	203,026
Financial Ratios										
Net Written Premium/Surplus	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.008	0.003	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate										
Annual	33.8%	33.9%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Inception to Date - 1988 & later	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Inception to Date - 2018 & later	29.8%	30.1%	30.3%	30.5%	30.7%	30.9%	31.1%	31.2%	31.4%	31.5%

Appendix C - Scenario 1
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	322,777	280,480	255,721	240,266	229,975	222,777	217,638	213,534	210,352	207,989
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	322,777	280,480	255,721	240,266	229,975	222,777	217,638	213,534	210,352	207,989
Liabilities											
Outstanding Loss & LAE Reserve	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600	3,300
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	1,850	1,739	1,675	1,642	1,623	1,610	1,600	1,591	1,583	1,576
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	116,550	75,439	51,375	36,342	26,323	19,310	14,300	10,291	7,183	4,876
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(114,265)	(119,306)	(123,652)	(127,576)	(131,228)	(134,695)	(138,033)	(141,276)	(144,445)
Retained Earnings Prior to Shareholder Dividends	108,038	114,265	119,306	123,652	127,576	131,228	134,695	138,033	141,276	144,445	147,558
Total Capital	206,142	206,227	205,041	204,346	203,924	203,652	203,467	203,338	203,243	203,169	203,113
Total Liabilities & Capital	397,104	322,777	280,480	255,721	240,266	229,975	222,777	217,638	213,534	210,352	207,989

Appendix C - Scenario 1
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	206,344	205,314	204,797	204,588	204,585	204,585	204,585	204,585	204,585	204,585
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	206,344	205,314	204,797	204,588	204,585	204,585	204,585	204,585	204,585	204,585
Liabilities										
Outstanding Loss & LAE Reserve	1,700	700	200	0	0	0	0	0	0	0
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	1,570	1,564	1,561	1,559	1,559	1,559	1,559	1,559	1,559	1,559
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	3,270	2,264	1,761	1,559	1,559	1,559	1,559	1,559	1,559	1,559
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(147,558)	(150,632)	(153,682)	(156,718)	(159,747)	(162,773)	(165,799)	(168,825)	(171,851)	(174,877)
Retained Earnings Prior to Shareholder Dividends	150,632	153,682	156,718	159,747	162,773	165,799	168,825	171,851	174,877	177,903
Total Capital	203,074	203,050	203,036	203,029	203,026	203,026	203,026	203,026	203,026	203,026
Total Liabilities & Capital	206,344	205,314	204,797	204,588	204,585	204,585	204,585	204,585	204,585	204,585

Appendix C - Scenario 1
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	322,777	280,480	255,721	240,266	229,975	222,777	217,638	213,534	210,352
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	7,262	6,311	5,754	5,406	5,174	5,012	4,897	4,805	4,733
Collected Premium											
(5) Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	125,000	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(100,000)	(73,500)	(41,000)	(24,000)	(15,000)	(10,000)	(7,000)	(5,000)	(4,000)	(3,100)	(2,300)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(1,850)	(1,739)	(1,675)	(1,642)	(1,623)	(1,610)	(1,600)	(1,591)	(1,583)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(76,262)	(42,850)	(25,739)	(16,675)	(11,642)	(8,623)	(6,610)	(5,600)	(4,691)	(3,883)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(858)	(482)	(290)	(188)	(131)	(97)	(74)	(63)	(53)	(44)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,077	6,780	6,021	5,566	5,275	5,077	4,938	4,834	4,752	4,689
(27) Net Cash	(2,705)	(76,262)	(42,850)	(25,739)	(16,675)	(11,642)	(8,623)	(6,610)	(5,600)	(4,691)	(3,883)
(28) Dividends Paid	6,200	6,142	6,227	5,041	4,346	3,924	3,652	3,467	3,338	3,243	3,169
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	322,777	280,480	255,721	240,266	229,975	222,777	217,638	213,534	210,352	207,989

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 1
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	207,989	206,344	205,314	204,797	204,588	204,585	204,585	204,585	204,585	204,585
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	4,680	4,643	4,620	4,608	4,603	4,603	4,603	4,603	4,603	4,603
Collected Premium										
(5) Net Written Premium	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)										
(16) Expenses	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(1,600)	(1,000)	(500)	(200)	0	0	0	0	0	0
(18) Federal Tax for Prior Year	(1,576)	(1,570)	(1,564)	(1,561)	(1,559)	(1,559)	(1,559)	(1,559)	(1,559)	(1,559)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(3,176)	(2,570)	(2,064)	(1,761)	(1,559)	(1,559)	(1,559)	(1,559)	(1,559)	(1,559)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(36)	(29)	(23)	(20)	(18)	(18)	(18)	(18)	(18)	(18)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	4,644	4,614	4,597	4,588	4,585	4,585	4,585	4,585	4,585	4,585
(27) Net Cash	(3,176)	(2,570)	(2,064)	(1,761)	(1,559)	(1,559)	(1,559)	(1,559)	(1,559)	(1,559)
(28) Dividends Paid	3,113	3,074	3,050	3,036	3,029	3,026	3,026	3,026	3,026	3,026
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	206,344	205,314	204,797	204,588	204,585	204,585	204,585	204,585	204,585	204,585

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 1
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

100.0% Dividends (Percent of Profit)
No FIT Exempt
100% Percent of Premium Collected in Year Written

		12	24	36	48	60	72	84	96	108	120
Payout Pattern		26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 1
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE										
Expected Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 1
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,077	6,780	6,021	5,566	5,275	5,077	4,938	4,834	4,752	4,689
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(2,636)	(1,665)	(1,093)	(736)	(501)	(342)	(233)	(153)	(95)	(53)
(4B) Amortization of Change due to 2017 FITL		0	0	0	0	0	0	0	0		
(5) Ordinary Taxable Income	8,123	5,441	5,115	4,928	4,830	4,774	4,735	4,705	4,681	4,657	4,636
(6) Tax Rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
(7) Ordinary Tax	2,762	1,850	1,739	1,675	1,642	1,623	1,610	1,600	1,591	1,583	1,576
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	5,441	5,115	4,928	4,830	4,774	4,735	4,705	4,681	4,657	4,636
(9) Alternative Minimum Tax Income	8,123	5,441	5,115	4,928	4,830	4,774	4,735	4,705	4,681	4,657	4,636
(10) Alternative Minimum Tax	1,625	1,088	1,023	986	966	955	947	941	936	931	927
Resulting Federal Tax	2,762	1,850	1,739	1,675	1,642	1,623	1,610	1,600	1,591	1,583	1,576
Cumulative Tax	59,631	61,481	63,220	64,895	66,537	68,160	69,770	71,370	72,961	74,544	76,120

Change due to 2017 FITL at 12/31/17:
0

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (85.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 1
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	4,644	4,614	4,597	4,588	4,585	4,585	4,585	4,585	4,585	4,585
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(25)	(15)	(7)	(3)	0	0	0	0	0	0
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	4,619	4,599	4,590	4,585	4,585	4,585	4,585	4,585	4,585	4,585
(6) Tax Rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
(7) Ordinary Tax	1,570	1,564	1,561	1,559	1,559	1,559	1,559	1,559	1,559	1,559
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	4,619	4,599	4,590	4,585	4,585	4,585	4,585	4,585	4,585	4,585
(9) Alternative Minimum Tax Income	4,619	4,599	4,590	4,585	4,585	4,585	4,585	4,585	4,585	4,585
(10) Alternative Minimum Tax	924	920	918	917	917	917	917	917	917	917
Resulting Federal Tax	1,570	1,564	1,561	1,559	1,559	1,559	1,559	1,559	1,559	1,559
Cumulative Tax	77,690	79,254	80,815	82,374	83,933	85,492	87,051	88,610	90,169	91,728

Change due to 2017 FITL at 12/31/17:
0

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (85.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 1
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

Accident Year	Payment Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	0	0	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0	0	0
2021				0	0	0	0	0	0	0	0
2022					0	0	0	0	0	0	0
2023						0	0	0	0	0	0
2024							0	0	0	0	0
2025								0	0	0	0
2026									0	0	0
2027										0	0
2028											0
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	0	0	0	0	0	0	0	0	0	0	0

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 1
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	0	0	0	0						0
2019	0	0	0	0	0					0
2020	0	0	0	0	0	0				0
2021	0	0	0	0	0	0	0			0
2022	0	0	0	0	0	0	0	0		0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030		0	0	0	0	0	0	0	0	0
2031			0	0	0	0	0	0	0	0
2032				0	0	0	0	0	0	0
2033					0	0	0	0	0	0
2034						0	0	0	0	0
2035							0	0	0	0
2036								0	0	0
2037									0	0
Total	0	0	0	0	0	0	0	0	0	0

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 1
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0
2021				0	0	0	0	0	0
2022					0	0	0	0	0
2023						0	0	0	0
2024							0	0	0
2025								0	0
2026									0
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	0	0	0	0	0	0	0	0	0
Prior Business	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0
2021				0	0	0	0	0	0
2022					0	0	0	0	0
2023						0	0	0	0
2024							0	0	0
2025								0	0
2026									0
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	0	0	0	0	0	0	0	0	0
Prior Business	109,778	70,443	47,537	33,272	23,774	17,116	12,348	8,502	5,497

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600
Discounted Outstanding	180,642	180,642	109,778	70,443	47,537	33,272	23,774	17,116	12,348	8,502	5,497
(3) Amount of Discount	7,558	7,558	4,922	3,257	2,163	1,428	926	584	352	198	103
(4) Tax Adjustment		*0*	(2,636)	(1,665)	(1,093)	(736)	(501)	(342)	(233)	(153)	(95)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix C - Scenario 1
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: Old

(1) Net Undiscounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	0	0	0	0	0	0					
	2019	0	0	0	0	0	0	0				
	2020	0	0	0	0	0	0	0	0			
	2021	0	0	0	0	0	0	0	0	0		
	2022	0	0	0	0	0	0	0	0	0	0	
	2023	0	0	0	0	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0	0	0	0	0
	2026	0	0	0	0	0	0	0	0	0	0	0
	2027	0	0	0	0	0	0	0	0	0	0	0
	2028		0	0	0	0	0	0	0	0	0	0
	2029			0	0	0	0	0	0	0	0	0
	2030				0	0	0	0	0	0	0	0
	2031					0	0	0	0	0	0	0
	2032						0	0	0	0	0	0
	2033							0	0	0	0	0
	2034								0	0	0	0
	2035									0	0	0
	2036										0	0
	2037											0
	Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business		3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	0	0	0	0	0	0					
	2019	0	0	0	0	0	0	0				
	2020	0	0	0	0	0	0	0	0			
	2021	0	0	0	0	0	0	0	0	0		
	2022	0	0	0	0	0	0	0	0	0	0	
	2023	0	0	0	0	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0	0	0	0	0
	2026	0	0	0	0	0	0	0	0	0	0	0
	2027	0	0	0	0	0	0	0	0	0	0	0
	2028		0	0	0	0	0	0	0	0	0	0
	2029			0	0	0	0	0	0	0	0	0
	2030				0	0	0	0	0	0	0	0
	2031					0	0	0	0	0	0	0
	2032						0	0	0	0	0	0
	2033							0	0	0	0	0
	2034								0	0	0	0
	2035									0	0	0
	2036										0	0
	2037											0
	Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business		3,250	1,675	690	197	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	3,300	1,700	700	200	0	0	0	0	0	0	0
Discounted Outstanding	3,250	1,675	690	197	0	0	0	0	0	0	0
(3) Amount of Discount	50	25	10	3	0	0	0	0	0	0	0
(4) Tax Adjustment	(53)	(25)	(15)	(7)	(3)	0	0	0	0	0	0

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or Change in (3) from 20XX to 20XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Runoff

Scenario 2: Interest Rate: Current, Patterns: Own, Tax Rate: New

Appendix C - Scenario 2
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions											
Loss & LAE Incurred	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	125,000	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,077	6,788	6,029	5,574	5,282	5,085	4,946	4,841	4,759	4,696
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,077	6,788	6,029	5,574	5,282	5,085	4,946	4,841	4,759	4,696
Federal Tax											
Federal Income Tax	2,762	1,143	1,076	1,036	1,016	1,004	996	990	984	979	975
Net Income	6,142	6,934	5,712	4,993	4,558	4,278	4,089	3,956	3,857	3,780	3,721
Surplus											
Opening Surplus	206,200	206,142	206,934	205,712	204,993	204,558	204,278	204,089	203,956	203,857	203,780
Income for Period	6,142	6,934	5,712	4,993	4,558	4,278	4,089	3,956	3,857	3,780	3,721
Shareholder Dividends	(6,200)	(6,142)	(6,934)	(5,712)	(4,993)	(4,558)	(4,278)	(4,089)	(3,956)	(3,857)	(3,780)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	206,934	205,712	204,993	204,558	204,278	204,089	203,956	203,857	203,780	203,721
Financial Ratios											
Net Written Premium/Surplus	0.606	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.913	0.554	0.358	0.242	0.170	0.121	0.087	0.062	0.043	0.027	0.016
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate											
Annual	31.0%	14.2%	15.9%	17.2%	18.2%	19.0%	19.6%	20.0%	20.3%	20.6%	20.8%
Inception to Date - 1988 & later	35.6%	34.6%	33.9%	33.4%	32.9%	32.5%	32.2%	31.9%	31.7%	31.4%	31.2%
Inception to Date - 2018 & later		14.2%	14.9%	15.6%	16.1%	16.6%	17.0%	17.4%	17.7%	18.0%	18.2%

Appendix C - Scenario 2
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions										
Loss & LAE Incurred	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	4,651	4,621	4,603	4,595	4,592	4,592	4,592	4,592	4,592	4,592
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	4,651	4,621	4,603	4,595	4,592	4,592	4,592	4,592	4,592	4,592
Federal Tax										
Federal Income Tax	971	967	965	964	964	964	964	964	964	964
Net Income	3,680	3,654	3,638	3,631	3,628	3,628	3,628	3,628	3,628	3,628
Surplus										
Opening Surplus	203,721	203,680	203,654	203,638	203,631	203,628	203,628	203,628	203,628	203,628
Income for Period	3,680	3,654	3,638	3,631	3,628	3,628	3,628	3,628	3,628	3,628
Shareholder Dividends	(3,721)	(3,680)	(3,654)	(3,638)	(3,631)	(3,628)	(3,628)	(3,628)	(3,628)	(3,628)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	203,680	203,654	203,638	203,631	203,628	203,628	203,628	203,628	203,628	203,628
Financial Ratios										
Net Written Premium/Surplus	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.008	0.003	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate										
Annual	20.9%	20.9%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Inception to Date - 1988 & later	31.0%	30.8%	30.6%	30.4%	30.3%	30.1%	29.9%	29.8%	29.6%	29.5%
Inception to Date - 2018 & later	18.4%	18.6%	18.7%	18.9%	19.0%	19.1%	19.2%	19.3%	19.4%	19.4%

Appendix C - Scenario 2
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	322,777	280,488	255,729	240,274	229,982	222,785	217,646	213,541	210,359	207,996
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	322,777	280,488	255,729	240,274	229,982	222,785	217,646	213,541	210,359	207,996
Liabilities											
Outstanding Loss & LAE Reserve	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600	3,300
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	1,143	1,076	1,036	1,016	1,004	996	990	984	979	975
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	115,843	74,776	50,736	35,716	25,704	18,696	13,690	9,684	6,579	4,275
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(114,972)	(120,684)	(125,677)	(130,235)	(134,513)	(138,602)	(142,558)	(146,415)	(150,195)
Retained Earnings Prior to Shareholder Dividends	108,038	114,972	120,684	125,677	130,235	134,513	138,602	142,558	146,415	150,195	153,916
Total Capital	206,142	206,934	205,712	204,993	204,558	204,278	204,089	203,956	203,857	203,780	203,721
Total Liabilities & Capital	397,104	322,777	280,488	255,729	240,274	229,982	222,785	217,646	213,541	210,359	207,996

Appendix C - Scenario 2
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	206,351	205,321	204,803	204,595	204,592	204,592	204,592	204,592	204,592	204,592
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	206,351	205,321	204,803	204,595	204,592	204,592	204,592	204,592	204,592	204,592
Liabilities										
Outstanding Loss & LAE Reserve	1,700	700	200	0	0	0	0	0	0	0
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	971	967	965	964	964	964	964	964	964	964
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	2,671	1,667	1,165	964	964	964	964	964	964	964
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(153,916)	(157,596)	(161,250)	(164,888)	(168,519)	(172,147)	(175,775)	(179,403)	(183,031)	(186,659)
Retained Earnings Prior to Shareholder Dividends	157,596	161,250	164,888	168,519	172,147	175,775	179,403	183,031	186,659	190,287
Total Capital	203,680	203,654	203,638	203,631	203,628	203,628	203,628	203,628	203,628	203,628
Total Liabilities & Capital	206,351	205,321	204,803	204,595	204,592	204,592	204,592	204,592	204,592	204,592

Appendix C - Scenario 2
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	322,777	280,488	255,729	240,274	229,982	222,785	217,646	213,541	210,359
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	7,262	6,311	5,754	5,406	5,175	5,013	4,897	4,805	4,733
Collected Premium											
(5) Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	125,000	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(100,000)	(73,500)	(41,000)	(24,000)	(15,000)	(10,000)	(7,000)	(5,000)	(4,000)	(3,100)	(2,300)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(1,143)	(1,076)	(1,036)	(1,016)	(1,004)	(996)	(990)	(984)	(979)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(76,262)	(42,143)	(25,076)	(16,036)	(11,016)	(8,004)	(5,996)	(4,990)	(4,084)	(3,279)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(858)	(474)	(282)	(180)	(124)	(90)	(67)	(56)	(46)	(37)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,077	6,788	6,029	5,574	5,282	5,085	4,946	4,841	4,759	4,696
(27) Net Cash	(2,705)	(76,262)	(42,143)	(25,076)	(16,036)	(11,016)	(8,004)	(5,996)	(4,990)	(4,084)	(3,279)
(28) Dividends Paid	6,200	6,142	6,934	5,712	4,993	4,558	4,278	4,089	3,956	3,857	3,780
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	322,777	280,488	255,729	240,274	229,982	222,785	217,646	213,541	210,359	207,996

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 2
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	207,996	206,351	205,321	204,803	204,595	204,592	204,592	204,592	204,592	204,592
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	4,680	4,643	4,620	4,608	4,603	4,603	4,603	4,603	4,603	4,603
Collected Premium										
(5) Net Written Premium	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)										
(16) Expenses	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(1,600)	(1,000)	(500)	(200)	0	0	0	0	0	0
(18) Federal Tax for Prior Year	(975)	(971)	(967)	(965)	(964)	(964)	(964)	(964)	(964)	(964)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(2,575)	(1,971)	(1,467)	(1,165)	(964)	(964)	(964)	(964)	(964)	(964)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(29)	(22)	(17)	(13)	(11)	(11)	(11)	(11)	(11)	(11)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	4,651	4,621	4,603	4,595	4,592	4,592	4,592	4,592	4,592	4,592
(27) Net Cash	(2,575)	(1,971)	(1,467)	(1,165)	(964)	(964)	(964)	(964)	(964)	(964)
(28) Dividends Paid	3,721	3,680	3,654	3,638	3,631	3,628	3,628	3,628	3,628	3,628
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	206,351	205,321	204,803	204,595	204,592	204,592	204,592	204,592	204,592	204,592

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 2
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

100.0%	Dividends (Percent of Profit)
No	FIT Exempt
100%	Percent of Premium Collected in Year Written

	12	24	36	48	60	72	84	96	108	120
Payout Pattern	26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 2
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE										
Expected Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 2
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,077	6,788	6,029	5,574	5,282	5,085	4,946	4,841	4,759	4,696
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(2,636)	(1,665)	(1,093)	(736)	(501)	(342)	(233)	(153)	(95)	(53)
(4B) Amortization of Change due to 2017 FITL		0	0	0	0	0	0	0	0		
(5) Ordinary Taxable Income	8,123	5,441	5,123	4,936	4,838	4,781	4,743	4,713	4,688	4,664	4,643
(6) Tax Rate	34.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	2,762	1,143	1,076	1,036	1,016	1,004	996	990	984	979	975
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	1,625	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	2,762	1,143	1,076	1,036	1,016	1,004	996	990	984	979	975
Cumulative Tax	59,631	60,774	61,850	62,886	63,902	64,906	65,902	66,892	67,876	68,855	69,830

Change due to 2017 FITL at 12/31/17:
0

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 2
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	4,651	4,621	4,603	4,595	4,592	4,592	4,592	4,592	4,592	4,592
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(25)	(15)	(7)	(3)	0	0	0	0	0	0
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	4,626	4,606	4,596	4,592	4,592	4,592	4,592	4,592	4,592	4,592
(6) Tax Rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	971	967	965	964	964	964	964	964	964	964
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	971	967	965	964	964	964	964	964	964	964
Cumulative Tax	70,801	71,768	72,733	73,697	74,661	75,625	76,589	77,553	78,517	79,481

Change due to 2017 FITL at 12/31/17:
0

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 2
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

	Payment Year										
Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	0	0	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0	0	0
2021				0	0	0	0	0	0	0	0
2022					0	0	0	0	0	0	0
2023						0	0	0	0	0	0
2024							0	0	0	0	0
2025								0	0	0	0
2026									0	0	0
2027										0	0
2028											0
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	0	0	0	0	0	0	0	0	0	0	0

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 2
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	0	0	0	0						0
2019	0	0	0	0	0					0
2020	0	0	0	0	0	0				0
2021	0	0	0	0	0	0	0			0
2022	0	0	0	0	0	0	0	0		0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030		0	0	0	0	0	0	0	0	0
2031			0	0	0	0	0	0	0	0
2032				0	0	0	0	0	0	0
2033					0	0	0	0	0	0
2034						0	0	0	0	0
2035							0	0	0	0
2036								0	0	0
2037									0	0
Total	0	0	0	0	0	0	0	0	0	0

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 2
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0
2021				0	0	0	0	0	0
2022					0	0	0	0	0
2023						0	0	0	0
2024							0	0	0
2025								0	0
2026									0
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	0	0	0	0	0	0	0	0	0
Prior Business	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0
2021				0	0	0	0	0	0
2022					0	0	0	0	0
2023						0	0	0	0
2024							0	0	0
2025								0	0
2026									0
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	0	0	0	0	0	0	0	0	0
Prior Business	109,778	70,443	47,537	33,272	23,774	17,116	12,348	8,502	5,497

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600
Discounted Outstanding	180,642	180,642	109,778	70,443	47,537	33,272	23,774	17,116	12,348	8,502	5,497
(3) Amount of Discount	7,558	7,558	4,922	3,257	2,163	1,428	926	584	352	198	103
(4) Tax Adjustment		*0*	(2,636)	(1,665)	(1,093)	(736)	(501)	(342)	(233)	(153)	(95)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix C - Scenario 2
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: Own; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
2018	0	0	0	0	0	0					
2019	0	0	0	0	0	0	0				
2020	0	0	0	0	0	0	0	0			
2021	0	0	0	0	0	0	0	0	0		
2022	0	0	0	0	0	0	0	0	0	0	
2023	0	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0
2028		0	0	0	0	0	0	0	0	0	0
2029			0	0	0	0	0	0	0	0	0
2030				0	0	0	0	0	0	0	0
2031					0	0	0	0	0	0	0
2032						0	0	0	0	0	0
2033							0	0	0	0	0
2034								0	0	0	0
2035									0	0	0
2036										0	0
2037											0
Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business	3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
2018	0	0	0	0	0	0					
2019	0	0	0	0	0	0	0				
2020	0	0	0	0	0	0	0	0			
2021	0	0	0	0	0	0	0	0	0		
2022	0	0	0	0	0	0	0	0	0	0	
2023	0	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0
2028		0	0	0	0	0	0	0	0	0	0
2029			0	0	0	0	0	0	0	0	0
2030				0	0	0	0	0	0	0	0
2031					0	0	0	0	0	0	0
2032						0	0	0	0	0	0
2033							0	0	0	0	0
2034								0	0	0	0
2035									0	0	0
2036										0	0
2037											0
Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business	3,250	1,675	690	197	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	3,300	1,700	700	200	0	0	0	0	0	0	0
Discounted Outstanding	3,250	1,675	690	197	0	0	0	0	0	0	0
(3) Amount of Discount	50	25	10	3	0	0	0	0	0	0	0
(4) Tax Adjustment	(53)	(25)	(15)	(7)	(3)	0	0	0	0	0	0

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or Change in (3) from 20XX to 20XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Runoff

Scenario 3: Interest Rate: Current, Patterns: IRS Old Tail, Tax Rate: New

Appendix C - Scenario 3
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions											
Loss & LAE Incurred	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	125,000	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,077	6,793	6,031	5,574	5,281	5,083	4,944	4,839	4,757	4,697
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,077	6,793	6,031	5,574	5,281	5,083	4,944	4,839	4,757	4,697
Federal Tax											
Federal Income Tax	2,762	695	857	1,003	1,072	1,134	1,168	1,192	1,198	944	952
Net Income	6,142	7,382	5,936	5,028	4,502	4,147	3,915	3,752	3,641	3,813	3,745
Surplus											
Opening Surplus	206,200	206,142	207,382	205,936	205,028	204,502	204,147	203,915	203,752	203,641	203,813
Income for Period	6,142	7,382	5,936	5,028	4,502	4,147	3,915	3,752	3,641	3,813	3,745
Shareholder Dividends	(6,200)	(6,142)	(7,382)	(5,936)	(5,028)	(4,502)	(4,147)	(3,915)	(3,752)	(3,641)	(3,813)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	207,382	205,936	205,028	204,502	204,147	203,915	203,752	203,641	203,813	203,745
Financial Ratios											
Net Written Premium/Surplus	0.606	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.913	0.553	0.358	0.242	0.170	0.121	0.087	0.062	0.043	0.027	0.016
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate											
Annual	31.0%	8.6%	12.6%	16.6%	19.2%	21.5%	23.0%	24.1%	24.8%	19.8%	20.3%
Inception to Date - 1988 & later	35.6%	34.3%	33.5%	33.0%	32.6%	32.3%	32.1%	31.9%	31.7%	31.5%	31.2%
Inception to Date - 2018 & later		8.6%	10.4%	12.2%	13.7%	15.0%	16.1%	17.0%	17.8%	18.0%	18.2%

Appendix C - Scenario 3
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions										
Loss & LAE Incurred	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	4,651	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	4,651	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
Federal Tax										
Federal Income Tax	964	963	963	964	964	964	964	964	964	964
Net Income	3,687	3,658	3,641	3,631	3,628	3,628	3,628	3,628	3,628	3,628
Surplus										
Opening Surplus	203,745	203,687	203,658	203,641	203,631	203,628	203,628	203,628	203,628	203,628
Income for Period	3,687	3,658	3,641	3,631	3,628	3,628	3,628	3,628	3,628	3,628
Shareholder Dividends	(3,745)	(3,687)	(3,658)	(3,641)	(3,631)	(3,628)	(3,628)	(3,628)	(3,628)	(3,628)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	203,687	203,658	203,641	203,631	203,628	203,628	203,628	203,628	203,628	203,628
Financial Ratios										
Net Written Premium/Surplus	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.008	0.003	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate										
Annual	20.7%	20.8%	20.9%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Inception to Date - 1988 & later	31.0%	30.8%	30.6%	30.4%	30.3%	30.1%	29.9%	29.8%	29.6%	29.5%
Inception to Date - 2018 & later	18.4%	18.6%	18.7%	18.9%	19.0%	19.1%	19.2%	19.3%	19.4%	19.4%

Appendix C - Scenario 3
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,539	210,357	207,997
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,539	210,357	207,997
Liabilities											
Outstanding Loss & LAE Reserve	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600	3,300
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	695	857	1,003	1,072	1,134	1,168	1,192	1,198	944	952
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	115,395	74,557	50,703	35,772	25,834	18,868	13,892	9,898	6,544	4,252
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(115,420)	(121,356)	(126,384)	(130,886)	(135,033)	(138,948)	(142,700)	(146,341)	(150,154)
Retained Earnings Prior to Shareholder Dividends	108,038	115,420	121,356	126,384	130,886	135,033	138,948	142,700	146,341	150,154	153,899
Total Capital	206,142	207,382	205,936	205,028	204,502	204,147	203,915	203,752	203,641	203,813	203,745
Total Liabilities & Capital	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,539	210,357	207,997

Appendix C - Scenario 3
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592
Liabilities										
Outstanding Loss & LAE Reserve	1,700	700	200	0	0	0	0	0	0	0
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	964	963	963	964	964	964	964	964	964	964
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	2,664	1,663	1,163	964	964	964	964	964	964	964
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(153,899)	(157,586)	(161,244)	(164,885)	(168,516)	(172,144)	(175,772)	(179,400)	(183,028)	(186,656)
Retained Earnings Prior to Shareholder Dividends	157,586	161,244	164,885	168,516	172,144	175,772	179,400	183,028	186,656	190,284
Total Capital	203,687	203,658	203,641	203,631	203,628	203,628	203,628	203,628	203,628	203,628
Total Liabilities & Capital	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592

Appendix C - Scenario 3
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,539	210,357
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	7,262	6,311	5,754	5,406	5,175	5,013	4,897	4,805	4,733
Collected Premium											
(5) Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	125,000	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(100,000)	(73,500)	(41,000)	(24,000)	(15,000)	(10,000)	(7,000)	(5,000)	(4,000)	(3,100)	(2,300)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(695)	(857)	(1,003)	(1,072)	(1,134)	(1,168)	(1,192)	(1,198)	(944)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(76,262)	(41,695)	(24,857)	(16,003)	(11,072)	(8,134)	(6,168)	(5,192)	(4,298)	(3,244)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(858)	(469)	(280)	(180)	(125)	(92)	(69)	(58)	(48)	(36)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,077	6,793	6,031	5,574	5,281	5,083	4,944	4,839	4,757	4,697
(27) Net Cash	(2,705)	(76,262)	(41,695)	(24,857)	(16,003)	(11,072)	(8,134)	(6,168)	(5,192)	(4,298)	(3,244)
(28) Dividends Paid	6,200	6,142	7,382	5,936	5,028	4,502	4,147	3,915	3,752	3,641	3,813
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,539	210,357	207,997

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 3
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	207,997	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	4,680	4,643	4,620	4,608	4,603	4,603	4,603	4,603	4,603	4,603
Collected Premium										
(5) Net Written Premium	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)										
(16) Expenses	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(1,600)	(1,000)	(500)	(200)	0	0	0	0	0	0
(18) Federal Tax for Prior Year	(952)	(964)	(963)	(963)	(964)	(964)	(964)	(964)	(964)	(964)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(2,552)	(1,964)	(1,463)	(1,163)	(964)	(964)	(964)	(964)	(964)	(964)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(29)	(22)	(16)	(13)	(11)	(11)	(11)	(11)	(11)	(11)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	4,651	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
(27) Net Cash	(2,552)	(1,964)	(1,463)	(1,163)	(964)	(964)	(964)	(964)	(964)	(964)
(28) Dividends Paid	3,745	3,687	3,658	3,641	3,631	3,628	3,628	3,628	3,628	3,628
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 3
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

100.0% Dividends (Percent of Profit)
No FIT Exempt
100% Percent of Premium Collected in Year Written

	12	24	36	48	60	72	84	96	108	120
Payout Pattern	26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 3
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE										
Expected Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 3
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,077	6,793	6,031	5,574	5,281	5,083	4,944	4,839	4,757	4,697
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(5,998)	(3,941)	(2,483)	(1,701)	(1,111)	(752)	(499)	(363)	(262)	(166)
(4B) Amortization of Change due to 2017 FITL		1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230		
(5) Ordinary Taxable Income	8,123	3,309	4,081	4,777	5,103	5,400	5,561	5,675	5,705	4,495	4,531
(6) Tax Rate	34.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	2,762	695	857	1,003	1,072	1,134	1,168	1,192	1,198	944	952
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	1,625	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	2,762	695	857	1,003	1,072	1,134	1,168	1,192	1,198	944	952
Cumulative Tax	59,631	60,326	61,183	62,186	63,258	64,392	65,560	66,752	67,950	68,894	69,846

Change due to 2017 FITL at 12/31/17:
9,837

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 3
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	4,651	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(61)	(35)	(17)	(7)	0	0	0	0	0	0
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	4,590	4,586	4,587	4,588	4,592	4,592	4,592	4,592	4,592	4,592
(6) Tax Rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	964	963	963	964	964	964	964	964	964	964
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	964	963	963	964	964	964	964	964	964	964
Cumulative Tax	70,810	71,773	72,736	73,700	74,664	75,628	76,592	77,556	78,520	79,484

Change due to 2017 FITL at 12/31/17:
9,837

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 3
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

Accident Year	Payment Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	0	0	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0	0	0
2021				0	0	0	0	0	0	0	0
2022					0	0	0	0	0	0	0
2023						0	0	0	0	0	0
2024							0	0	0	0	0
2025								0	0	0	0
2026									0	0	0
2027										0	0
2028											0
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	0	0	0	0	0	0	0	0	0	0	0

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 3
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	0	0	0	0						0
2019	0	0	0	0	0					0
2020	0	0	0	0	0	0				0
2021	0	0	0	0	0	0	0			0
2022	0	0	0	0	0	0	0	0		0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030		0	0	0	0	0	0	0	0	0
2031			0	0	0	0	0	0	0	0
2032				0	0	0	0	0	0	0
2033					0	0	0	0	0	0
2034						0	0	0	0	0
2035							0	0	0	0
2036								0	0	0
2037									0	0
Total	0	0	0	0	0	0	0	0	0	0

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 3
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

	Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
	2018	0	0	0	0	0	0	0	0	0
	2019		0	0	0	0	0	0	0	0
	2020			0	0	0	0	0	0	0
	2021				0	0	0	0	0	0
	2022					0	0	0	0	0
	2023						0	0	0	0
	2024							0	0	0
	2025								0	0
	2026									0
	2027									
	2028									
	2029									
	2030									
	2031									
	2032									
	2033									
	2034									
	2035									
	2036									
	2037									
	Total	0	0	0	0	0	0	0	0	0
Prior Business		114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

	Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
	2018	0	0	0	0	0	0	0	0	0
	2019		0	0	0	0	0	0	0	0
	2020			0	0	0	0	0	0	0
	2021				0	0	0	0	0	0
	2022					0	0	0	0	0
	2023						0	0	0	0
	2024							0	0	0
	2025								0	0
	2026									0
	2027									
	2028									
	2029									
	2030									
	2031									
	2032									
	2033									
	2034									
	2035									
	2036									
	2037									
	Total	0	0	0	0	0	0	0	0	0
Prior Business		103,303	66,244	44,727	31,428	22,538	16,291	11,789	8,152	5,314

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600
Discounted Outstanding	180,642	170,805	103,303	66,244	44,727	31,428	22,538	16,291	11,789	8,152	5,314
(3) Amount of Discount	7,558	17,395	11,397	7,456	4,973	3,272	2,162	1,409	911	548	286
(4) Tax Adjustment		*9,837*	(5,998)	(3,941)	(2,483)	(1,701)	(1,111)	(752)	(499)	(363)	(262)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or Change in (3) from 20XX to 20XX+1

Appendix C - Scenario 3
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS Old Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	0	0	0	0	0	0					
	2019	0	0	0	0	0	0	0				
	2020	0	0	0	0	0	0	0	0			
	2021	0	0	0	0	0	0	0	0	0		
	2022	0	0	0	0	0	0	0	0	0	0	
	2023	0	0	0	0	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0	0	0	0	0
	2026	0	0	0	0	0	0	0	0	0	0	0
	2027	0	0	0	0	0	0	0	0	0	0	0
	2028		0	0	0	0	0	0	0	0	0	0
	2029			0	0	0	0	0	0	0	0	0
	2030				0	0	0	0	0	0	0	0
	2031					0	0	0	0	0	0	0
	2032						0	0	0	0	0	0
	2033							0	0	0	0	0
	2034								0	0	0	0
	2035									0	0	0
	2036										0	0
	2037											0
	Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business		3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	0	0	0	0	0	0					
	2019	0	0	0	0	0	0	0				
	2020	0	0	0	0	0	0	0	0			
	2021	0	0	0	0	0	0	0	0	0		
	2022	0	0	0	0	0	0	0	0	0	0	
	2023	0	0	0	0	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0	0	0	0	0
	2026	0	0	0	0	0	0	0	0	0	0	0
	2027	0	0	0	0	0	0	0	0	0	0	0
	2028		0	0	0	0	0	0	0	0	0	0
	2029			0	0	0	0	0	0	0	0	0
	2030				0	0	0	0	0	0	0	0
	2031					0	0	0	0	0	0	0
	2032						0	0	0	0	0	0
	2033							0	0	0	0	0
	2034								0	0	0	0
	2035									0	0	0
	2036										0	0
	2037											0
	Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business		3,180	1,640	676	193	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	3,300	1,700	700	200	0	0	0	0	0	0	0
Discounted Outstanding	3,180	1,640	676	193	0	0	0	0	0	0	0
(3) Amount of Discount	120	60	24	7	0	0	0	0	0	0	0
(4) Tax Adjustment	(166)	(61)	(35)	(17)	(7)	0	0	0	0	0	0

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or Change in (3) from 20XX to 20XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Runoff

Scenario 4: Interest Rate: Current, Patterns: IRS New Tail, Tax Rate: New

Appendix C - Scenario 4
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions											
Loss & LAE Incurred	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	125,000	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,077	6,793	6,031	5,574	5,281	5,083	4,944	4,838	4,757	4,697
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,077	6,793	6,031	5,574	5,281	5,083	4,944	4,838	4,757	4,697
Federal Tax											
Federal Income Tax	2,762	672	854	1,011	1,082	1,137	1,176	1,203	1,211	938	948
Net Income	6,142	7,405	5,939	5,020	4,492	4,144	3,907	3,741	3,627	3,819	3,749
Surplus											
Opening Surplus	206,200	206,142	207,405	205,939	205,020	204,492	204,144	203,907	203,741	203,627	203,819
Income for Period	6,142	7,405	5,939	5,020	4,492	4,144	3,907	3,741	3,627	3,819	3,749
Shareholder Dividends	(6,200)	(6,142)	(7,405)	(5,939)	(5,020)	(4,492)	(4,144)	(3,907)	(3,741)	(3,627)	(3,819)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	207,405	205,939	205,020	204,492	204,144	203,907	203,741	203,627	203,819	203,749
Financial Ratios											
Net Written Premium/Surplus	0.606	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.913	0.553	0.358	0.242	0.170	0.121	0.087	0.062	0.043	0.027	0.016
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate											
Annual	31.0%	8.3%	12.6%	16.8%	19.4%	21.5%	23.1%	24.3%	25.0%	19.7%	20.2%
Inception to Date - 1988 & later	35.6%	34.3%	33.5%	33.0%	32.6%	32.3%	32.1%	31.9%	31.7%	31.5%	31.2%
Inception to Date - 2018 & later		8.3%	10.3%	12.1%	13.7%	15.0%	16.1%	17.1%	17.9%	18.1%	18.2%

Appendix C - Scenario 4
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions										
Loss & LAE Incurred	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	4,651	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	4,651	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
Federal Tax										
Federal Income Tax	953	957	961	963	964	964	964	964	964	964
Net Income	3,698	3,664	3,643	3,632	3,628	3,628	3,628	3,628	3,628	3,628
Surplus										
Opening Surplus	203,749	203,698	203,664	203,643	203,632	203,628	203,628	203,628	203,628	203,628
Income for Period	3,698	3,664	3,643	3,632	3,628	3,628	3,628	3,628	3,628	3,628
Shareholder Dividends	(3,749)	(3,698)	(3,664)	(3,643)	(3,632)	(3,628)	(3,628)	(3,628)	(3,628)	(3,628)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	203,698	203,664	203,643	203,632	203,628	203,628	203,628	203,628	203,628	203,628
Financial Ratios										
Net Written Premium/Surplus	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.008	0.003	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate										
Annual	20.5%	20.7%	20.9%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Inception to Date - 1988 & later	31.0%	30.8%	30.6%	30.4%	30.3%	30.1%	29.9%	29.8%	29.6%	29.5%
Inception to Date - 2018 & later	18.4%	18.6%	18.7%	18.9%	19.0%	19.1%	19.2%	19.3%	19.4%	19.4%

Appendix C - Scenario 4
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,538	210,357	207,997
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,538	210,357	207,997
Liabilities											
Outstanding Loss & LAE Reserve	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600	3,300
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	672	854	1,011	1,082	1,137	1,176	1,203	1,211	938	948
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	115,372	74,554	50,711	35,782	25,837	18,876	13,903	9,911	6,538	4,248
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(115,443)	(121,382)	(126,402)	(130,894)	(135,038)	(138,945)	(142,686)	(146,313)	(150,132)
Retained Earnings Prior to Shareholder Dividends	108,038	115,443	121,382	126,402	130,894	135,038	138,945	142,686	146,313	150,132	153,881
Total Capital	206,142	207,405	205,939	205,020	204,492	204,144	203,907	203,741	203,627	203,819	203,749
Total Liabilities & Capital	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,538	210,357	207,997

Appendix C - Scenario 4
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592
Liabilities										
Outstanding Loss & LAE Reserve	1,700	700	200	0	0	0	0	0	0	0
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	953	957	961	963	964	964	964	964	964	964
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	2,653	1,657	1,161	963	964	964	964	964	964	964
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(153,881)	(157,579)	(161,243)	(164,886)	(168,518)	(172,146)	(175,774)	(179,402)	(183,030)	(186,658)
Retained Earnings Prior to Shareholder Dividends	157,579	161,243	164,886	168,518	172,146	175,774	179,402	183,030	186,658	190,286
Total Capital	203,698	203,664	203,643	203,632	203,628	203,628	203,628	203,628	203,628	203,628
Total Liabilities & Capital	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592

Appendix C - Scenario 4
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,538	210,357
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	7,262	6,311	5,754	5,406	5,175	5,013	4,897	4,805	4,733
Collected Premium											
(5) Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	125,000	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(100,000)	(73,500)	(41,000)	(24,000)	(15,000)	(10,000)	(7,000)	(5,000)	(4,000)	(3,100)	(2,300)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(672)	(854)	(1,011)	(1,082)	(1,137)	(1,176)	(1,203)	(1,211)	(938)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(76,262)	(41,672)	(24,854)	(16,011)	(11,082)	(8,137)	(6,176)	(5,203)	(4,311)	(3,238)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(858)	(469)	(280)	(180)	(125)	(92)	(69)	(59)	(48)	(36)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,077	6,793	6,031	5,574	5,281	5,083	4,944	4,838	4,757	4,697
(27) Net Cash	(2,705)	(76,262)	(41,672)	(24,854)	(16,011)	(11,082)	(8,137)	(6,176)	(5,203)	(4,311)	(3,238)
(28) Dividends Paid	6,200	6,142	7,405	5,939	5,020	4,492	4,144	3,907	3,741	3,627	3,819
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	322,777	280,493	255,731	240,274	229,981	222,783	217,644	213,538	210,357	207,997

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 4
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	207,997	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	4,680	4,643	4,620	4,608	4,603	4,603	4,603	4,603	4,603	4,603
Collected Premium										
(5) Net Written Premium	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)										
(16) Expenses	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(1,600)	(1,000)	(500)	(200)	0	0	0	0	0	0
(18) Federal Tax for Prior Year	(948)	(953)	(957)	(961)	(963)	(964)	(964)	(964)	(964)	(964)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(2,548)	(1,953)	(1,457)	(1,161)	(963)	(964)	(964)	(964)	(964)	(964)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(29)	(22)	(16)	(13)	(11)	(11)	(11)	(11)	(11)	(11)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	4,651	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
(27) Net Cash	(2,548)	(1,953)	(1,457)	(1,161)	(963)	(964)	(964)	(964)	(964)	(964)
(28) Dividends Paid	3,749	3,698	3,664	3,643	3,632	3,628	3,628	3,628	3,628	3,628
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	206,351	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 4
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
		100.0%	Dividends (Percent of Profit)								
		No	FIT Exempt								
		100%	Percent of Premium Collected in Year Written								
		12	24	36	48	60	72	84	96	108	120
Payout Pattern		26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 4
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE										
Expected Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 4
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,077	6,793	6,031	5,574	5,281	5,083	4,944	4,838	4,757	4,697
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(6,204)	(4,056)	(2,543)	(1,749)	(1,195)	(810)	(543)	(400)	(289)	(183)
(4B) Amortization of Change due to 2017 FITL		1,328	1,328	1,328	1,328	1,328	1,328	1,328	1,328		
(5) Ordinary Taxable Income	8,123	3,201	4,065	4,816	5,154	5,415	5,601	5,730	5,766	4,468	4,514
(6) Tax Rate	34.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	2,762	672	854	1,011	1,082	1,137	1,176	1,203	1,211	938	948
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	1,625	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	2,762	672	854	1,011	1,082	1,137	1,176	1,203	1,211	938	948
Cumulative Tax	59,631	60,303	61,157	62,168	63,250	64,387	65,563	66,766	67,977	68,915	69,863

Change due to 2017 FITL at 12/31/17:
10,626

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 4
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	4,651	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(112)	(62)	(28)	(11)	0	0	0	0	0	0
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	4,539	4,559	4,576	4,584	4,592	4,592	4,592	4,592	4,592	4,592
(6) Tax Rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	953	957	961	963	964	964	964	964	964	964
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	953	957	961	963	964	964	964	964	964	964
Cumulative Tax	70,816	71,773	72,734	73,697	74,661	75,625	76,589	77,553	78,517	79,481

Change due to 2017 FITL at 12/31/17:
10,626

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 4
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

Accident Year	Payment Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	0	0	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0	0	0
2021				0	0	0	0	0	0	0	0
2022					0	0	0	0	0	0	0
2023						0	0	0	0	0	0
2024							0	0	0	0	0
2025								0	0	0	0
2026									0	0	0
2027										0	0
2028											0
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	0	0	0	0	0	0	0	0	0	0	0

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 4
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	0	0	0	0						0
2019	0	0	0	0	0					0
2020	0	0	0	0	0	0				0
2021	0	0	0	0	0	0	0			0
2022	0	0	0	0	0	0	0	0		0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030		0	0	0	0	0	0	0	0	0
2031			0	0	0	0	0	0	0	0
2032				0	0	0	0	0	0	0
2033					0	0	0	0	0	0
2034						0	0	0	0	0
2035							0	0	0	0
2036								0	0	0
2037									0	0
Total	0	0	0	0	0	0	0	0	0	0

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 4
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0
2021				0	0	0	0	0	0
2022					0	0	0	0	0
2023						0	0	0	0
2024							0	0	0
2025								0	0
2026									0
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	0	0	0	0	0	0	0	0	0
Prior Business	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0
2021				0	0	0	0	0	0
2022					0	0	0	0	0
2023						0	0	0	0
2024							0	0	0
2025								0	0
2026									0
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	0	0	0	0	0	0	0	0	0
Prior Business	102,720	65,776	44,320	31,068	22,263	16,072	11,615	8,015	5,205

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600
Discounted Outstanding	180,642	170,016	102,720	65,776	44,320	31,068	22,263	16,072	11,615	8,015	5,205
(3) Amount of Discount	7,558	18,184	11,980	7,924	5,380	3,632	2,437	1,628	1,085	685	395
(4) Tax Adjustment		*10,626*	(6,204)	(4,056)	(2,543)	(1,749)	(1,195)	(810)	(543)	(400)	(289)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or Change in (3) from 20XX to 20XX+1

Appendix C - Scenario 4
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: Current; Patterns: IRS New Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
2018	0	0	0	0	0	0					
2019	0	0	0	0	0	0	0				
2020	0	0	0	0	0	0	0	0			
2021	0	0	0	0	0	0	0	0	0		
2022	0	0	0	0	0	0	0	0	0	0	
2023	0	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0
2028		0	0	0	0	0	0	0	0	0	0
2029			0	0	0	0	0	0	0	0	0
2030				0	0	0	0	0	0	0	0
2031					0	0	0	0	0	0	0
2032						0	0	0	0	0	0
2033							0	0	0	0	0
2034								0	0	0	0
2035									0	0	0
2036										0	0
2037											0
Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business	3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
2018	0	0	0	0	0	0					
2019	0	0	0	0	0	0	0				
2020	0	0	0	0	0	0	0	0			
2021	0	0	0	0	0	0	0	0	0		
2022	0	0	0	0	0	0	0	0	0	0	
2023	0	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0
2028		0	0	0	0	0	0	0	0	0	0
2029			0	0	0	0	0	0	0	0	0
2030				0	0	0	0	0	0	0	0
2031					0	0	0	0	0	0	0
2032						0	0	0	0	0	0
2033							0	0	0	0	0
2034								0	0	0	0
2035									0	0	0
2036										0	0
2037											0
Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business	3,088	1,600	661	189	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	3,300	1,700	700	200	0	0	0	0	0	0	0
Discounted Outstanding	3,088	1,600	661	189	0	0	0	0	0	0	0
(3) Amount of Discount	212	100	39	11	0	0	0	0	0	0	0
(4) Tax Adjustment	(183)	(112)	(62)	(28)	(11)	0	0	0	0	0	0

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or Change in (3) from 20XX to 20XX+1

Appendix C:

Notional Company Prospective Financial Statements:

2018 through 2037

Runoff

Scenario 5: Interest Rate: New, Patterns: IRS New Tail, Tax Rate: New

Appendix C - Scenario 5
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Underwriting Income											
Gross Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0	0
Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	125,000	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions											
Loss & LAE Incurred	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	125,000	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0	0
Investment Income											
Net Investment Income	8,904	8,077	6,799	6,034	5,574	5,280	5,082	4,942	4,836	4,754	4,697
Other Income											
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	8,904	8,077	6,799	6,034	5,574	5,280	5,082	4,942	4,836	4,754	4,697
Federal Tax											
Federal Income Tax	2,762	173	654	1,009	1,167	1,275	1,346	1,401	1,424	892	918
Net Income	6,142	7,904	6,145	5,025	4,407	4,005	3,736	3,541	3,412	3,862	3,779
Surplus											
Opening Surplus	206,200	206,142	207,904	206,145	205,025	204,407	204,005	203,736	203,541	203,412	203,862
Income for Period	6,142	7,904	6,145	5,025	4,407	4,005	3,736	3,541	3,412	3,862	3,779
Shareholder Dividends	(6,200)	(6,142)	(7,904)	(6,145)	(5,025)	(4,407)	(4,005)	(3,736)	(3,541)	(3,412)	(3,862)
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
Ending Surplus	206,142	207,904	206,145	205,025	204,407	204,005	203,736	203,541	203,412	203,862	203,779
Financial Ratios											
Net Written Premium/Surplus	0.606	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.913	0.552	0.358	0.242	0.170	0.121	0.087	0.062	0.043	0.027	0.016
Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate											
Annual	31.0%	2.1%	9.6%	16.7%	20.9%	24.1%	26.5%	28.3%	29.4%	18.8%	19.5%
Inception to Date - 1988 & later	35.6%	34.0%	33.1%	32.6%	32.3%	32.0%	31.9%	31.8%	31.8%	31.5%	31.2%
Inception to Date - 2018 & later		2.1%	5.6%	8.8%	11.3%	13.5%	15.3%	16.8%	18.1%	18.2%	18.3%

Appendix C - Scenario 5
Exhibit 1
Sheet 1

Notional Company
Statutory Income Statement (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Underwriting Income										
Gross Written Premium	0	0	0	0	0	0	0	0	0	0
Gross Earned Premium	0	0	0	0	0	0	0	0	0	0
Ceded Premium	0	0	0	0	0	0	0	0	0	0
Net Written Premium	0	0	0	0	0	0	0	0	0	0
Unearned Premium	0	0	0	0	0	0	0	0	0	0
Net Earned Premium	0	0	0	0	0	0	0	0	0	0
Underwriting Deductions										
Loss & LAE Incurred	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Total Underwriting Deductions	0	0	0	0	0	0	0	0	0	0
Net Underwriting Income	0	0	0	0	0	0	0	0	0	0
Investment Income										
Net Investment Income	4,652	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
Other Income										
Aggregate Write-Ins	0	0	0	0	0	0	0	0	0	0
Dividends to Policyholders	0	0	0	0	0	0	0	0	0	0
Profit (Loss) Before Tax	4,652	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
Federal Tax										
Federal Income Tax	942	949	956	961	964	964	964	964	964	964
Net Income	3,710	3,672	3,648	3,634	3,628	3,628	3,628	3,628	3,628	3,628
Surplus										
Opening Surplus	203,779	203,710	203,672	203,648	203,634	203,628	203,628	203,628	203,628	203,628
Income for Period	3,710	3,672	3,648	3,634	3,628	3,628	3,628	3,628	3,628	3,628
Shareholder Dividends	(3,779)	(3,710)	(3,672)	(3,648)	(3,634)	(3,628)	(3,628)	(3,628)	(3,628)	(3,628)
Capital Contributions	0	0	0	0	0	0	0	0	0	0
Ending Surplus	203,710	203,672	203,648	203,634	203,628	203,628	203,628	203,628	203,628	203,628
Financial Ratios										
Net Written Premium/Surplus	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reserves/Surplus	0.008	0.003	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate										
Annual	20.2%	20.5%	20.8%	20.9%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Inception to Date - 1988 & later	31.0%	30.8%	30.6%	30.4%	30.3%	30.1%	29.9%	29.8%	29.6%	29.5%
Inception to Date - 2018 & later	18.4%	18.6%	18.7%	18.9%	19.0%	19.1%	19.2%	19.3%	19.4%	19.4%

Appendix C - Scenario 5
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Assets											
Cash & Invested Assets	397,104	322,777	280,499	255,734	240,274	229,980	222,782	217,642	213,536	210,354	207,997
Letter of Credit	0	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0
Total Assets	397,104	322,777	280,499	255,734	240,274	229,980	222,782	217,642	213,536	210,354	207,997
Liabilities											
Outstanding Loss & LAE Reserve	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600	3,300
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	2,762	173	654	1,009	1,167	1,275	1,346	1,401	1,424	892	918
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	190,962	114,873	74,354	50,709	35,867	25,975	19,046	14,101	10,124	6,492	4,218
Capital											
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(101,896)	(108,038)	(115,942)	(122,087)	(127,112)	(131,519)	(135,524)	(139,260)	(142,801)	(146,213)	(150,075)
Retained Earnings Prior to Shareholder Dividends	108,038	115,942	122,087	127,112	131,519	135,524	139,260	142,801	146,213	150,075	153,854
Total Capital	206,142	207,904	206,145	205,025	204,407	204,005	203,736	203,541	203,412	203,862	203,779
Total Liabilities & Capital	397,104	322,777	280,499	255,734	240,274	229,980	222,782	217,642	213,536	210,354	207,997

Appendix C - Scenario 5
Exhibit 1
Sheet 2

Notional Company
Statutory Balance Sheet (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Assets										
Cash & Invested Assets	206,352	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592
Letter of Credit	0	0	0	0	0	0	0	0	0	0
Premiums & Other in Course of Collections	0	0	0	0	0	0	0	0	0	0
Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
Deferred Acquisition Costs	0	0	0	0	0	0	0	0	0	0
Total Assets	206,352	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592
Liabilities										
Outstanding Loss & LAE Reserve	1,700	700	200	0	0	0	0	0	0	0
Accounts Payable & Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Federal Income Taxes Payable	942	949	956	961	964	964	964	964	964	964
Unearned Premium Reserve	0	0	0	0	0	0	0	0	0	0
Policyholder Dividends Declared & Unpaid	0	0	0	0	0	0	0	0	0	0
Total Liabilities	2,642	1,649	1,156	961	964	964	964	964	964	964
Capital										
Initial Capital	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Paid in	0	0	0	0	0	0	0	0	0	0
Shareholder Dividends	(153,854)	(157,564)	(161,236)	(164,884)	(168,518)	(172,146)	(175,774)	(179,402)	(183,030)	(186,658)
Retained Earnings Prior to Shareholder Dividends	157,564	161,236	164,884	168,518	172,146	175,774	179,402	183,030	186,658	190,286
Total Capital	203,710	203,672	203,648	203,634	203,628	203,628	203,628	203,628	203,628	203,628
Total Liabilities & Capital	206,352	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592

Appendix C - Scenario 5
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Invested Assets											
(1) Starting Invested Assets	397,105	397,104	322,777	280,499	255,734	240,274	229,980	222,782	217,642	213,536	210,354
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	8,935	8,935	7,262	6,311	5,754	5,406	5,175	5,013	4,897	4,805	4,733
Collected Premium											
(5) Net Written Premium	125,000	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	125,000	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	1,406	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	125,000	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)											
(16) Expenses	(25,000)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(100,000)	(73,500)	(41,000)	(24,000)	(15,000)	(10,000)	(7,000)	(5,000)	(4,000)	(3,100)	(2,300)
(18) Federal Tax for Prior Year	(2,705)	(2,762)	(173)	(654)	(1,009)	(1,167)	(1,275)	(1,346)	(1,401)	(1,424)	(892)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(127,705)	(76,262)	(41,173)	(24,654)	(16,009)	(11,167)	(8,275)	(6,346)	(5,401)	(4,524)	(3,192)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(1,437)	(858)	(463)	(277)	(180)	(126)	(93)	(71)	(61)	(51)	(36)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets											
(26) Total Investment Income	8,904	8,077	6,799	6,034	5,574	5,280	5,082	4,942	4,836	4,754	4,697
(27) Net Cash	(2,705)	(76,262)	(41,173)	(24,654)	(16,009)	(11,167)	(8,275)	(6,346)	(5,401)	(4,524)	(3,192)
(28) Dividends Paid	6,200	6,142	7,904	6,145	5,025	4,407	4,005	3,736	3,541	3,412	3,862
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	397,104	322,777	280,499	255,734	240,274	229,980	222,782	217,642	213,536	210,354	207,997

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 5
Exhibit 1
Sheet 3

Notional Company
Investment Income Calculations (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Invested Assets										
(1) Starting Invested Assets	207,997	206,352	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592
(2) Average Yield of Assets	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
(3) Average Number of Months Held	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
(4) Investment Income	4,680	4,643	4,620	4,608	4,603	4,603	4,603	4,603	4,603	4,603
Collected Premium										
(5) Net Written Premium	0	0	0	0	0	0	0	0	0	0
(6) % Collected in Current Year	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(7) Collected Premium	0	0	0	0	0	0	0	0	0	0
(8) Uncollected Premium	0	0	0	0	0	0	0	0	0	0
(9) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(10) Investment Income	0	0	0	0	0	0	0	0	0	0
(11) Collected Premium from Prior Year	0	0	0	0	0	0	0	0	0	0
(12) Average Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(13) Investment Income	0	0	0	0	0	0	0	0	0	0
(14) Total Investment Income	0	0	0	0	0	0	0	0	0	0
(15) Premium Collected During Year	0	0	0	0	0	0	0	0	0	0
Other Cash Out (-) or In (+)										
(16) Expenses	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(17) Paid Loss & LAE	(1,600)	(1,000)	(500)	(200)	0	0	0	0	0	0
(18) Federal Tax for Prior Year	(918)	(942)	(949)	(956)	(961)	(964)	(964)	(964)	(964)	(964)
(19) Capital Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(20) Total Other Cash	(2,518)	(1,942)	(1,449)	(1,156)	(961)	(964)	(964)	(964)	(964)	(964)
(21) Average Number of Months Not Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(22) Investment Income (Gain or Loss)	(28)	(22)	(16)	(13)	(11)	(11)	(11)	(11)	(11)	(11)
(23) Other Contributions to Invest	0	0	0	0	0	0	0	0	0	0
(24) Number of Months Held	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(25) Other Investment Income (Gain or Loss)	0	0	0	0	0	0	0	0	0	0
Total Investment Income & Assets										
(26) Total Investment Income	4,652	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
(27) Net Cash	(2,518)	(1,942)	(1,449)	(1,156)	(961)	(964)	(964)	(964)	(964)	(964)
(28) Dividends Paid	3,779	3,710	3,672	3,648	3,634	3,628	3,628	3,628	3,628	3,628
(29) Other Adjustments	0	0	0	0	0	0	0	0	0	0
Total Invested Assets	206,352	205,321	204,804	204,595	204,592	204,592	204,592	204,592	204,592	204,592

Notes:
(4): = (1) x (2) x [(3) / 12]
(7): = (5) x (6)
(8): = (5) - (7)
(10): = (7) x [(9) / 12] x (2)
(11): = Prior (8)
(13): = (11) x [(12) / 12] x (2)
(14): = (10) + (13)
(15): = (7) + (11)
(20): = (16) + (17) + (18) + (19)
(22): = (20) x [(21) / 12] x (2)
(25): = (2) x (23) x [(24) / 12]
(26): = (4) + (14) + (22) + (25)
(27): = (15) + (20) + (23)

Appendix C - Scenario 5
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Premium											
Gross Written	125,000	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance		0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded											
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0	0
Net Written	125,000	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	125,000	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE											
Expected Loss & LAE Ratio	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	100,000	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,000	0	0	0	0	0	0	0	0	0	0
Capital Contributions											
Initial Letter of Credit		0									
Initial Invested Assets		397,104									
Additional Capital Contributions		0	0	0	0	0	0	0	0	0	0
Miscellaneous											
Investment Allocation - Cash		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread		1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Tax-Exempt Bonds		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
- Taxable Bonds		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Average		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

100.0%	Dividends (Percent of Profit)
No	FIT Exempt
100%	Percent of Premium Collected in Year Written

	12	24	36	48	60	72	84	96	108	120
Payout Pattern	26.5%	32.5%	17.0%	9.0%	5.0%	3.0%	2.0%	1.0%	0.9%	0.8%

Appendix C - Scenario 5
Exhibit 1
Sheet 4

Notional Company
Summary of Data and Assumptions (in 000's)

Runoff Scenario
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Premium										
Gross Written	0	0	0	0	0	0	0	0	0	0
Excess & Aggregate Reinsurance	0	0	0	0	0	0	0	0	0	0
Quota Share Percent Ceded										
Excess & Quota Share Ceded	0	0	0	0	0	0	0	0	0	0
Net Written	0	0	0	0	0	0	0	0	0	0
Earning Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Earned	0	0	0	0	0	0	0	0	0	0
Incurred Loss & LAE										
Expected Loss & LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Incurred Loss & LAE	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0	0	0	0	0
Capital Contributions										
Initial Letter of Credit										
Initial Invested Assets										
Additional Capital Contributions	0	0	0	0	0	0	0	0	0	0
Miscellaneous										
Investment Allocation - Cash	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Tax-Exempt Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- Taxable Bonds	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Total	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Relative Yield Spread	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Return on Investments - Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
- Tax-Exempt Bonds	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.5%
- Taxable Bonds	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%
Average	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.3%

	132	144	156	168	180
Payout Pattern	0.7%	0.6%	0.5%	0.3%	0.2%

Appendix C - Scenario 5
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027
Ordinary Tax											
(1) Profit (Loss) Before Tax	8,904	8,077	6,799	6,034	5,574	5,280	5,082	4,942	4,836	4,754	4,697
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(781)	(9,871)	(6,302)	(3,850)	(2,633)	(1,827)	(1,292)	(888)	(674)	(507)	(327)
(4B) Amortization of Change due to 2017 FITL		2,619	2,619	2,619	2,619	2,619	2,619	2,619	2,619		
(5) Ordinary Taxable Income	8,123	825	3,116	4,803	5,560	6,071	6,409	6,673	6,781	4,247	4,370
(6) Tax Rate	34.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	2,762	173	654	1,009	1,167	1,275	1,346	1,401	1,424	892	918
Alternative Minimum Tax											
(8) = (1) + (3) + (4)	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	8,123	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	1,625	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	2,762	173	654	1,009	1,167	1,275	1,346	1,401	1,424	892	918
Cumulative Tax	59,631	59,804	60,458	61,467	62,634	63,909	65,255	66,656	68,080	68,972	69,890

Change due to 2017 FITL at 12/31/17:
20,950

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 5
Exhibit 2
Sheet 1

Notional Company
Federal Income Tax Calculations (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

	Year 2028	Year 2029	Year 2030	Year 2031	Year 2032	Year 2033	Year 2034	Year 2035	Year 2036	Year 2037
Ordinary Tax										
(1) Profit (Loss) Before Tax	4,652	4,621	4,604	4,595	4,592	4,592	4,592	4,592	4,592	4,592
(2) Tax Exempt Investment Income	0	0	0	0	0	0	0	0	0	0
(3) 20% Change in Unearned Premium	0	0	0	0	0	0	0	0	0	0
(4A) Discounting of Loss Reserves	(165)	(102)	(51)	(20)	0	0	0	0	0	0
(4B) Amortization of Change due to 2017 FITL										
(5) Ordinary Taxable Income	4,487	4,519	4,553	4,575	4,592	4,592	4,592	4,592	4,592	4,592
(6) Tax Rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
(7) Ordinary Tax	942	949	956	961	964	964	964	964	964	964
Alternative Minimum Tax										
(8) = (1) + (3) + (4)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(9) Alternative Minimum Tax Income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(10) Alternative Minimum Tax	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Resulting Federal Tax	942	949	956	961	964	964	964	964	964	964
Cumulative Tax	70,832	71,781	72,737	73,698	74,662	75,626	76,590	77,554	78,518	79,482

Change due to 2017 FITL at 12/31/17:
20,950

Notes:
(1),(3): Exhibit 1, Sheet 1
(2): = - [(Tax Exempt Yield) x (Exempt % of Assets) / (Average Asset Yield)] x (Invest. Income) x (75.0%)
See Exhibit 1, Sheet 1 and Exhibit 1, Sheet 4
(4): Exhibit 2, Sheet 3
(5): = (1) + (2) + (3) + (4)
(6): Based on (5) and corporate income tax
(7): = (5) x (6)

Appendix C - Scenario 5
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

Accident Year	Payment Year 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	0	0	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0	0	0
2021				0	0	0	0	0	0	0	0
2022					0	0	0	0	0	0	0
2023						0	0	0	0	0	0
2024							0	0	0	0	0
2025								0	0	0	0
2026									0	0	0
2027										0	0
2028											0
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
Total	0	0	0	0	0	0	0	0	0	0	0

Accident Years	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1998											
1999											
2000											
2001											
2002											
2003											
2004	200	0	0	0	0	0	0	0	0	0	0
2005	300	200	0	0	0	0	0	0	0	0	0
2006	500	300	200	0	0	0	0	0	0	0	0
2007	600	500	300	200	0	0	0	0	0	0	0
2008	700	600	500	300	200	0	0	0	0	0	0
2009	800	700	600	500	300	200	0	0	0	0	0
2010	900	800	700	600	500	300	200	0	0	0	0
2011	1,000	900	800	700	600	500	300	200	0	0	0
2012	2,000	1,000	900	800	700	600	500	300	200	0	0
2013	3,000	2,000	1,000	900	800	700	600	500	300	200	0
2014	5,000	3,000	2,000	1,000	900	800	700	600	500	300	200
2015	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500	300
2016	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600	500
2017	32,500	17,000	9,000	5,000	3,000	2,000	1,000	900	800	700	600
Total	73,500	41,000	24,000	15,000	10,000	7,000	5,000	4,000	3,100	2,300	1,600

Appendix C - Scenario 5
Exhibit 2
Sheet 2

Notional Company
Estimated Payout of Net Loss & LAE (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

Accident Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
2018	0	0	0	0						0
2019	0	0	0	0	0					0
2020	0	0	0	0	0	0				0
2021	0	0	0	0	0	0	0			0
2022	0	0	0	0	0	0	0	0		0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030		0	0	0	0	0	0	0	0	0
2031			0	0	0	0	0	0	0	0
2032				0	0	0	0	0	0	0
2033					0	0	0	0	0	0
2034						0	0	0	0	0
2035							0	0	0	0
2036								0	0	0
2037									0	0
Total	0	0	0	0	0	0	0	0	0	0

Accident Years	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
1998										0
1999										0
2000										0
2001										0
2002										0
2003										0
2004	0	0	0	0	0	0	0	0	0	200
2005	0	0	0	0	0	0	0	0	0	500
2006	0	0	0	0	0	0	0	0	0	1,000
2007	0	0	0	0	0	0	0	0	0	1,600
2008	0	0	0	0	0	0	0	0	0	2,300
2009	0	0	0	0	0	0	0	0	0	3,100
2010	0	0	0	0	0	0	0	0	0	4,000
2011	0	0	0	0	0	0	0	0	0	5,000
2012	0	0	0	0	0	0	0	0	0	7,000
2013	0	0	0	0	0	0	0	0	0	10,000
2014	0	0	0	0	0	0	0	0	0	15,000
2015	200	0	0	0	0	0	0	0	0	24,000
2016	300	200	0	0	0	0	0	0	0	41,000
2017	500	300	200	0	0	0	0	0	0	73,500
Total	1,000	500	200	0	0	0	0	0	0	188,200

Appendix C - Scenario 5
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0
2021				0	0	0	0	0	0
2022					0	0	0	0	0
2023						0	0	0	0
2024							0	0	0
2025								0	0
2026									0
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	0	0	0	0	0	0	0	0	0
Prior Business	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600

(2) Net Discounted Loss & LAE Reserves

Accident Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
2018	0	0	0	0	0	0	0	0	0
2019		0	0	0	0	0	0	0	0
2020			0	0	0	0	0	0	0
2021				0	0	0	0	0	0
2022					0	0	0	0	0
2023						0	0	0	0
2024							0	0	0
2025								0	0
2026									0
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
Total	0	0	0	0	0	0	0	0	0
Prior Business	96,063	61,365	41,214	28,848	20,675	14,967	10,855	7,528	4,935

	Old Tax Law 2017	New Tax Law 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Outstanding	188,200	188,200	114,700	73,700	49,700	34,700	24,700	17,700	12,700	8,700	5,600
Discounted Outstanding	180,642	159,692	96,063	61,365	41,214	28,848	20,675	14,967	10,855	7,528	4,935
(3) Amount of Discount	7,558	28,508	18,637	12,335	8,486	5,852	4,025	2,733	1,845	1,172	665
(4) Tax Adjustment		*20,950*	(9,871)	(6,302)	(3,850)	(2,633)	(1,827)	(1,292)	(888)	(674)	(507)
	2017 FITL Adjustment										

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or Change in (3) from 20XX to 20XX+1

Appendix C - Scenario 5
Exhibit 2
Sheet 3

Notional Company
Estimated Net Loss & LAE Reserves (in 000's)

Runoff Scenario:
Interest Rate: New; Patterns: IRS New Tail; Tax Rate: New

(1) Net Undiscounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	0	0	0	0	0	0					
	2019	0	0	0	0	0	0	0				
	2020	0	0	0	0	0	0	0	0			
	2021	0	0	0	0	0	0	0	0	0		
	2022	0	0	0	0	0	0	0	0	0	0	
	2023	0	0	0	0	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0	0	0	0	0
	2026	0	0	0	0	0	0	0	0	0	0	0
	2027	0	0	0	0	0	0	0	0	0	0	0
	2028		0	0	0	0	0	0	0	0	0	0
	2029			0	0	0	0	0	0	0	0	0
	2030				0	0	0	0	0	0	0	0
	2031					0	0	0	0	0	0	0
	2032						0	0	0	0	0	0
	2033							0	0	0	0	0
	2034								0	0	0	0
	2035									0	0	0
	2036										0	0
	2037											0
	Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business		3,300	1,700	700	200	0	0	0	0	0	0	0

(2) Net Discounted Loss & LAE Reserves

	Accident Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	2018	0	0	0	0	0	0					
	2019	0	0	0	0	0	0	0				
	2020	0	0	0	0	0	0	0	0			
	2021	0	0	0	0	0	0	0	0	0		
	2022	0	0	0	0	0	0	0	0	0	0	
	2023	0	0	0	0	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0	0	0	0	0
	2026	0	0	0	0	0	0	0	0	0	0	0
	2027	0	0	0	0	0	0	0	0	0	0	0
	2028		0	0	0	0	0	0	0	0	0	0
	2029			0	0	0	0	0	0	0	0	0
	2030				0	0	0	0	0	0	0	0
	2031					0	0	0	0	0	0	0
	2032						0	0	0	0	0	0
	2033							0	0	0	0	0
	2034								0	0	0	0
	2035									0	0	0
	2036										0	0
	2037											0
	Total	0	0	0	0	0	0	0	0	0	0	0
Prior Business		2,962	1,527	629	180	0	0	0	0	0	0	0

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Total Outstanding	3,300	1,700	700	200	0	0	0	0	0	0	0
Discounted Outstanding	2,962	1,527	629	180	0	0	0	0	0	0	0
(3) Amount of Discount	338	173	71	20	0	0	0	0	0	0	0
(4) Tax Adjustment	(327)	(165)	(102)	(51)	(20)	0	0	0	0	0	0

Notes:
(1) = (Net Loss & LAE Incurred) - (Cumulative Net Paid Loss & LAE)
(2) = (Net Loss & LAE Reserve) x (Accident Year IRS Discount Factor)
(3) = Total (1) - Total (2)
(4) = (Change in Undiscounted Reserves) - (Change in Discounted Reserves) or
Change in (3) from 20XX to 20XX+1

Appendix D:

Sensitivity Testing on Internal Rate of Return

IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.38%

TABLE 1: IRR MODEL INPUTS AND RESULTS

Appendix D
Sheet 1

Inputs:	
(1) Expenses and Taxes as a Percentage of Net Premium at NCCI Level	20.36%
(2) Reserve-to-Surplus Ratio	1.87
(3) Cash Flow Patterns	See Table 2
(4) Return on Investments	2.38%
(5) Weighted Average Cost of Capital (IRR)	10.00%
Results	
(6) Indicated Profit and Contingency Provision	7.12%
(7) Loss and Loss Adjustment Expense Provision [100% - (6) - (1)]	72.52%

Table Notes:
It is assumed that no policyholders dividends are paid and that there are no rate departures (deviations or schedule rating).
(1) Expense provisions and taxes derived from the filing.
(2) Calculated from Best's 2016 Aggregates & Averages, for Commercial Casualty Composite, as the weighted average of Loss, LAE, and Unearned Premium Reserves to Policyholder Surplus, for years 2011 - 2015.
* See Table 3 for details by time period.

Used with NCCI's permission

IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.38%

Appendix D
Sheet 2

TABLE 2: CASH FLOW PATTERNS (CUMULATIVE)

Time	(1) Policy-Year Collected Premium	(2) Earned Premium	(3) Written Premium	(4) Expenses and Taxes	(5) Paid Losses and LAE
0.00	0.00%	0.00%	0.00%	0.00%	0.00%
0.25	15.37%	4.51%	36.10%	16.30%	1.16%
0.50	33.09%	16.51%	59.90%	34.29%	4.25%
0.75	54.02%	33.75%	78.00%	55.09%	8.68%
1.00	76.83%	56.00%	100.00%	77.86%	14.40%
1.25	89.14%	76.49%		89.62%	23.55%
1.50	96.82%	89.49%		96.96%	32.70%
1.75	100.00%	97.25%		100.00%	41.85%
2.00		100.00%			51.00%
2.25					55.35%
2.50					59.70%
2.75					64.05%
3.00					68.40%
3.25					70.45%
3.50					72.50%
3.75					74.55%
4.00					76.60%
4.25					77.70%
4.50					78.80%
4.75					79.90%
5.00					81.00%
6.00					83.80%
7.00					85.70%
8.00					87.20%
9.00					88.20%
10.00					89.40%
11.00					89.90%
12.00					90.80%
13.00					91.30%
14.00					92.00%
15.00					92.60%
16.00					93.20%
17.00					93.50%
18.00					93.90%
19.00					94.30%
20.00					94.60%
21.00					94.90%
22.00					95.10%
23.00					95.60%
24.00					95.70%
25.00					96.00%
26.00					96.40%
27.00					96.90%
28.00					97.40%
29.00					98.00%
30.00					98.51%
31.00					98.94%
32.00					99.28%
33.00					99.57%
34.00					99.81%
35.00					100.00%

TABLE 3: Not Used in Static Example

Time	(1) Return on Investments	(2) Weighted Average Cost of Capital
0.00		
0.25		
0.50		
0.75		
1.00		
1.25		
1.50		
1.75		
2.00		
2.25		
2.50		
2.75		
3.00		
3.25		
3.50		
3.75		
4.00		
4.25		
4.50		
4.75		
5.00		
6.00		
7.00		
8.00		
9.00		
10.00		
11.00		
12.00		
13.00		
14.00		
15.00		
16.00		
17.00		
18.00		
19.00		
20.00		
21.00		
22.00		
23.00		
24.00		
25.00		
26.00		
27.00		
28.00		
29.00		
30.00		
31.00		
32.00		
33.00		
34.00		
35.00		

Table 2 Notes:
Table 2 shows cumulative cash flows. For ease of reading no additional numbers are shown after a column reaches 100% cumulative cash flow.
(1) Derived from estimates of premium distribution and payment terms by size of policy.
(2) Based on written premium pattern assuming uniform writings within quarters and standard quarterly earning pattern.
(3) Based on this jurisdiction's premium writings by quarter.
(4) Expenses assumed paid as premium is collected; timing of taxes based on NCCI's Tax and Assessment Directory.
(5) Derived from loss development data underlying this rate filing. Payouts for the first 29 years are based upon the ratio of paid losses to incurred losses from the most recent 29 policy years for which data is available. For the following years, loss payouts are assumed to trail off geometrically, with an adjustment so that the payout will be complete at 35 years.

Used with NCCI's permission

IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.38%

TABLE 4: DERIVATION OF INSURANCE CASH FLOW

Appendix D
Sheet 3

Time	(1) Collected Premium Factor	(2) Expense and Taxes Factor	(3) Paid Losses and LAE Factor	(4) Federal Income Tax Factor	(5) Insurance Cash flow Factor
0.00	-	-	-	-	-
0.25	0.1537	0.0332	0.0084	0.0125	0.0996
0.50	0.3309	0.0698	0.0308	0.2507	0.2052
0.75	0.5402	0.1122	0.0629	0.3760	0.3275
1.00	0.7683	0.1585	0.1044	0.5013	0.4552
1.25	0.8914	0.1825	0.1708	0.4589	0.4923
1.50	0.9682	0.1974	0.2371	0.4166	0.4920
1.75	1.0000	0.2036	0.3035	0.3742	0.4555
2.00	1.0000	0.2036	0.3699	0.3318	0.3934
2.25	1.0000	0.2036	0.4014	0.3260	0.3624
2.50	1.0000	0.2036	0.4329	0.3201	0.3314
2.75	1.0000	0.2036	0.4645	0.3143	0.3005
3.00	1.0000	0.2036	0.4960	0.3084	0.2695
3.25	1.0000	0.2036	0.5109	0.3055	0.2549
3.50	1.0000	0.2036	0.5258	0.3027	0.2404
3.75	1.0000	0.2036	0.5406	0.2998	0.2258
4.00	1.0000	0.2036	0.5555	0.2969	0.2112
4.25	1.0000	0.2036	0.5635	0.2953	0.2034
4.50	1.0000	0.2036	0.5715	0.2937	0.1956
4.75	1.0000	0.2036	0.5794	0.2921	0.1878
5.00	1.0000	0.2036	0.5874	0.2905	0.1799
6.00	1.0000	0.2036	0.6077	0.2854	0.1601
7.00	1.0000	0.2036	0.6215	0.2811	0.1468
8.00	1.0000	0.2036	0.6324	0.2766	0.1364
9.00	1.0000	0.2036	0.6396	0.2731	0.1295
10.00	1.0000	0.2036	0.6483	0.2688	0.1212
11.00	1.0000	0.2036	0.6520	0.2651	0.1179
12.00	1.0000	0.2036	0.6585	0.2612	0.1118
13.00	1.0000	0.2036	0.6621	0.2579	0.1085
14.00	1.0000	0.2036	0.6672	0.2548	0.1037
15.00	1.0000	0.2036	0.6715	0.2518	0.0997
16.00	1.0000	0.2036	0.6759	0.2504	0.0955
17.00	1.0000	0.2036	0.6781	0.2504	0.0933
18.00	1.0000	0.2036	0.6810	0.2503	0.0904
19.00	1.0000	0.2036	0.6839	0.2502	0.0875
20.00	1.0000	0.2036	0.6860	0.2502	0.0853
21.00	1.0000	0.2036	0.6882	0.2501	0.0832
22.00	1.0000	0.2036	0.6897	0.2501	0.0817
23.00	1.0000	0.2036	0.6933	0.2500	0.0781
24.00	1.0000	0.2036	0.6940	0.2500	0.0774
25.00	1.0000	0.2036	0.6962	0.2499	0.0752
26.00	1.0000	0.2036	0.6991	0.2499	0.0723
27.00	1.0000	0.2036	0.7027	0.2498	0.0687
28.00	1.0000	0.2036	0.7063	0.2497	0.0651
29.00	1.0000	0.2036	0.7107	0.2496	0.0607
30.00	1.0000	0.2036	0.7144	0.2495	0.0571
31.00	1.0000	0.2036	0.7175	0.2494	0.0539
32.00	1.0000	0.2036	0.7200	0.2493	0.0515
33.00	1.0000	0.2036	0.7221	0.2493	0.0494
34.00	1.0000	0.2036	0.7238	0.2492	0.0477
35.00	1.0000	0.2036	0.7252	0.2492	0.0463

Column Notes:
(1) is Collected Premium by time period, expressed as a factor, = Table 2 col (1)
(2) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(3) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(4) per the Tax Reform Act of 1986, federal income taxes are computed as the tax rate times the adjusted underwriting income calculated per IRS rules. See Appendix B for details.
(5) is the Total Insurance Cash Flow by time period, expressed as a factor, = (1) - [(2) + (3) + (4)]

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IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.38%

TABLE 5: DERIVATION OF CASH FLOWS TO THE CAPITAL PROVIDERS

Appendix D
Sheet 4

Time	(1) Unearned Premium, Unpaid Loss and Unpaid LAE Reserve Factor	(2) Factor for Surplus Allocated to Reserves	(3) Total Invested Funds Factor	(4) Income from Invested Funds Factor	(5) Capital Provider Equity Factor	(6) Capital Provider Cash Flow Factor	(7) Discounted Capital Provider Cash Flow Factor
0.00	-	-	-	-	-	-	-
0.25	0.3402	0.1819	0.3106	0.0009	(0.2101)	(0.2101)	(0.2135)
0.50	0.5228	0.2796	0.5258	0.0034	(0.3172)	(0.1071)	(0.1139)
0.75	0.6243	0.3339	0.7056	0.0070	(0.3711)	(0.0539)	(0.0640)
1.00	0.7417	0.3966	0.8897	0.0117	(0.4227)	(0.0516)	(0.0634)
1.25	0.6190	0.3310	0.8282	0.0168	(0.3191)	0.1036	0.0904
1.50	0.5169	0.2764	0.7519	0.0214	(0.2385)	0.0806	0.0724
1.75	0.4293	0.2296	0.6528	0.0256	(0.1718)	0.0668	0.0619
2.00	0.3553	0.1900	0.5430	0.0291	(0.1206)	0.0512	0.0501
2.25	0.3238	0.1732	0.4949	0.0322	(0.1003)	0.0202	0.0188
2.50	0.2923	0.1563	0.4468	0.0349	(0.0804)	0.0199	0.0182
2.75	0.2607	0.1394	0.3987	0.0374	(0.0608)	0.0197	0.0176
3.00	0.2292	0.1225	0.3506	0.0397	(0.0414)	0.0194	0.0171
3.25	0.2143	0.1146	0.3279	0.0417	(0.0313)	0.0101	0.0088
3.50	0.1994	0.1066	0.3052	0.0435	(0.0213)	0.0100	0.0085
3.75	0.1846	0.0987	0.2825	0.0453	(0.0115)	0.0098	0.0083
4.00	0.1697	0.0907	0.2598	0.0469	(0.0017)	0.0097	0.0080
4.25	0.1617	0.0865	0.2476	0.0483	0.0041	0.0059	0.0048
4.50	0.1537	0.0822	0.2354	0.0498	0.0100	0.0058	0.0046
4.75	0.1458	0.0779	0.2232	0.0511	0.0157	0.0057	0.0045
5.00	0.1378	0.0737	0.2110	0.0524	0.0214	0.0057	0.0043
6.00	0.1175	0.0628	0.1799	0.0571	0.0373	0.0159	0.0116
7.00	0.1037	0.0555	0.1587	0.0611	0.0492	0.0119	0.0080
8.00	0.0928	0.0496	0.1421	0.0647	0.0589	0.0097	0.0062
9.00	0.0856	0.0458	0.1309	0.0679	0.0665	0.0076	0.0044
10.00	0.0769	0.0411	0.1176	0.0709	0.0744	0.0080	0.0044
11.00	0.0732	0.0392	0.1120	0.0736	0.0795	0.0051	0.0025
12.00	0.0667	0.0357	0.1021	0.0762	0.0859	0.0064	0.0030
13.00	0.0631	0.0337	0.0965	0.0785	0.0905	0.0046	0.0020
14.00	0.0580	0.0310	0.0888	0.0807	0.0957	0.0052	0.0021
15.00	0.0537	0.0287	0.0822	0.0828	0.1002	0.0045	0.0018
16.00	0.0493	0.0264	0.0757	0.0846	0.1044	0.0042	0.0016
17.00	0.0471	0.0252	0.0723	0.0864	0.1074	0.0029	0.0010
18.00	0.0442	0.0237	0.0679	0.0881	0.1106	0.0032	0.0010
19.00	0.0413	0.0221	0.0634	0.0896	0.1137	0.0031	0.0009
20.00	0.0392	0.0209	0.0601	0.0911	0.1163	0.0026	0.0007
21.00	0.0370	0.0198	0.0568	0.0925	0.1189	0.0026	0.0006
22.00	0.0355	0.0190	0.0545	0.0938	0.1210	0.0021	0.0005
23.00	0.0319	0.0171	0.0490	0.0950	0.1242	0.0032	0.0007
24.00	0.0312	0.0167	0.0479	0.0962	0.1257	0.0015	0.0003
25.00	0.0290	0.0155	0.0445	0.0973	0.1280	0.0023	0.0004
26.00	0.0261	0.0140	0.0401	0.0983	0.1306	0.0026	0.0005
27.00	0.0225	0.0120	0.0345	0.0992	0.1334	0.0028	0.0005
28.00	0.0189	0.0101	0.0289	0.0999	0.1361	0.0027	0.0004
29.00	0.0145	0.0078	0.0223	0.1005	0.1390	0.0029	0.0004
30.00	0.0108	0.0058	0.0166	0.1010	0.1415	0.0024	0.0003
31.00	0.0077	0.0041	0.0118	0.1013	0.1435	0.0020	0.0002
32.00	0.0052	0.0028	0.0080	0.1016	0.1451	0.0016	0.0002
33.00	0.0031	0.0017	0.0048	0.1017	0.1463	0.0013	0.0001
34.00	0.0014	0.0007	0.0021	0.1018	0.1474	0.0010	0.0001
35.00	-	-	-	0.1018	0.1481	0.0008	0.0001

Column Notes:
(1) is Unearned Premium Reserve (equal to Written Premium minus Earned Premium, per the cashflow pattern) plus Unpaid Loss and LAE Re
(equal to Incurred minus Paid Losses and LAE) by time period, expressed as a factor,
= [Table 2 col (3) - Table 2 col (2)] + Table 1 row (7) x [Table 2 col (2) - Table 2 col (5)]
(2) is the Surplus derived from Reserves per the Reserve-to-Surplus Ratio by time period, expressed as a factor, = (1) / Table 1 row (2)
(3) is Reserves plus Surplus minus Agent Balances by time period, expressed as a factor, = (1) + (2) - Agent Balances. Agent Balances exist w
Written Premium exceeds Collected Premium, = [Table 2 col (3) - Table 2 col (1)].
(4) is derived by applying the Return on Investments [Table 1 row (4)] to the average Invested Funds (4) from the previous and current time periods, plus previous Income from Invested Funds, by time period expressed as a factor.
(5) is Insurance Cash Flow plus Income from Invested Funds minus Total Invested Funds by time period, expressed as a factor,
= Table 4 col (5) + (4) - (3)
(6) is the difference between Capital Provider Equity (5) at the current and previous time periods, expressed as a factor
(7) is the Capital Provider Cash Flow (6) discounted by the Weighted Average Cost of Capital [Table 1 row (5)], expressed as a factor

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IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.38%

INTERNAL RATE OF RETURN ANALYSIS

Appendix D
Sheet 5

SECTION B: PORTFOLIO OF INVESTED ASSETS

(1) Security Description			(2) Investment Portfolio	(3) Yield Curve, Maturity, and Spread	(4) Roll-over Period	(5) Income Tax Rate	(6) After-tax Return
Bonds, of which	73.8%						
Government Direct Obligations		6.7%					
< 1yr			1.9%	6 mo US T-bill	0.50 yrs	35.00%	0.47%
1 – 5 yrs			2.9%	2.5 yr US T-note	2.50 yrs	35.00%	0.90%
5 – 10 yrs			1.3%	7.5 yr US T-note	7.50 yrs	35.00%	1.49%
10 – 20 yrs			0.3%	15 yr US T-note	15.00 yrs	35.00%	1.70%
> 20 yrs			0.4%	20 yr US T-note	20.00 yrs	35.00%	1.81%
Collateralized Securities		6.8%					
< 1yr			0.9%	6 mo US T-bill + 50 basis points	0.50 yrs	35.00%	0.79%
1 – 5 yrs			2.6%	2.5 yr US T-note + 50 basis points	2.50 yrs	35.00%	1.22%
5 – 10 yrs			1.8%	7.5 yr US T-note + 50 basis points	7.50 yrs	35.00%	1.81%
10 – 20 yrs			1.1%	15 yr US T-note + 50 basis points	15.00 yrs	35.00%	2.02%
> 20 yrs			0.4%	20 yr US T-note + 50 basis points	20.00 yrs	35.00%	2.13%
Tax-exempt Bonds		25.5%					
< 1yr			2.2%	6 mo US T-bill + Tax-exempt spread	0.50 yrs	5.25%	0.81%
1 – 5 yrs			6.3%	2.5 yr US T-note + Tax-exempt spread	2.50 yrs	5.25%	1.53%
5 – 10 yrs			7.9%	7.5 yr US T-note + Tax-exempt spread	7.50 yrs	5.25%	2.41%
10 – 20 yrs			6.7%	15 yr US T-note + Tax-exempt spread	15.00 yrs	5.25%	2.82%
> 20 yrs			2.4%	20 yr US T-note + Tax-exempt spread	20.00 yrs	5.25%	3.04%
Industrial and Hybrid Securities (unaffiliated)		33.3%					
< 1yr			4.4%	6 mo US T-bill + Corp spread	0.50 yrs	35.00%	0.95%
1 – 5 yrs 1			13.3%	2.5 yr US T-note + Corp spread	2.50 yrs	35.00%	1.61%
5 – 10 yrs 1			11.9%	7.5 yr US T-note + Corp spread	7.50 yrs	35.00%	2.41%
10 – 20 yrs			1.5%	15 yr US T-note + Corp spread	15.00 yrs	35.00%	2.67%
> 20 yrs			2.2%	20 yr US T-note + Corp spread	20.00 yrs	35.00%	2.80%
Industrial and Hybrid Securities (affiliated)		1.5%					
< 1yr			1.5%	6 mo US T-bill + Corp spread	0.50 yrs	5.25%	1.38%
1 – 5 yrs			0.0%	2.5 yr US T-note + Corp spread	2.50 yrs	5.25%	2.35%
5 – 10 yrs			0.0%	7.5 yr US T-note + Corp spread	7.50 yrs	5.25%	3.52%
10 – 20 yrs			0.0%	15 yr US T-note + Corp spread	15.00 yrs	5.25%	3.90%
> 20 yrs			0.0%	20 yr US T-note + Corp spread	20.00 yrs	5.25%	4.09%
Stocks, of which	12.3%	12.3%					
Preferred Stock			0.4%	5 year US T-note + 376 basis points	0.25 yrs	14.18%	4.90%
Common Stock			11.9%	5 year US T-note + 751 basis points	0.25 yrs	27.88%	6.82%
Other, of which	13.9%						
Mortgage Loans		1.5%	1.5%				
Real Estate		0.3%	0.3%				
Cash & Short-Term Investment		3.8%	3.8%	3 month US T-bill	0.25 yrs	35.00%	0.39%
All Other Assets*		8.3%	8.3%				
(8) Total / Average	100.0%	100.0%	100.0%		5.52	25.03%	2.50%
(9) Investment Expense**						35.00%	0.13%
(10) Selected After-tax Return on Invested Funds = (8) - (9)							2.38%

Table Notes:

(1) Government Direct Obligations include US Government Issuer Obligations and Non-US Government Issuer Obligations.
Collateralized Securities include Mortgage Backed, Loan Backed, or Structured Securities.
Tax-exempt Bonds include Issuer Obligations of US States, Territories, and Possessions, US Political Subdivisions of States, Territories, and Possessions, and US Special Revenue and Special Assessment Obligations.
Industrial and Hybrid Securities (unaffiliated) include Industrial and Miscellaneous and Hybrid Securities.
Industrial and Hybrid Securities (affiliated) include Parents, Subsidiaries, and Affiliates.
(2) Bond and total portfolio distributions are 3-year averages for 2013-2015, calculated from various annual editions of Best's Aggregates & Averages (Property-Casualty), Assets for Commercial Casualty Composite, p. 276, Column 3, Net Admitted Assets.
For each year 2013-2015, the maturity distribution pertains to all bonds owned as of December 31 at book/adjusted carrying value for Commercial Casualty Composite, Schedule D, Part 1A, Section 2.
(3) Spread to US treasury yields are either constant or varying by maturity (tax-exempt or corporate) as applicable.
The tax-exempt spread is a term structure of average historical spreads in forward rates at different maturities between US municipal bonds and US Treasuries.
Data on historical yields to US municipal bonds are from Bloomberg.
The corporate spread is a term structure of average historical spreads in forward rates at different maturities between US corporate bonds and US Treasuries.
Historical data on yields to US corporate bonds are from the US Department of Treasury.
(4) Applies to the estimate of the return on invested funds.
The roll-over period is the time interval at which the estimated yield is updated for the given security in the investment portfolio.
For bonds, the roll-over period is the bond's term to maturity. Forward yields for common and preferred stocks are updated quarterly.
(5) It is assumed that investment returns, except dividends and tax exempt municipal bond income, are taxed at 35%.
With respect to dividends, it is assumed that 70% of dividends received are tax exempt. It is further assumed that in accordance with the "pro-ration" provision, 15% of otherwise exempt municipal bond income and dividends are taxed at 35%. The portion of income attributable to capital appreciation is assumed to equal 65.8% while the income portion is 34.2%. The percentages were obtained from Morningstar's Analyst Research Center containing Table 6-7 previously published in Ibbotson SBBI Classic Yearbook, large company stocks, arithmetic mean.
(6) Estimates of treasury yields are actual current yields.
* Yields to mortgage loans, real estate, and all other assets are not directly estimated, but are assumed to be equal to the weighted average portfolio yield net of these categories.
** Investment expense calculated from Annual Statement data for the Commercial Casualty Composite by dividing Total Investment Expense by Cash and Invested Assets.
Total investment expense for 2015 from the Annual Statement, Exhibit of Net Investment Income.
Average of 2014 and 2015 cash and invested assets from Best's Aggregates and Averages (Property-Casualty), Assets for Commercial Casualty Composite, p.276, Line 12.

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IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.38%

TABLE B.1: FEDERAL INCOME TAX CALCULATION

Appendix D
Sheet 6

Time	(1) Written Premium Factor	(2) Unearned Premium Factor	(3) Expense and Taxes Factor	(4) Discount Factor	(5) Paid Losses and LAE Factor	(6) AY1 Paid Losses and LAE Factor	(7) AY2 Paid Losses and LAE Factor	(8) Discounted AY1 Unpaid Losses & LAE Factor	(9) Discounted AY2 Unpaid Losses & LAE Factor	(10) Federal Income Tax Factor
0.00	-	-	-		-	-	-	-	-	-
1.00	1.0000	0.4400	0.1585	0.9366	0.1044	0.1044	-	0.2418	-	0.0501
2.00	1.0000	-	0.2036	0.9287	0.3699	0.2252	0.1447	0.1276	0.2041	0.0332
3.00	1.0000	-	0.2036	0.9231	0.4960	0.2594	0.2366	0.0952	0.1170	0.0308
4.00	1.0000	-	0.2036	0.9155	0.5555	0.2869	0.2686	0.0693	0.0868	0.0297
5.00	1.0000	-	0.2036	0.9130	0.5874	0.2971	0.2903	0.0598	0.0662	0.0291
6.00	1.0000	-	0.2036	0.9108	0.6077	0.3072	0.3005	0.0504	0.0567	0.0285
7.00	1.0000	-	0.2036	0.9133	0.6215	0.3125	0.3090	0.0458	0.0488	0.0281
8.00	1.0000	-	0.2036	0.9183	0.6324	0.3180	0.3143	0.0409	0.0441	0.0277
9.00	1.0000	-	0.2036	0.9222	0.6396	0.3207	0.3189	0.0386	0.0401	0.0273
10.00	1.0000	-	0.2036	0.9325	0.6483	0.3259	0.3224	0.0342	0.0370	0.0269
11.00	1.0000	-	0.2036	0.9433	0.6520	0.3260	0.3259	0.0345	0.0342	0.0265
12.00	1.0000	-	0.2036	0.9546	0.6585	0.3309	0.3276	0.0303	0.0330	0.0261
13.00	1.0000	-	0.2036	0.9666	0.6621	0.3312	0.3310	0.0304	0.0302	0.0258
14.00	1.0000	-	0.2036	0.9793	0.6672	0.3348	0.3324	0.0272	0.0292	0.0255
15.00	1.0000	-	0.2036	0.9928	0.6715	0.3362	0.3353	0.0262	0.0267	0.0252
16.00	1.0000	-	0.2036	0.9928	0.6759	0.3388	0.3371	0.0236	0.0253	0.0250
17.00	1.0000	-	0.2036	0.9928	0.6781	0.3392	0.3389	0.0233	0.0235	0.0250
18.00	1.0000	-	0.2036	0.9928	0.6810	0.3411	0.3398	0.0213	0.0226	0.0250
19.00	1.0000	-	0.2036	0.9928	0.6839	0.3423	0.3415	0.0201	0.0209	0.0250
20.00	1.0000	-	0.2036	0.9928	0.6860	0.3434	0.3427	0.0191	0.0198	0.0250
21.00	1.0000	-	0.2036	0.9928	0.6882	0.3445	0.3437	0.0180	0.0187	0.0250
22.00	1.0000	-	0.2036	0.9928	0.6897	0.3450	0.3447	0.0175	0.0178	0.0250
23.00	1.0000	-	0.2036	0.9928	0.6933	0.3475	0.3458	0.0150	0.0167	0.0250
24.00	1.0000	-	0.2036	0.9928	0.6940	0.3468	0.3472	0.0157	0.0153	0.0250
25.00	1.0000	-	0.2036	0.9928	0.6962	0.3488	0.3474	0.0137	0.0151	0.0250
26.00	1.0000	-	0.2036	0.9928	0.6991	0.3499	0.3492	0.0126	0.0134	0.0250
27.00	1.0000	-	0.2036	0.9928	0.7027	0.3521	0.3507	0.0105	0.0119	0.0250
28.00	1.0000	-	0.2036	0.9928	0.7063	0.3537	0.3526	0.0088	0.0099	0.0250
29.00	1.0000	-	0.2036	0.9928	0.7107	0.3562	0.3545	0.0064	0.0080	0.0250
30.00	1.0000	-	0.2036	0.9928	0.7144	0.3577	0.3567	0.0048	0.0059	0.0249
31.00	1.0000	-	0.2036	0.9928	0.7175	0.3593	0.3582	0.0033	0.0043	0.0249
32.00	1.0000	-	0.2036	0.9928	0.7200	0.3603	0.3596	0.0022	0.0029	0.0249
33.00	1.0000	-	0.2036	0.9928	0.7221	0.3614	0.3607	0.0012	0.0019	0.0249
34.00	1.0000	-	0.2036	0.9928	0.7238	0.3622	0.3616	0.0004	0.0009	0.0249
35.00	1.0000	-	0.2036	0.9928	0.7252	0.3628	0.3624	(0.0002)	0.0002	0.0249

Column Notes:
(1) is Written Premium by time period, expressed as a factor, = Table 2 col (3)
(2) is Written Premium minus Earned Premium by time period, expressed as a factor, = Table 2 col (3) - Table 2 col (2)
(3) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(4) is from Internal Revenue Bulletin 2016-51, Rev. Proc 2016-58, dated December 19, 2016
(5) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(6) and (7) split the payments between the accident year coincident with the policy year ("AY1"), and the following accident year ("AY2"). Assuming that the payout pattern is linear between integer times, and that the average accident date for AY2 is two-thirds of a year later than the average accident date for AY1 , columns (6) and (7) are determined by solving these two equations simultaneously:
Col (6) + Col (7) = Col (5)
Col (7) = (2/3) * Col (6, previous row) + (1/3) * Col (6)
with Col (6, Time 1) = Col (5, Time 1) and Col (6, Time 35) = Col (7, Time 35)
(8) is the discounted difference between AY1 Losses and LAE that will ultimately be paid, and the amount already paid, = [col (6, Time 35) - (6)] x (4)
(9) is the discounted difference between AY2 Losses and LAE that will ultimately be paid, and the amount already paid, = [col (7, Time 35) - (7)] x col (4, previous row)
(10) Per IRS rules, federal income tax equals the tax rate (35%) times the adjusted underwriting income
= 35% * { (1) - 0.8 * (2) - [(3) + (5) + (8) + (9)]}

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IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.38%

Appendix D
Sheet 7

APPENDIX C: RESERVE-TO-SURPLUS RATIO
in 000's

Year End	(1) Unpaid Losses	(2) Unpaid Loss Adjustment Expense	(3) Unearned Premium	(4) Policyholder Surplus	(5) Ratio excl. Unearned Premium {(1)+(2)}/(4)	(6) Ratio incl. Unearned Premium {(1)+(2)+(3)}/(4)
2015	185,919,427	42,816,231	73,469,477	169,017,203	1.35	1.79
2014	214,239,981	48,564,685	83,674,315	192,947,461	1.36	1.80
2013	215,275,673	47,841,227	81,229,642	182,832,920	1.44	1.88
2012	212,275,479	46,533,070	75,723,720	174,892,306	1.48	1.91
2011	211,071,160	46,773,232	72,629,793	168,688,743	1.53	1.96
2011 - 2015	1,038,781,720	232,528,445	386,726,947	888,378,633	1.43	1.87

Selected Ratio including Unearned Premium: 1.87

Source: Columns (1) - (4) for the latest year are taken from Liabilities on page 277 in Best's 2016 Aggregates & Averages, for Commercial Casualty Composite.

Used with NCCI's permission

IRR: 11.86%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

TABLE 1: IRR MODEL INPUTS AND RESULTS

Appendix D
Sheet 1

Inputs:	
(1) Expenses and Taxes as a Percentage of Net Premium at NCCI Level	20.36%
(2) Reserve-to-Surplus Ratio	1.87
(3) Cash Flow Patterns	See Table 2
(4) Return on Investments	2.66%
(5) Weighted Average Cost of Capital (IRR)	11.86%
Results	
(6) Indicated Profit and Contingency Provision	7.12%
(7) Loss and Loss Adjustment Expense Provision [100% - (6) - (1)]	72.52%

Table Notes:
It is assumed that no policyholders dividends are paid and that there are no rate departures (deviations or schedule rating).
(1) Expense provisions and taxes derived from the filing.
(2) Calculated from Best's 2016 Aggregates & Averages, for Commercial Casualty Composite, as the weighted average of Loss, LAE, and Unearned Premium Reserves to Policyholder Surplus, for years 2011 - 2015.
* See Table 3 for details by time period.

Used with NCCI's permission

IRR: 11.86%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

Appendix D
Sheet 2

TABLE 2: CASH FLOW PATTERNS (CUMULATIVE)

Time	(1) Policy-Year Collected Premium	(2) Earned Premium	(3) Written Premium	(4) Expenses and Taxes	(5) Paid Losses and LAE
0.00	0.00%	0.00%	0.00%	0.00%	0.00%
0.25	15.37%	4.51%	36.10%	16.30%	1.16%
0.50	33.09%	16.51%	59.90%	34.29%	4.25%
0.75	54.02%	33.75%	78.00%	55.09%	8.68%
1.00	76.83%	56.00%	100.00%	77.86%	14.40%
1.25	89.14%	76.49%		89.62%	23.55%
1.50	96.82%	89.49%		96.96%	32.70%
1.75	100.00%	97.25%		100.00%	41.85%
2.00		100.00%			51.00%
2.25					55.35%
2.50					59.70%
2.75					64.05%
3.00					68.40%
3.25					70.45%
3.50					72.50%
3.75					74.55%
4.00					76.60%
4.25					77.70%
4.50					78.80%
4.75					79.90%
5.00					81.00%
6.00					83.80%
7.00					85.70%
8.00					87.20%
9.00					88.20%
10.00					89.40%
11.00					89.90%
12.00					90.80%
13.00					91.30%
14.00					92.00%
15.00					92.60%
16.00					93.20%
17.00					93.50%
18.00					93.90%
19.00					94.30%
20.00					94.60%
21.00					94.90%
22.00					95.10%
23.00					95.60%
24.00					95.70%
25.00					96.00%
26.00					96.40%
27.00					96.90%
28.00					97.40%
29.00					98.00%
30.00					98.51%
31.00					98.94%
32.00					99.28%
33.00					99.57%
34.00					99.81%
35.00					100.00%

TABLE 3: Not Used in Static Example

Time	(1) Return on Investments	(2) Weighted Average Cost of Capital
0.00		
0.25		
0.50		
0.75		
1.00		
1.25		
1.50		
1.75		
2.00		
2.25		
2.50		
2.75		
3.00		
3.25		
3.50		
3.75		
4.00		
4.25		
4.50		
4.75		
5.00		
6.00		
7.00		
8.00		
9.00		
10.00		
11.00		
12.00		
13.00		
14.00		
15.00		
16.00		
17.00		
18.00		
19.00		
20.00		
21.00		
22.00		
23.00		
24.00		
25.00		
26.00		
27.00		
28.00		
29.00		
30.00		
31.00		
32.00		
33.00		
34.00		
35.00		

Table 2 Notes:
Table 2 shows cumulative cash flows. For ease of reading no additional numbers are shown after a column reaches 100% cumulative cash flow.
(1) Derived from estimates of premium distribution and payment terms by size of policy.
(2) Based on written premium pattern assuming uniform writings within quarters and standard quarterly earning pattern.
(3) Based on this jurisdiction's premium writings by quarter.
(4) Expenses assumed paid as premium is collected; timing of taxes based on NCCI's Tax and Assessment Directory.
(5) Derived from loss development data underlying this rate filing. Payouts for the first 29 years are based upon the ratio of paid losses to incurred losses from the most recent 29 policy years for which data is available. For the following years, loss payouts are assumed to trail off geometrically, with an adjustment so that the payout will be complete at 35 years.

Used with NCCI's permission

IRR: 11.86%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

TABLE 4: DERIVATION OF INSURANCE CASH FLOW

Appendix D
Sheet 3

Time	(1) Collected Premium Factor	(2) Expense and Taxes Factor	(3) Paid Losses and LAE Factor	(4) Federal Income Tax Factor	(5) Insurance Cash flow Factor
0.00	-	-	-	-	-
0.25	0.1537	0.0332	0.0084	0.0084	0.1037
0.50	0.3309	0.0698	0.0308	0.1673	0.2135
0.75	0.5402	0.1122	0.0629	0.2510	0.3400
1.00	0.7683	0.1585	0.1044	0.3347	0.4719
1.25	0.8914	0.1825	0.1708	0.3130	0.5069
1.50	0.9682	0.1974	0.2371	0.2913	0.5045
1.75	1.0000	0.2036	0.3035	0.2696	0.4659
2.00	1.0000	0.2036	0.3699	0.2480	0.4018
2.25	1.0000	0.2036	0.4014	0.2410	0.3709
2.50	1.0000	0.2036	0.4329	0.2340	0.3401
2.75	1.0000	0.2036	0.4645	0.2271	0.3092
3.00	1.0000	0.2036	0.4960	0.2201	0.2784
3.25	1.0000	0.2036	0.5109	0.2167	0.2638
3.50	1.0000	0.2036	0.5258	0.2133	0.2493
3.75	1.0000	0.2036	0.5406	0.2099	0.2348
4.00	1.0000	0.2036	0.5555	0.2065	0.2202
4.25	1.0000	0.2036	0.5635	0.2047	0.2125
4.50	1.0000	0.2036	0.5715	0.2028	0.2047
4.75	1.0000	0.2036	0.5794	0.2010	0.1969
5.00	1.0000	0.2036	0.5874	0.1991	0.1891
6.00	1.0000	0.2036	0.6077	0.1932	0.1694
7.00	1.0000	0.2036	0.6215	0.1883	0.1561
8.00	1.0000	0.2036	0.6324	0.1831	0.1457
9.00	1.0000	0.2036	0.6396	0.1791	0.1389
10.00	1.0000	0.2036	0.6483	0.1740	0.1307
11.00	1.0000	0.2036	0.6520	0.1703	0.1274
12.00	1.0000	0.2036	0.6585	0.1667	0.1212
13.00	1.0000	0.2036	0.6621	0.1640	0.1179
14.00	1.0000	0.2036	0.6672	0.1612	0.1131
15.00	1.0000	0.2036	0.6715	0.1588	0.1090
16.00	1.0000	0.2036	0.6759	0.1566	0.1049
17.00	1.0000	0.2036	0.6781	0.1549	0.1029
18.00	1.0000	0.2036	0.6810	0.1532	0.1001
19.00	1.0000	0.2036	0.6839	0.1517	0.0974
20.00	1.0000	0.2036	0.6860	0.1509	0.0953
21.00	1.0000	0.2036	0.6882	0.1507	0.0931
22.00	1.0000	0.2036	0.6897	0.1507	0.0917
23.00	1.0000	0.2036	0.6933	0.1505	0.0881
24.00	1.0000	0.2036	0.6940	0.1505	0.0873
25.00	1.0000	0.2036	0.6962	0.1505	0.0852
26.00	1.0000	0.2036	0.6991	0.1504	0.0823
27.00	1.0000	0.2036	0.7027	0.1502	0.0787
28.00	1.0000	0.2036	0.7063	0.1501	0.0750
29.00	1.0000	0.2036	0.7107	0.1500	0.0707
30.00	1.0000	0.2036	0.7144	0.1499	0.0670
31.00	1.0000	0.2036	0.7175	0.1498	0.0639
32.00	1.0000	0.2036	0.7200	0.1497	0.0615
33.00	1.0000	0.2036	0.7221	0.1496	0.0594
34.00	1.0000	0.2036	0.7238	0.1496	0.0576
35.00	1.0000	0.2036	0.7252	0.1495	0.0562

Column Notes:
(1) is Collected Premium by time period, expressed as a factor, = Table 2 col (1)
(2) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(3) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(4) per the Tax Reform Act of 1986, federal income taxes are computed as the tax rate times the adjusted underwriting income calculated per IRS rules. See Appendix B for details.
(5) is the Total Insurance Cash Flow by time period, expressed as a factor, = (1) - [(2) + (3) + (4)]

Used with NCCI's permission

IRR: 11.86%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

TABLE 5: DERIVATION OF CASH FLOWS TO THE CAPITAL PROVIDERS

Appendix D
Sheet 4

Time	(1) Unearned Premium, Unpaid Loss and Unpaid LAE Reserve Factor	(2) Factor for Surplus Allocated to Reserves	(3) Total Invested Funds Factor	(4) Income from Invested Funds Factor	(5) Capital Provider Equity Factor	(6) Capital Provider Cash Flow Factor	(7) Discounted Capital Provider Cash Flow Factor
0.00	-	-	-	-	-	-	-
0.25	0.3402	0.1819	0.3126	0.0010	(0.2079)	(0.2079)	(0.2135)
0.50	0.5228	0.2796	0.5300	0.0038	(0.3126)	(0.1047)	(0.1139)
0.75	0.6243	0.3339	0.7119	0.0079	(0.3640)	(0.0514)	(0.0640)
1.00	0.7417	0.3966	0.8979	0.0132	(0.4129)	(0.0489)	(0.0634)
1.25	0.6190	0.3310	0.8343	0.0189	(0.3085)	0.1044	0.0904
1.50	0.5169	0.2764	0.7559	0.0241	(0.2272)	0.0813	0.0724
1.75	0.4293	0.2296	0.6546	0.0288	(0.1598)	0.0674	0.0619
2.00	0.3553	0.1900	0.5426	0.0327	(0.1081)	0.0517	0.0501
2.25	0.3238	0.1732	0.4945	0.0361	(0.0875)	0.0206	0.0188
2.50	0.2923	0.1563	0.4465	0.0392	(0.0672)	0.0203	0.0182
2.75	0.2607	0.1394	0.3984	0.0420	(0.0472)	0.0200	0.0176
3.00	0.2292	0.1225	0.3504	0.0445	(0.0275)	0.0197	0.0171
3.25	0.2143	0.1146	0.3277	0.0467	(0.0172)	0.0104	0.0088
3.50	0.1994	0.1066	0.3050	0.0488	(0.0069)	0.0102	0.0085
3.75	0.1846	0.0987	0.2824	0.0507	0.0031	0.0101	0.0083
4.00	0.1697	0.0907	0.2597	0.0525	0.0130	0.0099	0.0080
4.25	0.1617	0.0865	0.2475	0.0542	0.0191	0.0061	0.0048
4.50	0.1537	0.0822	0.2353	0.0558	0.0251	0.0060	0.0046
4.75	0.1458	0.0779	0.2231	0.0573	0.0311	0.0059	0.0045
5.00	0.1378	0.0737	0.2109	0.0587	0.0369	0.0058	0.0043
6.00	0.1175	0.0628	0.1798	0.0639	0.0534	0.0165	0.0116
7.00	0.1037	0.0555	0.1586	0.0684	0.0658	0.0124	0.0080
8.00	0.0928	0.0496	0.1421	0.0724	0.0761	0.0102	0.0062
9.00	0.0856	0.0458	0.1308	0.0760	0.0841	0.0080	0.0044
10.00	0.0769	0.0411	0.1176	0.0793	0.0924	0.0083	0.0044
11.00	0.0732	0.0392	0.1121	0.0824	0.0978	0.0054	0.0025
12.00	0.0667	0.0357	0.1021	0.0852	0.1044	0.0066	0.0030
13.00	0.0631	0.0337	0.0966	0.0879	0.1092	0.0049	0.0020
14.00	0.0580	0.0310	0.0888	0.0903	0.1146	0.0054	0.0021
15.00	0.0537	0.0287	0.0821	0.0926	0.1195	0.0048	0.0018
16.00	0.0493	0.0264	0.0755	0.0947	0.1241	0.0046	0.0016
17.00	0.0471	0.0252	0.0722	0.0967	0.1274	0.0033	0.0010
18.00	0.0442	0.0237	0.0677	0.0985	0.1309	0.0036	0.0010
19.00	0.0413	0.0221	0.0634	0.1003	0.1343	0.0034	0.0009
20.00	0.0392	0.0209	0.0601	0.1019	0.1371	0.0028	0.0007
21.00	0.0370	0.0198	0.0568	0.1035	0.1398	0.0027	0.0006
22.00	0.0355	0.0190	0.0545	0.1050	0.1421	0.0023	0.0005
23.00	0.0319	0.0171	0.0490	0.1063	0.1454	0.0033	0.0007
24.00	0.0312	0.0167	0.0479	0.1076	0.1471	0.0017	0.0003
25.00	0.0290	0.0155	0.0445	0.1089	0.1495	0.0024	0.0004
26.00	0.0261	0.0140	0.0401	0.1100	0.1522	0.0027	0.0005
27.00	0.0225	0.0120	0.0345	0.1110	0.1551	0.0029	0.0005
28.00	0.0189	0.0101	0.0289	0.1118	0.1579	0.0028	0.0004
29.00	0.0145	0.0078	0.0222	0.1125	0.1610	0.0030	0.0004
30.00	0.0108	0.0058	0.0166	0.1130	0.1635	0.0025	0.0003
31.00	0.0077	0.0041	0.0118	0.1134	0.1655	0.0021	0.0002
32.00	0.0052	0.0028	0.0080	0.1137	0.1671	0.0016	0.0002
33.00	0.0031	0.0017	0.0048	0.1138	0.1684	0.0013	0.0001
34.00	0.0014	0.0007	0.0021	0.1139	0.1694	0.0010	0.0001
35.00	-	-	-	0.1139	0.1702	0.0008	0.0001

Column Notes:
(1) is Unearned Premium Reserve (equal to Written Premium minus Earned Premium, per the cashflow pattern) plus Unpaid Loss and LAE Re
(equal to Incurred minus Paid Losses and LAE) by time period, expressed as a factor,
= [Table 2 col (3) - Table 2 col (2)] + Table 1 row (7) x [Table 2 col (2) - Table 2 col (5)]
(2) is the Surplus derived from Reserves per the Reserve-to-Surplus Ratio by time period, expressed as a factor, = (1) / Table 1 row (2)
(3) is Reserves plus Surplus minus Agent Balances by time period, expressed as a factor, = (1) + (2) - Agent Balances. Agent Balances exist w
Written Premium exceeds Collected Premium, = [Table 2 col (3) - Table 2 col (1)].
(4) is derived by applying the Return on Investments [Table 1 row (4)] to the average Invested Funds (4) from the previous and current
time periods, plus previous Income from Invested Funds, by time period expressed as a factor.
(5) is Insurance Cash Flow plus Income from Invested Funds minus Total Invested Funds by time period, expressed as a factor,
= Table 4 col (5) + (4) - (3)
(6) is the difference between Capital Provider Equity (5) at the current and previous time periods, expressed as a factor
(7) is the Capital Provider Cash Flow (6) discounted by the Weighted Average Cost of Capital [Table 1 row (5)], expressed as a factor

Used with NCCI's permission

IRR: 11.86%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

INTERNAL RATE OF RETURN ANALYSIS

Appendix D
Sheet 5

SECTION B: PORTFOLIO OF INVESTED ASSETS

(1) Security Description			(2) Investment Portfolio	(3) Yield Curve, Maturity, and Spread	(4) Roll-over Period	(5) Income Tax Rate	(6) After-tax Return
Bonds, of which	73.8%						
Government Direct Obligations		6.7%					
< 1yr			1.9%	6 mo US T-bill	0.50 yrs	21.00%	0.57%
1 – 5 yrs			2.9%	2.5 yr US T-note	2.50 yrs	21.00%	1.09%
5 – 10 yrs			1.3%	7.5 yr US T-note	7.50 yrs	21.00%	1.81%
10 – 20 yrs			0.3%	15 yr US T-note	15.00 yrs	21.00%	2.07%
> 20 yrs			0.4%	20 yr US T-note	20.00 yrs	21.00%	2.20%
Collateralized Securities		6.8%					
< 1yr			0.9%	6 mo US T-bill + 50 basis points	0.50 yrs	21.00%	0.96%
1 – 5 yrs			2.6%	2.5 yr US T-note + 50 basis points	2.50 yrs	21.00%	1.48%
5 – 10 yrs			1.8%	7.5 yr US T-note + 50 basis points	7.50 yrs	21.00%	2.20%
10 – 20 yrs			1.1%	15 yr US T-note + 50 basis points	15.00 yrs	21.00%	2.46%
> 20 yrs			0.4%	20 yr US T-note + 50 basis points	20.00 yrs	21.00%	2.59%
Tax-exempt Bonds		25.5%					
< 1yr			2.2%	6 mo US T-bill + Tax-exempt spread	0.50 yrs	5.25%	0.81%
1 – 5 yrs			6.3%	2.5 yr US T-note + Tax-exempt spread	2.50 yrs	5.25%	1.53%
5 – 10 yrs			7.9%	7.5 yr US T-note + Tax-exempt spread	7.50 yrs	5.25%	2.41%
10 – 20 yrs			6.7%	15 yr US T-note + Tax-exempt spread	15.00 yrs	5.25%	2.82%
> 20 yrs			2.4%	20 yr US T-note + Tax-exempt spread	20.00 yrs	5.25%	3.04%
Industrial and Hybrid Securities (unaffiliated)		33.3%					
< 1yr			4.4%	6 mo US T-bill + Corp spread	0.50 yrs	21.00%	1.15%
1 – 5 yrs 1			13.3%	2.5 yr US T-note + Corp spread	2.50 yrs	21.00%	1.96%
5 – 10 yrs 1			11.9%	7.5 yr US T-note + Corp spread	7.50 yrs	21.00%	2.93%
10 – 20 yrs			1.5%	15 yr US T-note + Corp spread	15.00 yrs	21.00%	3.25%
> 20 yrs			2.2%	20 yr US T-note + Corp spread	20.00 yrs	21.00%	3.40%
Industrial and Hybrid Securities (affiliated)		1.5%					
< 1yr			1.5%	6 mo US T-bill + Corp spread	0.50 yrs	5.25%	1.38%
1 – 5 yrs			0.0%	2.5 yr US T-note + Corp spread	2.50 yrs	5.25%	2.35%
5 – 10 yrs			0.0%	7.5 yr US T-note + Corp spread	7.50 yrs	5.25%	3.52%
10 – 20 yrs			0.0%	15 yr US T-note + Corp spread	15.00 yrs	5.25%	3.90%
> 20 yrs			0.0%	20 yr US T-note + Corp spread	20.00 yrs	5.25%	4.09%
Stocks, of which	12.3%	12.3%					
Preferred Stock			0.4%	5 year US T-note + 376 basis points	0.25 yrs	13.13%	4.96%
Common Stock			11.9%	5 year US T-note + 751 basis points	0.25 yrs	18.31%	7.73%
Other, of which	13.9%						
Mortgage Loans		1.5%	1.5%				
Real Estate		0.3%	0.3%				
Cash & Short-Term Investment		3.8%	3.8%	3 month US T-bill	0.25 yrs	21.00%	0.47%
All Other Assets*		8.3%	8.3%				
(8) Total / Average	100.0%	100.0%	100.0%		5.52	15.88%	2.82%
(9) Investment Expense**						21.00%	0.15%
(10) Selected After-tax Return on Invested Funds = (8) - (9)							2.66%

Table Notes:
(1) Government Direct Obligations include US Government Issuer Obligations and Non-US Government Issuer Obligations.
Collateralized Securities include Mortgage Backed, Loan Backed, or Structured Securities.
Tax-exempt Bonds include Issuer Obligations of US States, Territories, and Possessions, US Political Subdivisions of States, Territories, and Possessions, and US Special Revenue and Special Assessment Obligations.
Industrial and Hybrid Securities (unaffiliated) include Industrial and Miscellaneous and Hybrid Securities.
Industrial and Hybrid Securities (affiliated) include Parents, Subsidiaries, and Affiliates.
(2) Bond and total portfolio distributions are 3-year averages for 2013-2015, calculated from various annual editions of Best's Aggregates & Averages (Property-Casualty), Assets for Commercial Casualty Composite, p. 276, Column 3, Net Admitted Assets.
For each year 2013-2015, the maturity distribution pertains to all bonds owned as of December 31 at book/adjusted carrying value for Commercial Casualty Composite, Schedule D, Part 1A, Section 2.
(3) Spread to US treasury yields are either constant or varying by maturity (tax-exempt or corporate) as applicable.
The tax-exempt spread is a term structure of average historical spreads in forward rates at different maturities between US municipal bonds and US Treasuries.
Data on historical yields to US municipal bonds are from Bloomberg.
The corporate spread is a term structure of average historical spreads in forward rates at different maturities between US corporate bonds and US Treasuries.
Historical data on yields to US corporate bonds are from the US Department of Treasury.
(4) Applies to the estimate of the return on invested funds.
The roll-over period is the time interval at which the estimated yield is updated for the given security in the investment portfolio.
For bonds, the roll-over period is the bond's term to maturity. Forward yields for common and preferred stocks are updated quarterly.
(5) It is assumed that investment returns, except dividends and tax exempt municipal bond income, are taxed at 35%.
With respect to dividends, it is assumed that 70% of dividends received are tax exempt. It is further assumed that in accordance with the "pro-ration" provision, 15% of otherwise exempt municipal bond income and dividends are taxed at 35%. The portion of income attributable to capital appreciation is assumed to equal 65.8% while the income portion is 34.2%. The percentages were obtained from Morningstar's Analyst Research Center containing Table 6-7 previously published in Ibbotson SBBI Classic Yearbook, large company stocks, arithmetic mean.
(6) Estimates of treasury yields are actual current yields.
* Yields to mortgage loans, real estate, and all other assets are not directly estimated, but are assumed to be equal to the weighted average portfolio yield net of these categories.
** Investment expense calculated from Annual Statement data for the Commercial Casualty Composite by dividing Total Investment Expense by Cash and Invested Assets.
Total investment expense for 2015 from the Annual Statement, Exhibit of Net Investment Income.
Average of 2014 and 2015 cash and invested assets from Best's Aggregates and Averages (Property-Casualty), Assets for Commercial Casualty Composite, p.276, Line 12.

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IRR: 11.86%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

TABLE B.1: FEDERAL INCOME TAX CALCULATION

Appendix D
Sheet 6

Time	(1) Written Premium Factor	(2) Unearned Premium Factor	(3) Expense and Taxes Factor	(4) Discount Factor	(5) Paid Losses and LAE Factor	(6) AY1 Paid Losses and LAE Factor	(7) AY2 Paid Losses and LAE Factor	(8) Discounted AY1 Unpaid Losses & LAE Factor	(9) Discounted AY2 Unpaid Losses & LAE Factor	(10) Federal Income Tax Factor
0.00	-	-	-		-	-	-	-	-	-
1.00	1.0000	0.4400	0.1585	0.8742	0.1044	0.1044	-	0.2257	-	0.0335
2.00	1.0000	-	0.2036	0.8584	0.3699	0.2252	0.1447	0.1180	0.1905	0.0248
3.00	1.0000	-	0.2036	0.8470	0.4960	0.2594	0.2366	0.0874	0.1082	0.0220
4.00	1.0000	-	0.2036	0.8313	0.5555	0.2869	0.2686	0.0629	0.0796	0.0207
5.00	1.0000	-	0.2036	0.8255	0.5874	0.2971	0.2903	0.0541	0.0601	0.0199
6.00	1.0000	-	0.2036	0.8199	0.6077	0.3072	0.3005	0.0454	0.0513	0.0193
7.00	1.0000	-	0.2036	0.8237	0.6215	0.3125	0.3090	0.0413	0.0440	0.0188
8.00	1.0000	-	0.2036	0.8325	0.6324	0.3180	0.3143	0.0371	0.0397	0.0183
9.00	1.0000	-	0.2036	0.8389	0.6396	0.3207	0.3189	0.0351	0.0364	0.0179
10.00	1.0000	-	0.2036	0.8586	0.6483	0.3259	0.3224	0.0315	0.0337	0.0174
11.00	1.0000	-	0.2036	0.8713	0.6520	0.3260	0.3259	0.0319	0.0315	0.0170
12.00	1.0000	-	0.2036	0.8843	0.6585	0.3309	0.3276	0.0281	0.0305	0.0167
13.00	1.0000	-	0.2036	0.8975	0.6621	0.3312	0.3310	0.0282	0.0280	0.0164
14.00	1.0000	-	0.2036	0.9110	0.6672	0.3348	0.3324	0.0253	0.0271	0.0161
15.00	1.0000	-	0.2036	0.9248	0.6715	0.3362	0.3353	0.0244	0.0249	0.0159
16.00	1.0000	-	0.2036	0.9388	0.6759	0.3388	0.3371	0.0224	0.0236	0.0157
17.00	1.0000	-	0.2036	0.9531	0.6781	0.3392	0.3389	0.0223	0.0222	0.0155
18.00	1.0000	-	0.2036	0.9675	0.6810	0.3411	0.3398	0.0208	0.0217	0.0153
19.00	1.0000	-	0.2036	0.9819	0.6839	0.3423	0.3415	0.0199	0.0204	0.0152
20.00	1.0000	-	0.2036	0.9846	0.6860	0.3434	0.3427	0.0189	0.0196	0.0151
21.00	1.0000	-	0.2036	0.9846	0.6882	0.3445	0.3437	0.0178	0.0186	0.0151
22.00	1.0000	-	0.2036	0.9846	0.6897	0.3450	0.3447	0.0173	0.0177	0.0151
23.00	1.0000	-	0.2036	0.9846	0.6933	0.3475	0.3458	0.0149	0.0165	0.0151
24.00	1.0000	-	0.2036	0.9846	0.6940	0.3468	0.3472	0.0156	0.0151	0.0151
25.00	1.0000	-	0.2036	0.9846	0.6962	0.3488	0.3474	0.0136	0.0149	0.0150
26.00	1.0000	-	0.2036	0.9846	0.6991	0.3499	0.3492	0.0125	0.0132	0.0150
27.00	1.0000	-	0.2036	0.9846	0.7027	0.3521	0.3507	0.0104	0.0118	0.0150
28.00	1.0000	-	0.2036	0.9846	0.7063	0.3537	0.3526	0.0087	0.0098	0.0150
29.00	1.0000	-	0.2036	0.9846	0.7107	0.3562	0.3545	0.0063	0.0079	0.0150
30.00	1.0000	-	0.2036	0.9846	0.7144	0.3577	0.3567	0.0048	0.0058	0.0150
31.00	1.0000	-	0.2036	0.9846	0.7175	0.3593	0.3582	0.0033	0.0043	0.0150
32.00	1.0000	-	0.2036	0.9846	0.7200	0.3603	0.3596	0.0022	0.0029	0.0150
33.00	1.0000	-	0.2036	0.9846	0.7221	0.3614	0.3607	0.0012	0.0019	0.0150
34.00	1.0000	-	0.2036	0.9846	0.7238	0.3622	0.3616	0.0004	0.0009	0.0150
35.00	1.0000	-	0.2036	0.9846	0.7252	0.3628	0.3624	(0.0002)	0.0002	0.0150

Column Notes:
(1) is Written Premium by time period, expressed as a factor, = Table 2 col (3)
(2) is Written Premium minus Earned Premium by time period, expressed as a factor, = Table 2 col (3) - Table 2 col (2)
(3) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(4) is from Internal Revenue Bulletin 2016-51, Rev. Proc 2016-58, dated December 19, 2016
(5) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(6) and (7) split the payments between the accident year coincident with the policy year ("AY1"), and the following accident year ("AY2"). Assuming that the payout pattern is linear between integer times, and that the average accident date for AY2 is two-thirds of a year later than the average accident date for AY1 , columns (6) and (7) are determined by solving these two equations simultaneously:
Col (6) + Col (7) = Col (5)
Col (7) = (2/3) * Col (6, previous row) + (1/3) * Col (6)
with Col (6, Time 1) = Col (5, Time 1) and Col (6, Time 35) = Col (7, Time 35)
(8) is the discounted difference between AY1 Losses and LAE that will ultimately be paid, and the amount already paid,
= [col (6, Time 35) - (6)] x (4)
(9) is the discounted difference between AY2 Losses and LAE that will ultimately be paid, and the amount already paid,
= [col (7, Time 35) - (7)] x col (4, previous row)
(10) Per IRS rules, federal income tax equals the tax rate (35%) times the adjusted underwriting income
= 35% * { (1) - 0.8 * (2) - [(3) + (5) + (8) + (9)]}

Used with NCCI's permission

IRR: 11.86%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

Appendix D
Sheet 7

APPENDIX C: RESERVE-TO-SURPLUS RATIO
in 000's

Year End	(1) Unpaid Losses	(2) Unpaid Loss Adjustment Expense	(3) Unearned Premium	(4) Policyholder Surplus	(5) Ratio excl. Unearned Premium {(1)+(2)}/(4)	(6) Ratio incl. Unearned Premium {(1)+(2)+(3)}/(4)
2015	185,919,427	42,816,231	73,469,477	169,017,203	1.35	1.79
2014	214,239,981	48,564,685	83,674,315	192,947,461	1.36	1.80
2013	215,275,673	47,841,227	81,229,642	182,832,920	1.44	1.88
2012	212,275,479	46,533,070	75,723,720	174,892,306	1.48	1.91
2011	211,071,160	46,773,232	72,629,793	168,688,743	1.53	1.96
2011 - 2015	1,038,781,720	232,528,445	386,726,947	888,378,633	1.43	1.87

Selected Ratio including Unearned Premium: 1.87

Source: Columns (1) - (4) for the latest year are taken from Liabilities on page 277 in Best's 2016 Aggregates & Averages, for Commercial Casualty Composite.

Used with NCCI's permission

IRR: 11.86%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

APPENDIX C: RESERVE-TO-SURPLUS RATIO
in 000's

Appendix D
Sheet 7

Year End	(1) Unpaid Losses	(2) Unpaid Loss Adjustment Expense	(3) Unearned Premium	(4) Policyholder Surplus	(5) Ratio excl. Unearned Premium {(1)+(2)} /(4)	(6) Ratio incl. Unearned Premium {(1)+(2) +(3)}/(4)
2015	185,919,427	42,816,231	73,469,477	169,017,203	1.35	1.79
2014	214,239,981	48,564,685	83,674,315	192,947,461	1.36	1.80
2013	215,275,673	47,841,227	81,229,642	182,832,920	1.44	1.88
2012	212,275,479	46,533,070	75,723,720	174,892,306	1.48	1.91
2011	211,071,160	46,773,232	72,629,793	168,688,743	1.53	1.96
2011 - 2015	1,038,781,720	232,528,445	386,726,947	888,378,633	1.43	1.87

Selected Ratio including Unearned Premium: 1.87

Source: Columns (1) - (4) for the latest year are taken from Liabilities on page 277 in Best's 2016 Aggregates & Averages, for Commercial Casualty Composite.

Used with NCCI's permission

IRR: 10.00%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

TABLE 1: IRR MODEL INPUTS AND RESULTS

Appendix D
Sheet 1

Inputs:	
(1) Expenses and Taxes as a Percentage of Net Premium at NCCI Level	20.36%
(2) Reserve-to-Surplus Ratio	1.87
(3) Cash Flow Patterns	See Table 2
(4) Return on Investments	2.66%
(5) Weighted Average Cost of Capital (IRR)	10.00%
Results	
(6) Indicated Profit and Contingency Provision	4.99%
(7) Loss and Loss Adjustment Expense Provision [100% - (6) - (1)]	74.65%

Table Notes:
It is assumed that no policyholders dividends are paid and that there are no rate departures (deviations or schedule rating).
(1) Expense provisions and taxes derived from the filing.
(2) Calculated from Best's 2016 Aggregates & Averages, for Commercial Casualty Composite, as the weighted average of Loss, LAE, and Unearned Premium Reserves to Policyholder Surplus, for years 2011 - 2015.
* See Table 3 for details by time period.

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IRR: 10.00%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

Appendix D
Sheet 2

TABLE 2: CASH FLOW PATTERNS (CUMULATIVE)

Time	(1) Policy-Year Collected Premium	(2) Earned Premium	(3) Written Premium	(4) Expenses and Taxes	(5) Paid Losses and LAE
0.00	0.00%	0.00%	0.00%	0.00%	0.00%
0.25	15.37%	4.51%	36.10%	16.30%	1.16%
0.50	33.09%	16.51%	59.90%	34.29%	4.25%
0.75	54.02%	33.75%	78.00%	55.09%	8.68%
1.00	76.83%	56.00%	100.00%	77.86%	14.40%
1.25	89.14%	76.49%		89.62%	23.55%
1.50	96.82%	89.49%		96.96%	32.70%
1.75	100.00%	97.25%		100.00%	41.85%
2.00		100.00%			51.00%
2.25					55.35%
2.50					59.70%
2.75					64.05%
3.00					68.40%
3.25					70.45%
3.50					72.50%
3.75					74.55%
4.00					76.60%
4.25					77.70%
4.50					78.80%
4.75					79.90%
5.00					81.00%
6.00					83.80%
7.00					85.70%
8.00					87.20%
9.00					88.20%
10.00					89.40%
11.00					89.90%
12.00					90.80%
13.00					91.30%
14.00					92.00%
15.00					92.60%
16.00					93.20%
17.00					93.50%
18.00					93.90%
19.00					94.30%
20.00					94.60%
21.00					94.90%
22.00					95.10%
23.00					95.60%
24.00					95.70%
25.00					96.00%
26.00					96.40%
27.00					96.90%
28.00					97.40%
29.00					98.00%
30.00					98.51%
31.00					98.94%
32.00					99.28%
33.00					99.57%
34.00					99.81%
35.00					100.00%

TABLE 3: Not Used in Static Example

Time	(1) Return on Investments	(2) Weighted Average Cost of Capital
0.00		
0.25		
0.50		
0.75		
1.00		
1.25		
1.50		
1.75		
2.00		
2.25		
2.50		
2.75		
3.00		
3.25		
3.50		
3.75		
4.00		
4.25		
4.50		
4.75		
5.00		
6.00		
7.00		
8.00		
9.00		
10.00		
11.00		
12.00		
13.00		
14.00		
15.00		
16.00		
17.00		
18.00		
19.00		
20.00		
21.00		
22.00		
23.00		
24.00		
25.00		
26.00		
27.00		
28.00		
29.00		
30.00		
31.00		
32.00		
33.00		
34.00		
35.00		

Table 2 Notes:
Table 2 shows cumulative cash flows. For ease of reading no additional numbers are shown after a column reaches 100% cumulative cash flow.
(1) Derived from estimates of premium distribution and payment terms by size of policy.
(2) Based on written premium pattern assuming uniform writings within quarters and standard quarterly earning pattern.
(3) Based on this jurisdiction's premium writings by quarter.
(4) Expenses assumed paid as premium is collected; timing of taxes based on NCCI's Tax and Assessment Directory.
(5) Derived from loss development data underlying this rate filing. Payouts for the first 29 years are based upon the ratio of paid losses to incurred losses from the most recent 29 policy years for which data is available. For the following years, loss payouts are assumed to trail off geometrically, with an adjustment so that the payout will be complete at 35 years.

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IRR: 10.00%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

TABLE 4: DERIVATION OF INSURANCE CASH FLOW

Appendix D
Sheet 3

Time	(1) Collected Premium Factor	(2) Expense and Taxes Factor	(3) Paid Losses and LAE Factor	(4) Federal Income Tax Factor	(5) Insurance Cash flow Factor
0.00	-	-	-	-	-
0.25	0.1537	0.0332	0.0087	0.0079	0.1040
0.50	0.3309	0.0698	0.0317	0.1571	0.2136
0.75	0.5402	0.1122	0.0648	0.2357	0.3397
1.00	0.7683	0.1585	0.1075	0.3143	0.4709
1.25	0.8914	0.1825	0.1758	0.2872	0.5044
1.50	0.9682	0.1974	0.2441	0.2602	0.5007
1.75	1.0000	0.2036	0.3124	0.2332	0.4607
2.00	1.0000	0.2036	0.3807	0.2061	0.3951
2.25	1.0000	0.2036	0.4132	0.1990	0.3633
2.50	1.0000	0.2036	0.4457	0.1918	0.3316
2.75	1.0000	0.2036	0.4781	0.1846	0.2998
3.00	1.0000	0.2036	0.5106	0.1775	0.2680
3.25	1.0000	0.2036	0.5259	0.1740	0.2531
3.50	1.0000	0.2036	0.5412	0.1705	0.2381
3.75	1.0000	0.2036	0.5565	0.1670	0.2232
4.00	1.0000	0.2036	0.5718	0.1635	0.2082
4.25	1.0000	0.2036	0.5800	0.1616	0.2002
4.50	1.0000	0.2036	0.5882	0.1597	0.1922
4.75	1.0000	0.2036	0.5965	0.1578	0.1842
5.00	1.0000	0.2036	0.6047	0.1559	0.1761
6.00	1.0000	0.2036	0.6256	0.1498	0.1559
7.00	1.0000	0.2036	0.6398	0.1448	0.1422
8.00	1.0000	0.2036	0.6509	0.1393	0.1315
9.00	1.0000	0.2036	0.6584	0.1352	0.1245
10.00	1.0000	0.2036	0.6674	0.1300	0.1160
11.00	1.0000	0.2036	0.6711	0.1262	0.1127
12.00	1.0000	0.2036	0.6778	0.1225	0.1063
13.00	1.0000	0.2036	0.6816	0.1197	0.1029
14.00	1.0000	0.2036	0.6868	0.1168	0.0979
15.00	1.0000	0.2036	0.6913	0.1143	0.0937
16.00	1.0000	0.2036	0.6957	0.1121	0.0895
17.00	1.0000	0.2036	0.6980	0.1103	0.0874
18.00	1.0000	0.2036	0.7010	0.1086	0.0846
19.00	1.0000	0.2036	0.7039	0.1071	0.0817
20.00	1.0000	0.2036	0.7062	0.1062	0.0796
21.00	1.0000	0.2036	0.7084	0.1060	0.0774
22.00	1.0000	0.2036	0.7099	0.1060	0.0759
23.00	1.0000	0.2036	0.7137	0.1058	0.0722
24.00	1.0000	0.2036	0.7144	0.1058	0.0714
25.00	1.0000	0.2036	0.7166	0.1058	0.0692
26.00	1.0000	0.2036	0.7196	0.1057	0.0662
27.00	1.0000	0.2036	0.7234	0.1055	0.0625
28.00	1.0000	0.2036	0.7271	0.1054	0.0588
29.00	1.0000	0.2036	0.7316	0.1053	0.0543
30.00	1.0000	0.2036	0.7354	0.1051	0.0505
31.00	1.0000	0.2036	0.7386	0.1050	0.0473
32.00	1.0000	0.2036	0.7411	0.1050	0.0448
33.00	1.0000	0.2036	0.7433	0.1049	0.0426
34.00	1.0000	0.2036	0.7451	0.1048	0.0408
35.00	1.0000	0.2036	0.7465	0.1048	0.0394

Column Notes:
(1) is Collected Premium by time period, expressed as a factor, = Table 2 col (1)
(2) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(3) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(4) per the Tax Reform Act of 1986, federal income taxes are computed as the tax rate times the adjusted underwriting income calculated per IRS rules. See Appendix B for details.
(5) is the Total Insurance Cash Flow by time period, expressed as a factor, = (1) - [(2) + (3) + (4)]

Used with NCCI's permission

IRR: 10.00%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

TABLE 5: DERIVATION OF CASH FLOWS TO THE CAPITAL PROVIDERS

Appendix D
Sheet 4

Time	(1) Unearned Premium, Unpaid Loss and Unpaid LAE Reserve Factor	(2) Factor for Surplus Allocated to Reserves	(3) Total Invested Funds Factor	(4) Income from Invested Funds Factor	(5) Capital Provider Equity Factor	(6) Capital Provider Cash Flow Factor	(7) Discounted Capital Provider Cash Flow Factor
0.00	-	-	-	-	-	-	-
0.25	0.3409	0.1823	0.3132	0.0010	(0.2082)	(0.2082)	(0.2135)
0.50	0.5254	0.2810	0.5329	0.0038	(0.3154)	(0.1072)	(0.1139)
0.75	0.6296	0.3367	0.7184	0.0079	(0.3708)	(0.0554)	(0.0640)
1.00	0.7505	0.4014	0.9094	0.0133	(0.4252)	(0.0544)	(0.0634)
1.25	0.6303	0.3371	0.8499	0.0191	(0.3264)	0.0988	0.0904
1.50	0.5290	0.2829	0.7733	0.0244	(0.2482)	0.0782	0.0724
1.75	0.4411	0.2359	0.6721	0.0292	(0.1822)	0.0660	0.0619
2.00	0.3658	0.1956	0.5585	0.0332	(0.1302)	0.0520	0.0501
2.25	0.3333	0.1782	0.5091	0.0368	(0.1090)	0.0212	0.0188
2.50	0.3008	0.1609	0.4596	0.0399	(0.0881)	0.0209	0.0182
2.75	0.2684	0.1435	0.4101	0.0428	(0.0675)	0.0206	0.0176
3.00	0.2359	0.1261	0.3606	0.0453	(0.0472)	0.0203	0.0171
3.25	0.2206	0.1180	0.3373	0.0476	(0.0366)	0.0107	0.0088
3.50	0.2053	0.1098	0.3140	0.0498	(0.0261)	0.0105	0.0085
3.75	0.1900	0.1016	0.2907	0.0518	(0.0157)	0.0104	0.0083
4.00	0.1747	0.0934	0.2673	0.0536	(0.0055)	0.0102	0.0080
4.25	0.1665	0.0890	0.2548	0.0553	0.0008	0.0063	0.0048
4.50	0.1583	0.0846	0.2422	0.0570	0.0070	0.0062	0.0046
4.75	0.1500	0.0802	0.2296	0.0585	0.0131	0.0061	0.0045
5.00	0.1418	0.0758	0.2171	0.0600	0.0191	0.0060	0.0043
6.00	0.1209	0.0647	0.1851	0.0653	0.0361	0.0170	0.0116
7.00	0.1067	0.0571	0.1633	0.0700	0.0489	0.0128	0.0080
8.00	0.0956	0.0511	0.1462	0.0741	0.0594	0.0105	0.0062
9.00	0.0881	0.0471	0.1347	0.0778	0.0676	0.0082	0.0044
10.00	0.0791	0.0423	0.1211	0.0812	0.0762	0.0086	0.0044
11.00	0.0754	0.0403	0.1153	0.0844	0.0817	0.0055	0.0025
12.00	0.0687	0.0367	0.1051	0.0873	0.0885	0.0068	0.0030
13.00	0.0649	0.0347	0.0994	0.0900	0.0935	0.0050	0.0020
14.00	0.0597	0.0319	0.0914	0.0926	0.0991	0.0056	0.0021
15.00	0.0552	0.0295	0.0846	0.0949	0.1041	0.0050	0.0018
16.00	0.0508	0.0271	0.0777	0.0971	0.1088	0.0047	0.0016
17.00	0.0485	0.0259	0.0743	0.0991	0.1122	0.0034	0.0010
18.00	0.0455	0.0244	0.0697	0.1010	0.1158	0.0037	0.0010
19.00	0.0426	0.0228	0.0652	0.1028	0.1193	0.0035	0.0009
20.00	0.0403	0.0216	0.0618	0.1045	0.1222	0.0029	0.0007
21.00	0.0381	0.0204	0.0584	0.1061	0.1250	0.0028	0.0006
22.00	0.0366	0.0196	0.0561	0.1076	0.1274	0.0023	0.0005
23.00	0.0328	0.0176	0.0504	0.1090	0.1308	0.0034	0.0007
24.00	0.0321	0.0172	0.0493	0.1104	0.1325	0.0017	0.0003
25.00	0.0299	0.0160	0.0458	0.1116	0.1350	0.0025	0.0004
26.00	0.0269	0.0144	0.0412	0.1128	0.1378	0.0028	0.0005
27.00	0.0231	0.0124	0.0355	0.1138	0.1408	0.0030	0.0005
28.00	0.0194	0.0104	0.0298	0.1147	0.1437	0.0029	0.0004
29.00	0.0149	0.0080	0.0229	0.1154	0.1468	0.0031	0.0004
30.00	0.0111	0.0059	0.0171	0.1159	0.1493	0.0026	0.0003
31.00	0.0079	0.0042	0.0121	0.1163	0.1515	0.0021	0.0002
32.00	0.0054	0.0029	0.0082	0.1166	0.1531	0.0016	0.0002
33.00	0.0032	0.0017	0.0049	0.1167	0.1544	0.0013	0.0001
34.00	0.0014	0.0008	0.0022	0.1168	0.1555	0.0011	0.0001
35.00	-	-	-	0.1169	0.1563	0.0008	0.0001

Column Notes:
(1) is Unearned Premium Reserve (equal to Written Premium minus Earned Premium, per the cashflow pattern) plus Unpaid Loss and LAE Re
(equal to Incurred minus Paid Losses and LAE) by time period, expressed as a factor,
= [Table 2 col (3) - Table 2 col (2)] + Table 1 row (7) x [Table 2 col (2) - Table 2 col (5)]
(2) is the Surplus derived from Reserves per the Reserve-to-Surplus Ratio by time period, expressed as a factor, = (1) / Table 1 row (2)
(3) is Reserves plus Surplus minus Agent Balances by time period, expressed as a factor, = (1) + (2) - Agent Balances. Agent Balances exist w
Written Premium exceeds Collected Premium, = [Table 2 col (3) - Table 2 col (1)].
(4) is derived by applying the Return on Investments [Table 1 row (4)] to the average Invested Funds (4) from the previous and current time periods, plus previous Income from Invested Funds, by time period expressed as a factor.
(5) is Insurance Cash Flow plus Income from Invested Funds minus Total Invested Funds by time period, expressed as a factor,
= Table 4 col (5) + (4) - (3)
(6) is the difference between Capital Provider Equity (5) at the current and previous time periods, expressed as a factor
(7) is the Capital Provider Cash Flow (6) discounted by the Weighted Average Cost of Capital [Table 1 row (5)], expressed as a factor

Used with NCCI's permission

IRR: 10.00%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

INTERNAL RATE OF RETURN ANALYSIS

Appendix D
Sheet 5

SECTION B: PORTFOLIO OF INVESTED ASSETS

(1) Security Description			(2) Investment Portfolio	(3) Yield Curve, Maturity, and Spread	(4) Roll-over Period	(5) Income Tax Rate	(6) After-tax Return
Bonds, of which	73.8%						
Government Direct Obligations		6.7%					
< 1yr			1.9%	6 mo US T-bill	0.50 yrs	21.00%	0.57%
1 – 5 yrs			2.9%	2.5 yr US T-note	2.50 yrs	21.00%	1.09%
5 – 10 yrs			1.3%	7.5 yr US T-note	7.50 yrs	21.00%	1.81%
10 – 20 yrs			0.3%	15 yr US T-note	15.00 yrs	21.00%	2.07%
> 20 yrs			0.4%	20 yr US T-note	20.00 yrs	21.00%	2.20%
Collateralized Securities		6.8%					
< 1yr			0.9%	6 mo US T-bill + 50 basis points	0.50 yrs	21.00%	0.96%
1 – 5 yrs			2.6%	2.5 yr US T-note + 50 basis points	2.50 yrs	21.00%	1.48%
5 – 10 yrs			1.8%	7.5 yr US T-note + 50 basis points	7.50 yrs	21.00%	2.20%
10 – 20 yrs			1.1%	15 yr US T-note + 50 basis points	15.00 yrs	21.00%	2.46%
> 20 yrs			0.4%	20 yr US T-note + 50 basis points	20.00 yrs	21.00%	2.59%
Tax-exempt Bonds		25.5%					
< 1yr			2.2%	6 mo US T-bill + Tax-exempt spread	0.50 yrs	5.25%	0.81%
1 – 5 yrs			6.3%	2.5 yr US T-note + Tax-exempt spread	2.50 yrs	5.25%	1.53%
5 – 10 yrs			7.9%	7.5 yr US T-note + Tax-exempt spread	7.50 yrs	5.25%	2.41%
10 – 20 yrs			6.7%	15 yr US T-note + Tax-exempt spread	15.00 yrs	5.25%	2.82%
> 20 yrs			2.4%	20 yr US T-note + Tax-exempt spread	20.00 yrs	5.25%	3.04%
Industrial and Hybrid Securities (unaffiliated)		33.3%					
< 1yr			4.4%	6 mo US T-bill + Corp spread	0.50 yrs	21.00%	1.15%
1 – 5 yrs 1			13.3%	2.5 yr US T-note + Corp spread	2.50 yrs	21.00%	1.96%
5 – 10 yrs 1			11.9%	7.5 yr US T-note + Corp spread	7.50 yrs	21.00%	2.93%
10 – 20 yrs			1.5%	15 yr US T-note + Corp spread	15.00 yrs	21.00%	3.25%
> 20 yrs			2.2%	20 yr US T-note + Corp spread	20.00 yrs	21.00%	3.40%
Industrial and Hybrid Securities (affiliated)		1.5%					
< 1yr			1.5%	6 mo US T-bill + Corp spread	0.50 yrs	5.25%	1.38%
1 – 5 yrs			0.0%	2.5 yr US T-note + Corp spread	2.50 yrs	5.25%	2.35%
5 – 10 yrs			0.0%	7.5 yr US T-note + Corp spread	7.50 yrs	5.25%	3.52%
10 – 20 yrs			0.0%	15 yr US T-note + Corp spread	15.00 yrs	5.25%	3.90%
> 20 yrs			0.0%	20 yr US T-note + Corp spread	20.00 yrs	5.25%	4.09%
Stocks, of which	12.3%	12.3%					
Preferred Stock			0.4%	5 year US T-note + 376 basis points	0.25 yrs	13.13%	4.96%
Common Stock			11.9%	5 year US T-note + 751 basis points	0.25 yrs	18.31%	7.73%
Other, of which	13.9%						
Mortgage Loans		1.5%	1.5%				
Real Estate		0.3%	0.3%				
Cash & Short-Term Investment		3.8%	3.8%	3 month US T-bill	0.25 yrs	21.00%	0.47%
All Other Assets*		8.3%	8.3%				
(8) Total / Average	100.0%	100.0%	100.0%		5.52	15.88%	2.82%
(9) Investment Expense**						21.00%	0.15%
(10) Selected After-tax Return on Invested Funds = (8) - (9)							2.66%

Table Notes:

(1) Government Direct Obligations include US Government Issuer Obligations and Non-US Government Issuer Obligations.
Collateralized Securities include Mortgage Backed, Loan Backed, or Structured Securities.
Tax-exempt Bonds include Issuer Obligations of US States, Territories, and Possessions, US Political Subdivisions of States, Territories, and Possessions, and US Special Revenue and Special Assessment Obligations.
Industrial and Hybrid Securities (unaffiliated) include Industrial and Miscellaneous and Hybrid Securities.
Industrial and Hybrid Securities (affiliated) include Parents, Subsidiaries, and Affiliates.

(2) Bond and total portfolio distributions are 3-year averages for 2013-2015, calculated from various annual editions of Best's Aggregates & Averages (Property-Casualty), Assets for Commercial Casualty Composite, p. 276, Column 3, Net Admitted Assets.
For each year 2013-2015, the maturity distribution pertains to all bonds owned as of December 31 at book/adjusted carrying value for Commercial Casualty Composite, Schedule D, Part 1A, Section 2.

(3) Spread to US treasury yields are either constant or varying by maturity (tax-exempt or corporate) as applicable.
The tax-exempt spread is a term structure of average historical spreads in forward rates at different maturities between US municipal bonds and US Treasuries.
Data on historical yields to US municipal bonds are from Bloomberg.
The corporate spread is a term structure of average historical spreads in forward rates at different maturities between US corporate bonds and US Treasuries.
Historical data on yields to US corporate bonds are from the US Department of Treasury.

(4) Applies to the estimate of the return on invested funds.
The roll-over period is the time interval at which the estimated yield is updated for the given security in the investment portfolio.
For bonds, the roll-over period is the bond's term to maturity. Forward yields for common and preferred stocks are updated quarterly.

(5) It is assumed that investment returns, except dividends and tax exempt municipal bond income, are taxed at 35%.
With respect to dividends, it is assumed that 70% of dividends received are tax exempt. It is further assumed that in accordance with the "pro-ration" provision, 15% of otherwise exempt municipal bond income and dividends are taxed at 35%. The portion of income attributable to capital appreciation is assumed to equal 65.8% while the income portion is 34.2%. The percentages were obtained from Morningstar's Analyst Research Center containing Table 6-7 previously published in Ibbotson SBBI Classic Yearbook, large company stocks, arithmetic mean.

(6) Estimates of treasury yields are actual current yields.

* Yields to mortgage loans, real estate, and all other assets are not directly estimated, but are assumed to be equal to the weighted average portfolio yield net of these categories.

** Investment expense calculated from Annual Statement data for the Commercial Casualty Composite by dividing Total Investment Expense by Cash and Invested Assets.
Total investment expense for 2015 from the Annual Statement, Exhibit of Net Investment Income.
Average of 2014 and 2015 cash and invested assets from Best's Aggregates and Averages (Property-Casualty), Assets for Commercial Casualty Composite, p.276, Line 12.

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IRR: 10.00%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

Appendix D
Sheet 6

TABLE B.1: FEDERAL INCOME TAX CALCULATION

Time	(1) Written Premium Factor	(2) Unearned Premium Factor	(3) Expense and Taxes Factor	(4) Discount Factor	(5) Paid Losses and LAE Factor	(6) AY1 Paid Losses and LAE Factor	(7) AY2 Paid Losses and LAE Factor	(8) Discounted AY1 Unpaid Losses & LAE Factor	(9) Discounted AY2 Unpaid Losses & LAE Factor	(10) Federal Income Tax Factor
0.00	-	-	-		-	-	-	-	-	-
1.00	1.0000	0.4400	0.1585	0.8742	0.1075	0.1075	-	0.2323	-	0.0314
2.00	1.0000	-	0.2036	0.8584	0.3807	0.2318	0.1489	0.1214	0.1961	0.0206
3.00	1.0000	-	0.2036	0.8470	0.5106	0.2671	0.2435	0.0899	0.1113	0.0177
4.00	1.0000	-	0.2036	0.8313	0.5718	0.2953	0.2765	0.0648	0.0820	0.0163
5.00	1.0000	-	0.2036	0.8255	0.6047	0.3058	0.2988	0.0557	0.0619	0.0156
6.00	1.0000	-	0.2036	0.8199	0.6256	0.3163	0.3093	0.0467	0.0528	0.0150
7.00	1.0000	-	0.2036	0.8237	0.6398	0.3217	0.3181	0.0425	0.0452	0.0145
8.00	1.0000	-	0.2036	0.8325	0.6509	0.3274	0.3236	0.0382	0.0409	0.0139
9.00	1.0000	-	0.2036	0.8389	0.6584	0.3301	0.3283	0.0362	0.0374	0.0135
10.00	1.0000	-	0.2036	0.8586	0.6674	0.3355	0.3319	0.0324	0.0347	0.0130
11.00	1.0000	-	0.2036	0.8713	0.6711	0.3356	0.3355	0.0328	0.0324	0.0126
12.00	1.0000	-	0.2036	0.8843	0.6778	0.3406	0.3373	0.0289	0.0314	0.0122
13.00	1.0000	-	0.2036	0.8975	0.6816	0.3409	0.3407	0.0291	0.0288	0.0120
14.00	1.0000	-	0.2036	0.9110	0.6868	0.3446	0.3421	0.0261	0.0279	0.0117
15.00	1.0000	-	0.2036	0.9248	0.6913	0.3461	0.3451	0.0251	0.0256	0.0114
16.00	1.0000	-	0.2036	0.9388	0.6957	0.3487	0.3470	0.0230	0.0243	0.0112
17.00	1.0000	-	0.2036	0.9531	0.6980	0.3491	0.3489	0.0230	0.0229	0.0110
18.00	1.0000	-	0.2036	0.9675	0.7010	0.3512	0.3498	0.0214	0.0224	0.0109
19.00	1.0000	-	0.2036	0.9819	0.7039	0.3524	0.3516	0.0205	0.0210	0.0107
20.00	1.0000	-	0.2036	0.9846	0.7062	0.3535	0.3527	0.0195	0.0201	0.0106
21.00	1.0000	-	0.2036	0.9846	0.7084	0.3546	0.3538	0.0184	0.0191	0.0106
22.00	1.0000	-	0.2036	0.9846	0.7099	0.3551	0.3548	0.0178	0.0182	0.0106
23.00	1.0000	-	0.2036	0.9846	0.7137	0.3577	0.3560	0.0153	0.0170	0.0106
24.00	1.0000	-	0.2036	0.9846	0.7144	0.3570	0.3574	0.0160	0.0156	0.0106
25.00	1.0000	-	0.2036	0.9846	0.7166	0.3590	0.3576	0.0140	0.0154	0.0106
26.00	1.0000	-	0.2036	0.9846	0.7196	0.3602	0.3594	0.0128	0.0136	0.0106
27.00	1.0000	-	0.2036	0.9846	0.7234	0.3624	0.3610	0.0107	0.0121	0.0106
28.00	1.0000	-	0.2036	0.9846	0.7271	0.3641	0.3630	0.0090	0.0101	0.0105
29.00	1.0000	-	0.2036	0.9846	0.7316	0.3666	0.3649	0.0065	0.0082	0.0105
30.00	1.0000	-	0.2036	0.9846	0.7354	0.3682	0.3672	0.0050	0.0060	0.0105
31.00	1.0000	-	0.2036	0.9846	0.7386	0.3698	0.3688	0.0034	0.0044	0.0105
32.00	1.0000	-	0.2036	0.9846	0.7411	0.3709	0.3702	0.0023	0.0030	0.0105
33.00	1.0000	-	0.2036	0.9846	0.7433	0.3720	0.3713	0.0012	0.0019	0.0105
34.00	1.0000	-	0.2036	0.9846	0.7451	0.3728	0.3723	0.0004	0.0010	0.0105
35.00	1.0000	-	0.2036	0.9846	0.7465	0.3735	0.3730	(0.0002)	0.0002	0.0105

Column Notes:
(1) is Written Premium by time period, expressed as a factor, = Table 2 col (3)
(2) is Written Premium minus Earned Premium by time period, expressed as a factor, = Table 2 col (3) - Table 2 col (2)
(3) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(4) is from Internal Revenue Bulletin 2016-51, Rev. Proc 2016-58, dated December 19, 2016
(5) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(6) and (7) split the payments between the accident year coincident with the policy year ("AY1"), and the following accident year ("AY2"). Assuming that the payout pattern is linear between integer times, and that the average accident date for AY2 is two-thirds of a year later than the average accident date for AY1 , columns (6) and (7) are determined by solving these two equations simultaneously:
Col (6) + Col (7) = Col (5)
Col (7) = (2/3) * Col (6, previous row) + (1/3) * Col (6)
with Col (6, Time 1) = Col (5, Time 1) and Col (6, Time 35) = Col (7, Time 35)
(8) is the discounted difference between AY1 Losses and LAE that will ultimately be paid, and the amount already paid,
= [col (6, Time 35) - (6)] x (4)
(9) is the discounted difference between AY2 Losses and LAE that will ultimately be paid, and the amount already paid,
= [col (7, Time 35) - (7)] x col (4, previous row)
(10) Per IRS rules, federal income tax equals the tax rate (35%) times the adjusted underwriting income
= 35% * { (1) - 0.8 * (2) - [(3) + (5) + (8) + (9)]}

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IRR: 10.00%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.66%

APPENDIX C: RESERVE-TO-SURPLUS RATIO
in 000's

Appendix D
Sheet 7

Year End	(1) Unpaid Losses	(2) Unpaid Loss Adjustment Expense	(3) Unearned Premium	(4) Policyholder Surplus	(5) Ratio excl. Unearned Premium {(1)+(2)}/(4)	(6) Ratio incl. Unearned Premium {(1)+(2)+(3)}/(4)
2015	185,919,427	42,816,231	73,469,477	169,017,203	1.35	1.79
2014	214,239,981	48,564,685	83,674,315	192,947,461	1.36	1.80
2013	215,275,673	47,841,227	81,229,642	182,832,920	1.44	1.88
2012	212,275,479	46,533,070	75,723,720	174,892,306	1.48	1.91
2011	211,071,160	46,773,232	72,629,793	168,688,743	1.53	1.96
2011 - 2015	1,038,781,720	232,528,445	386,726,947	888,378,633	1.43	1.87

Selected Ratio including Unearned Premium: 1.87

Source: Columns (1) - (4) for the latest year are taken from Liabilities on page 277 in Best's 2016 Aggregates & Averages, for Commercial Casualty Composite.

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IRR: 10.00%; Interest Rate: 2.92%; Tax Rate: Old; Post tax Return: 4.76%

TABLE 1: IRR MODEL INPUTS AND RESULTS

Appendix D
Sheet 1

Inputs:	
(1) Expenses and Taxes as a Percentage of Net Premium at NCCI Level	20.36%
(2) Reserve-to-Surplus Ratio	1.87
(3) Cash Flow Patterns	See Table 2
(4) Return on Investments	4.76%
(5) Weighted Average Cost of Capital (IRR)	10.00%
Results	
(6) Indicated Profit and Contingency Provision	-2.75%
(7) Loss and Loss Adjustment Expense Provision [100% - (6) - (1)]	82.39%

Table Notes:
It is assumed that no policyholders dividends are paid and that there are no rate departures (deviations or schedule rating).
(1) Expense provisions and taxes derived from the filing.
(2) Calculated from Best's 2016 Aggregates & Averages, for Commercial Casualty Composite, as the weighted average of Loss, LAE, and Unearned Premium Reserves to Policyholder Surplus, for years 2011 - 2015.
* See Table 3 for details by time period.

Used with NCCI's permission

IRR: 10.00%; Interest Rate: 6.29%; Tax Rate: New; Post tax Return: 5.32%

TABLE 1: IRR MODEL INPUTS AND RESULTS

Appendix D
Sheet 1

Inputs:	
(1) Expenses and Taxes as a Percentage of Net Premium at NCCI Level	20.36%
(2) Reserve-to-Surplus Ratio	1.87
(3) Cash Flow Patterns	See Table 2
(4) Return on Investments	5.32%
(5) Weighted Average Cost of Capital (IRR)	10.00%
Results	
(6) Indicated Profit and Contingency Provision	-4.38%
(7) Loss and Loss Adjustment Expense Provision [100% - (6) - (1)]	84.02%

Table Notes:
It is assumed that no policyholders dividends are paid and that there are no rate departures (deviations or schedule rating).
(1) Expense provisions and taxes derived from the filing.
(2) Calculated from Best's 2016 Aggregates & Averages, for Commercial Casualty Composite, as the weighted average of Loss, LAE, and Unearned Premium Reserves to Policyholder Surplus, for years 2011 - 2015.
* See Table 3 for details by time period.

Used with NCCI's permission

IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.36% (no tax- exempt bonds)

Appendix D
Sheet 1

TABLE 1: IRR MODEL INPUTS AND RESULTS

Inputs:	
(1) Expenses and Taxes as a Percentage of Net Premium at NCCI Level	20.36%
(2) Reserve-to-Surplus Ratio	1.87
(3) Cash Flow Patterns	See Table 2
(4) Return on Investments	2.36%
(5) Weighted Average Cost of Capital (IRR)	10.00%
Results	
(6) Indicated Profit and Contingency Provision	7.20%
(7) Loss and Loss Adjustment Expense Provision [100% - (6) - (1)]	72.44%

Table Notes:
It is assumed that no policyholders dividends are paid and that there are no rate departures (deviations or schedule rating).
(1) Expense provisions and taxes derived from the filing.
(2) Calculated from Best's 2016 Aggregates & Averages, for Commercial Casualty Composite, as the weighted average of Loss, LAE, and Unearned Premium Reserves to Policyholder Surplus, for years 2011 - 2015.
* See Table 3 for details by time period.

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IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.36% (no tax- exempt bonds)

Appendix D
Sheet 2

TABLE 2: CASH FLOW PATTERNS (CUMULATIVE)

Time	(1) Policy-Year Collected Premium	(2) Earned Premium	(3) Written Premium	(4) Expenses and Taxes	(5) Paid Losses and LAE
0.00	0.00%	0.00%	0.00%	0.00%	0.00%
0.25	15.37%	4.51%	36.10%	16.30%	1.16%
0.50	33.09%	16.51%	59.90%	34.29%	4.25%
0.75	54.02%	33.75%	78.00%	55.09%	8.68%
1.00	76.83%	56.00%	100.00%	77.86%	14.40%
1.25	89.14%	76.49%		89.62%	23.55%
1.50	96.82%	89.49%		96.96%	32.70%
1.75	100.00%	97.25%		100.00%	41.85%
2.00		100.00%			51.00%
2.25					55.35%
2.50					59.70%
2.75					64.05%
3.00					68.40%
3.25					70.45%
3.50					72.50%
3.75					74.55%
4.00					76.60%
4.25					77.70%
4.50					78.80%
4.75					79.90%
5.00					81.00%
6.00					83.80%
7.00					85.70%
8.00					87.20%
9.00					88.20%
10.00					89.40%
11.00					89.90%
12.00					90.80%
13.00					91.30%
14.00					92.00%
15.00					92.60%
16.00					93.20%
17.00					93.50%
18.00					93.90%
19.00					94.30%
20.00					94.60%
21.00					94.90%
22.00					95.10%
23.00					95.60%
24.00					95.70%
25.00					96.00%
26.00					96.40%
27.00					96.90%
28.00					97.40%
29.00					98.00%
30.00					98.51%
31.00					98.94%
32.00					99.28%
33.00					99.57%
34.00					99.81%
35.00					100.00%

TABLE 3: Not Used in Static Example

Time	(1) Return on Investments	(2) Weighted Average Cost of Capital
0.00		
0.25		
0.50		
0.75		
1.00		
1.25		
1.50		
1.75		
2.00		
2.25		
2.50		
2.75		
3.00		
3.25		
3.50		
3.75		
4.00		
4.25		
4.50		
4.75		
5.00		
6.00		
7.00		
8.00		
9.00		
10.00		
11.00		
12.00		
13.00		
14.00		
15.00		
16.00		
17.00		
18.00		
19.00		
20.00		
21.00		
22.00		
23.00		
24.00		
25.00		
26.00		
27.00		
28.00		
29.00		
30.00		
31.00		
32.00		
33.00		
34.00		
35.00		

Table 2 Notes:
Table 2 shows cumulative cash flows. For ease of reading no additional numbers are shown after a column reaches 100% cumulative cash flow.
(1) Derived from estimates of premium distribution and payment terms by size of policy.
(2) Based on written premium pattern assuming uniform writings within quarters and standard quarterly earning pattern.
(3) Based on this jurisdiction's premium writings by quarter.
(4) Expenses assumed paid as premium is collected; timing of taxes based on NCCI's Tax and Assessment Directory.
(5) Derived from loss development data underlying this rate filing. Payouts for the first 29 years are based upon the ratio of paid losses to incurred losses from the most recent 29 policy years for which data is available. For the following years, loss payouts are assumed to trail off geometrically, with an adjustment so that the payout will be complete at 35 years.

Used with NCCI's permission

IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.36% (no tax- exempt bonds)

TABLE 4: DERIVATION OF INSURANCE CASH FLOW

Appendix D
Sheet 3

Time	(1) Collected Premium Factor	(2) Expense and Taxes Factor	(3) Paid Losses and LAE Factor	(4) Federal Income Tax Factor	(5) Insurance Cash flow Factor
0.00	-	-	-	-	-
0.25	0.1537	0.0332	0.0084	0.0126	0.0995
0.50	0.3309	0.0698	0.0308	0.2513	0.2052
0.75	0.5402	0.1122	0.0629	0.3770	0.3275
1.00	0.7683	0.1585	0.1043	0.5027	0.4552
1.25	0.8914	0.1825	0.1706	0.4606	0.4923
1.50	0.9682	0.1974	0.2369	0.4186	0.4921
1.75	1.0000	0.2036	0.3032	0.3766	0.4556
2.00	1.0000	0.2036	0.3694	0.3345	0.3935
2.25	1.0000	0.2036	0.4010	0.3287	0.3626
2.50	1.0000	0.2036	0.4325	0.3228	0.3316
2.75	1.0000	0.2036	0.4640	0.3170	0.3007
3.00	1.0000	0.2036	0.4955	0.3112	0.2698
3.25	1.0000	0.2036	0.5103	0.3083	0.2552
3.50	1.0000	0.2036	0.5252	0.3054	0.2407
3.75	1.0000	0.2036	0.5400	0.3025	0.2261
4.00	1.0000	0.2036	0.5549	0.2996	0.2115
4.25	1.0000	0.2036	0.5629	0.2981	0.2037
4.50	1.0000	0.2036	0.5708	0.2965	0.1959
4.75	1.0000	0.2036	0.5788	0.2949	0.1881
5.00	1.0000	0.2036	0.5868	0.2933	0.1803
6.00	1.0000	0.2036	0.6070	0.2882	0.1605
7.00	1.0000	0.2036	0.6208	0.2839	0.1472
8.00	1.0000	0.2036	0.6317	0.2794	0.1368
9.00	1.0000	0.2036	0.6389	0.2759	0.1299
10.00	1.0000	0.2036	0.6476	0.2716	0.1216
11.00	1.0000	0.2036	0.6512	0.2679	0.1184
12.00	1.0000	0.2036	0.6578	0.2640	0.1122
13.00	1.0000	0.2036	0.6614	0.2607	0.1090
14.00	1.0000	0.2036	0.6664	0.2575	0.1042
15.00	1.0000	0.2036	0.6708	0.2546	0.1001
16.00	1.0000	0.2036	0.6751	0.2532	0.0959
17.00	1.0000	0.2036	0.6773	0.2532	0.0938
18.00	1.0000	0.2036	0.6802	0.2531	0.0909
19.00	1.0000	0.2036	0.6831	0.2530	0.0880
20.00	1.0000	0.2036	0.6853	0.2530	0.0858
21.00	1.0000	0.2036	0.6875	0.2529	0.0837
22.00	1.0000	0.2036	0.6889	0.2529	0.0822
23.00	1.0000	0.2036	0.6925	0.2528	0.0786
24.00	1.0000	0.2036	0.6933	0.2528	0.0779
25.00	1.0000	0.2036	0.6954	0.2527	0.0757
26.00	1.0000	0.2036	0.6983	0.2527	0.0728
27.00	1.0000	0.2036	0.7019	0.2526	0.0692
28.00	1.0000	0.2036	0.7056	0.2525	0.0656
29.00	1.0000	0.2036	0.7099	0.2524	0.0613
30.00	1.0000	0.2036	0.7136	0.2523	0.0576
31.00	1.0000	0.2036	0.7167	0.2522	0.0545
32.00	1.0000	0.2036	0.7192	0.2521	0.0520
33.00	1.0000	0.2036	0.7213	0.2521	0.0499
34.00	1.0000	0.2036	0.7230	0.2520	0.0482
35.00	1.0000	0.2036	0.7244	0.2520	0.0468

Column Notes:
(1) is Collected Premium by time period, expressed as a factor, = Table 2 col (1)
(2) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(3) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(4) per the Tax Reform Act of 1986, federal income taxes are computed as the tax rate times the adjusted underwriting income calculated per IRS rules. See Appendix B for details.
(5) is the Total Insurance Cash Flow by time period, expressed as a factor, = (1) - [(2) + (3) + (4)]

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IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.36% (no tax- exempt bonds)

TABLE 5: DERIVATION OF CASH FLOWS TO THE CAPITAL PROVIDERS

Appendix D
Sheet 4

Time	(1) Unearned Premium, Unpaid Loss and Unpaid LAE Reserve Factor	(2) Factor for Surplus Allocated to Reserves	(3) Total Invested Funds Factor	(4) Income from Invested Funds Factor	(5) Capital Provider Equity Factor	(6) Capital Provider Cash Flow Factor	(7) Discounted Capital Provider Cash Flow Factor
0.00	-	-	-	-	-	-	-
0.25	0.3402	0.1819	0.3106	0.0009	(0.2101)	(0.2101)	(0.2135)
0.50	0.5227	0.2795	0.5257	0.0034	(0.3172)	(0.1071)	(0.1139)
0.75	0.6241	0.3337	0.7054	0.0070	(0.3710)	(0.0538)	(0.0640)
1.00	0.7414	0.3964	0.8893	0.0116	(0.4225)	(0.0514)	(0.0634)
1.25	0.6186	0.3308	0.8276	0.0166	(0.3187)	0.1038	0.0904
1.50	0.5165	0.2762	0.7513	0.0213	(0.2380)	0.0807	0.0724
1.75	0.4288	0.2293	0.6522	0.0254	(0.1712)	0.0668	0.0619
2.00	0.3550	0.1898	0.5424	0.0289	(0.1201)	0.0512	0.0501
2.25	0.3234	0.1730	0.4944	0.0319	(0.0999)	0.0202	0.0188
2.50	0.2919	0.1561	0.4463	0.0346	(0.0800)	0.0199	0.0182
2.75	0.2604	0.1393	0.3982	0.0371	(0.0604)	0.0196	0.0176
3.00	0.2289	0.1224	0.3502	0.0393	(0.0411)	0.0193	0.0171
3.25	0.2141	0.1145	0.3275	0.0413	(0.0310)	0.0101	0.0088
3.50	0.1992	0.1065	0.3048	0.0431	(0.0211)	0.0099	0.0085
3.75	0.1844	0.0986	0.2822	0.0448	(0.0112)	0.0098	0.0083
4.00	0.1695	0.0906	0.2595	0.0464	(0.0016)	0.0097	0.0080
4.25	0.1615	0.0864	0.2473	0.0479	0.0043	0.0059	0.0048
4.50	0.1536	0.0821	0.2351	0.0493	0.0101	0.0058	0.0046
4.75	0.1456	0.0779	0.2229	0.0507	0.0158	0.0057	0.0045
5.00	0.1376	0.0736	0.2107	0.0519	0.0215	0.0057	0.0043
6.00	0.1174	0.0628	0.1797	0.0565	0.0374	0.0159	0.0116
7.00	0.1036	0.0554	0.1585	0.0605	0.0492	0.0118	0.0080
8.00	0.0927	0.0496	0.1420	0.0641	0.0589	0.0097	0.0062
9.00	0.0855	0.0457	0.1308	0.0673	0.0664	0.0075	0.0044
10.00	0.0768	0.0411	0.1175	0.0702	0.0744	0.0079	0.0044
11.00	0.0732	0.0391	0.1119	0.0729	0.0794	0.0050	0.0025
12.00	0.0666	0.0356	0.1020	0.0754	0.0857	0.0063	0.0030
13.00	0.0630	0.0337	0.0964	0.0778	0.0903	0.0046	0.0020
14.00	0.0580	0.0310	0.0887	0.0800	0.0955	0.0052	0.0021
15.00	0.0536	0.0287	0.0821	0.0820	0.1000	0.0045	0.0018
16.00	0.0493	0.0263	0.0756	0.0838	0.1042	0.0042	0.0016
17.00	0.0471	0.0252	0.0723	0.0856	0.1071	0.0029	0.0010
18.00	0.0442	0.0236	0.0678	0.0872	0.1103	0.0032	0.0010
19.00	0.0413	0.0221	0.0634	0.0888	0.1134	0.0031	0.0009
20.00	0.0391	0.0209	0.0600	0.0902	0.1160	0.0026	0.0007
21.00	0.0369	0.0198	0.0567	0.0916	0.1186	0.0025	0.0006
22.00	0.0355	0.0190	0.0545	0.0929	0.1207	0.0021	0.0005
23.00	0.0319	0.0170	0.0489	0.0942	0.1238	0.0032	0.0007
24.00	0.0311	0.0167	0.0478	0.0953	0.1254	0.0015	0.0003
25.00	0.0290	0.0155	0.0445	0.0964	0.1276	0.0023	0.0004
26.00	0.0261	0.0139	0.0400	0.0974	0.1302	0.0026	0.0005
27.00	0.0225	0.0120	0.0345	0.0983	0.1330	0.0028	0.0005
28.00	0.0188	0.0101	0.0289	0.0990	0.1357	0.0027	0.0004
29.00	0.0145	0.0077	0.0222	0.0996	0.1386	0.0029	0.0004
30.00	0.0108	0.0058	0.0166	0.1001	0.1411	0.0024	0.0003
31.00	0.0077	0.0041	0.0118	0.1004	0.1431	0.0020	0.0002
32.00	0.0052	0.0028	0.0080	0.1006	0.1446	0.0016	0.0002
33.00	0.0031	0.0017	0.0048	0.1008	0.1459	0.0013	0.0001
34.00	0.0014	0.0007	0.0021	0.1009	0.1469	0.0010	0.0001
35.00	-	-	-	0.1009	0.1477	0.0008	0.0001

Column Notes:
(1) is Unearned Premium Reserve (equal to Written Premium minus Earned Premium, per the cashflow pattern) plus Unpaid Loss and LAE Re
(equal to Incurred minus Paid Losses and LAE) by time period, expressed as a factor,
= [Table 2 col (3) - Table 2 col (2)] + Table 1 row (7) x [Table 2 col (2) - Table 2 col (5)]
(2) is the Surplus derived from Reserves per the Reserve-to-Surplus Ratio by time period, expressed as a factor, = (1) / Table 1 row (2)
(3) is Reserves plus Surplus minus Agent Balances by time period, expressed as a factor, = (1) + (2) - Agent Balances. Agent Balances exist w
Written Premium exceeds Collected Premium, = [Table 2 col (3) - Table 2 col (1)].
(4) is derived by applying the Return on Investments [Table 1 row (4)] to the average Invested Funds (4) from the previous and current
time periods, plus previous Income from Invested Funds, by time period expressed as a factor.
(5) is Insurance Cash Flow plus Income from Invested Funds minus Total Invested Funds by time period, expressed as a factor,
= Table 4 col (5) + (4) - (3)
(6) is the difference between Capital Provider Equity (5) at the current and previous time periods, expressed as a factor
(7) is the Capital Provider Cash Flow (6) discounted by the Weighted Average Cost of Capital [Table 1 row (5)], expressed as a factor

Used with NCCI's permission

IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.36% (no tax- exempt bonds)

INTERNAL RATE OF RETURN ANALYSIS

Appendix D
Sheet 5

SECTION B: PORTFOLIO OF INVESTED ASSETS

(1) Security Description			(2) Investment Portfolio	(3) Yield Curve, Maturity, and Spread	(4) Roll-over Period	(5) Income Tax Rate	(6) After-tax Return
Bonds, of which	73.8%						
Government Direct Obligations		6.7%					
< 1yr			1.9%	6 mo US T-bill	0.50 yrs	35.00%	0.47%
1 – 5 yrs			2.9%	2.5 yr US T-note	2.50 yrs	35.00%	0.90%
5 – 10 yrs			1.3%	7.5 yr US T-note	7.50 yrs	35.00%	1.49%
10 – 20 yrs			0.3%	15 yr US T-note	15.00 yrs	35.00%	1.70%
> 20 yrs			0.4%	20 yr US T-note	20.00 yrs	35.00%	1.81%
Collateralized Securities		6.8%					
< 1yr			0.9%	6 mo US T-bill + 50 basis points	0.50 yrs	35.00%	0.79%
1 – 5 yrs			2.6%	2.5 yr US T-note + 50 basis points	2.50 yrs	35.00%	1.22%
5 – 10 yrs			1.8%	7.5 yr US T-note + 50 basis points	7.50 yrs	35.00%	1.81%
10 – 20 yrs			1.1%	15 yr US T-note + 50 basis points	15.00 yrs	35.00%	2.02%
> 20 yrs			0.4%	20 yr US T-note + 50 basis points	20.00 yrs	35.00%	2.13%
Tax-exempt Bonds		0.0%					
< 1yr			0.0%	6 mo US T-bill + Tax-exempt spread	0.50 yrs	5.25%	0.81%
1 – 5 yrs			0.0%	2.5 yr US T-note + Tax-exempt spread	2.50 yrs	5.25%	1.53%
5 – 10 yrs			0.0%	7.5 yr US T-note + Tax-exempt spread	7.50 yrs	5.25%	2.41%
10 – 20 yrs			0.0%	15 yr US T-note + Tax-exempt spread	15.00 yrs	5.25%	2.82%
> 20 yrs			0.0%	20 yr US T-note + Tax-exempt spread	20.00 yrs	5.25%	3.04%
Industrial and Hybrid Securities (unaffiliated)		58.8%					
< 1yr			6.6%	6 mo US T-bill + Corp spread	0.50 yrs	35.00%	0.95%
1 – 5 yrs 1			19.6%	2.5 yr US T-note + Corp spread	2.50 yrs	35.00%	1.61%
5 – 10 yrs 1			19.8%	7.5 yr US T-note + Corp spread	7.50 yrs	35.00%	2.41%
10 – 20 yrs			8.2%	15 yr US T-note + Corp spread	15.00 yrs	35.00%	2.67%
> 20 yrs			4.6%	20 yr US T-note + Corp spread	20.00 yrs	35.00%	2.80%
Industrial and Hybrid Securities (affiliated)		1.5%					
< 1yr			1.5%	6 mo US T-bill + Corp spread	0.50 yrs	5.25%	1.38%
1 – 5 yrs			0.0%	2.5 yr US T-note + Corp spread	2.50 yrs	5.25%	2.35%
5 – 10 yrs			0.0%	7.5 yr US T-note + Corp spread	7.50 yrs	5.25%	3.52%
10 – 20 yrs			0.0%	15 yr US T-note + Corp spread	15.00 yrs	5.25%	3.90%
> 20 yrs			0.0%	20 yr US T-note + Corp spread	20.00 yrs	5.25%	4.09%
Stocks, of which	12.3%	12.3%					
Preferred Stock			0.4%	5 year US T-note + 376 basis points	0.25 yrs	14.18%	4.90%
Common Stock			11.9%	5 year US T-note + 751 basis points	0.25 yrs	27.88%	6.82%
Other, of which	13.9%						
Mortgage Loans		1.5%	1.5%				
Real Estate		0.3%	0.3%				
Cash & Short-Term Investment		3.8%	3.8%	3 month US T-bill	0.25 yrs	35.00%	0.39%
All Other Assets*		8.3%	8.3%				
(8) Total / Average	100.0%	100.0%	100.0%		5.52	33.47%	2.49%
(9) Investment Expense**						35.00%	0.13%
(10) Selected After-tax Return on Invested Funds = (8) - (9)							2.36%

Table Notes:

(1) Government Direct Obligations include US Government Issuer Obligations and Non-US Government Issuer Obligations.
Collateralized Securities include Mortgage Backed, Loan Backed, or Structured Securities.
Tax-exempt Bonds include Issuer Obligations of US States, Territories, and Possessions, US Political Subdivisions of States, Territories, and Possessions, and US Special Revenue and Special Assessment Obligations.
Industrial and Hybrid Securities (unaffiliated) include Industrial and Miscellaneous and Hybrid Securities.
Industrial and Hybrid Securities (affiliated) include Parents, Subsidiaries, and Affiliates.
(2) Bond and total portfolio distributions are 3-year averages for 2013-2015, calculated from various annual editions of Best's Aggregates & Averages (Property-Casualty), Assets for Commercial Casualty Composite, p. 276, Column 3, Net Admitted Assets.
For each year 2013-2015, the maturity distribution pertains to all bonds owned as of December 31 at book/adjusted carrying value for Commercial Casualty Composite, Schedule D, Part 1A, Section 2.
(3) Spread to US treasury yields are either constant or varying by maturity (tax-exempt or corporate) as applicable.
The tax-exempt spread is a term structure of average historical spreads in forward rates at different maturities between US municipal bonds and US Treasuries.
Data on historical yields to US municipal bonds are from Bloomberg.
The corporate spread is a term structure of average historical spreads in forward rates at different maturities between US corporate bonds and US Treasuries.
Historical data on yields to US corporate bonds are from the US Department of Treasury.
(4) Applies to the estimate of the return on invested funds.
The roll-over period is the time interval at which the estimated yield is updated for the given security in the investment portfolio.
For bonds, the roll-over period is the bond's term to maturity. Forward yields for common and preferred stocks are updated quarterly.
(5) It is assumed that investment returns, except dividends and tax exempt municipal bond income, are taxed at 35%.
With respect to dividends, it is assumed that 70% of dividends received are tax exempt. It is further assumed that in accordance with the "pro-ration" provision, 15% of otherwise exempt municipal bond income and dividends are taxed at 35%. The portion of income attributable to capital appreciation is assumed to equal 65.8% while the income portion is 34.2%. The percentages were obtained from Morningstar's Analyst Research Center containing Table 6-7 previously published in Ibbotson SBBI Classic Yearbook, large company stocks, arithmetic mean.
(6) Estimates of treasury yields are actual current yields.
* Yields to mortgage loans, real estate, and all other assets are not directly estimated, but are assumed to be equal to the weighted average portfolio yield net of these categories.
** Investment expense calculated from Annual Statement data for the Commercial Casualty Composite by dividing Total Investment Expense by Cash and Invested Assets.
Total investment expense for 2015 from the Annual Statement, Exhibit of Net Investment Income.
Average of 2014 and 2015 cash and invested assets from Best's Aggregates and Averages (Property-Casualty), Assets for Commercial Casualty Composite, p.276, Line 12.

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IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.36% (no tax- exempt bonds)

TABLE B.1: FEDERAL INCOME TAX CALCULATION

Appendix D
Sheet 6

Time	(1) Written Premium Factor	(2) Unearned Premium Factor	(3) Expense and Taxes Factor	(4) Discount Factor	(5) Paid Losses and LAE Factor	(6) AY1 Paid Losses and LAE Factor	(7) AY2 Paid Losses and LAE Factor	(8) Discounted AY1 Unpaid Losses & LAE Factor	(9) Discounted AY2 Unpaid Losses & LAE Factor	(10) Federal Income Tax Factor
0.00	-	-	-		-	-	-	-	-	-
1.00	1.0000	0.4400	0.1585	0.9366	0.1043	0.1043	-	0.2415	-	0.0503
2.00	1.0000	-	0.2036	0.9287	0.3694	0.2249	0.1445	0.1275	0.2039	0.0335
3.00	1.0000	-	0.2036	0.9231	0.4955	0.2592	0.2363	0.0951	0.1169	0.0311
4.00	1.0000	-	0.2036	0.9155	0.5549	0.2866	0.2683	0.0692	0.0867	0.0300
5.00	1.0000	-	0.2036	0.9130	0.5868	0.2968	0.2900	0.0597	0.0661	0.0293
6.00	1.0000	-	0.2036	0.9108	0.6070	0.3069	0.3002	0.0504	0.0566	0.0288
7.00	1.0000	-	0.2036	0.9133	0.6208	0.3122	0.3087	0.0457	0.0488	0.0284
8.00	1.0000	-	0.2036	0.9183	0.6317	0.3177	0.3140	0.0409	0.0440	0.0279
9.00	1.0000	-	0.2036	0.9222	0.6389	0.3204	0.3186	0.0386	0.0401	0.0276
10.00	1.0000	-	0.2036	0.9325	0.6476	0.3255	0.3221	0.0342	0.0370	0.0272
11.00	1.0000	-	0.2036	0.9433	0.6512	0.3257	0.3256	0.0345	0.0342	0.0268
12.00	1.0000	-	0.2036	0.9546	0.6578	0.3305	0.3273	0.0303	0.0329	0.0264
13.00	1.0000	-	0.2036	0.9666	0.6614	0.3308	0.3306	0.0304	0.0302	0.0261
14.00	1.0000	-	0.2036	0.9793	0.6664	0.3344	0.3320	0.0272	0.0292	0.0258
15.00	1.0000	-	0.2036	0.9928	0.6708	0.3359	0.3349	0.0261	0.0267	0.0255
16.00	1.0000	-	0.2036	0.9928	0.6751	0.3384	0.3367	0.0236	0.0253	0.0253
17.00	1.0000	-	0.2036	0.9928	0.6773	0.3388	0.3385	0.0233	0.0235	0.0253
18.00	1.0000	-	0.2036	0.9928	0.6802	0.3408	0.3394	0.0213	0.0226	0.0253
19.00	1.0000	-	0.2036	0.9928	0.6831	0.3419	0.3412	0.0201	0.0209	0.0253
20.00	1.0000	-	0.2036	0.9928	0.6853	0.3430	0.3423	0.0191	0.0198	0.0253
21.00	1.0000	-	0.2036	0.9928	0.6875	0.3441	0.3434	0.0180	0.0187	0.0253
22.00	1.0000	-	0.2036	0.9928	0.6889	0.3446	0.3443	0.0174	0.0178	0.0253
23.00	1.0000	-	0.2036	0.9928	0.6925	0.3471	0.3454	0.0150	0.0166	0.0253
24.00	1.0000	-	0.2036	0.9928	0.6933	0.3464	0.3469	0.0157	0.0152	0.0253
25.00	1.0000	-	0.2036	0.9928	0.6954	0.3484	0.3471	0.0137	0.0150	0.0253
26.00	1.0000	-	0.2036	0.9928	0.6983	0.3496	0.3488	0.0126	0.0133	0.0253
27.00	1.0000	-	0.2036	0.9928	0.7019	0.3517	0.3503	0.0104	0.0118	0.0253
28.00	1.0000	-	0.2036	0.9928	0.7056	0.3533	0.3522	0.0088	0.0099	0.0252
29.00	1.0000	-	0.2036	0.9928	0.7099	0.3558	0.3541	0.0064	0.0080	0.0252
30.00	1.0000	-	0.2036	0.9928	0.7136	0.3573	0.3563	0.0048	0.0059	0.0252
31.00	1.0000	-	0.2036	0.9928	0.7167	0.3589	0.3578	0.0033	0.0043	0.0252
32.00	1.0000	-	0.2036	0.9928	0.7192	0.3599	0.3592	0.0022	0.0029	0.0252
33.00	1.0000	-	0.2036	0.9928	0.7213	0.3610	0.3603	0.0012	0.0019	0.0252
34.00	1.0000	-	0.2036	0.9928	0.7230	0.3618	0.3613	0.0004	0.0009	0.0252
35.00	1.0000	-	0.2036	0.9928	0.7244	0.3624	0.3620	(0.0002)	0.0002	0.0252

Column Notes:
(1) is Written Premium by time period, expressed as a factor, = Table 2 col (3)
(2) is Written Premium minus Earned Premium by time period, expressed as a factor, = Table 2 col (3) - Table 2 col (2)
(3) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(4) is from Internal Revenue Bulletin 2016-51, Rev. Proc 2016-58, dated December 19, 2016
(5) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(6) and (7) split the payments between the accident year coincident with the policy year ("AY1"), and the following accident year ("AY2"). Assuming that the payout pattern is linear between integer times, and that the average accident date for AY2 is two-thirds of a year later than the average accident date for AY1 , columns (6) and (7) are determined by solving these two equations simultaneously:
Col (6) + Col (7) = Col (5)
Col (7) = (2/3) * Col (6, previous row) + (1/3) * Col (6)
with Col (6, Time 1) = Col (5, Time 1) and Col (6, Time 35) = Col (7, Time 35)
(8) is the discounted difference between AY1 Losses and LAE that will ultimately be paid, and the amount already paid,
= [col (6, Time 35) - (6)] x (4)
(9) is the discounted difference between AY2 Losses and LAE that will ultimately be paid, and the amount already paid,
= [col (7, Time 35) - (7)] x col (4, previous row)
(10) Per IRS rules, federal income tax equals the tax rate (35%) times the adjusted underwriting income
= 35% * { (1) - 0.8 * (2) - [(3) + (5) + (8) + (9)]}

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IRR: 10.00%; Interest Rate: 1.46%; Tax Rate: Old; Post tax Return: 2.36% (no tax- exempt bonds)

APPENDIX C: RESERVE-TO-SURPLUS RATIO
in 000's

Appendix D
Sheet 7

Year End	(1) Unpaid Losses	(2) Unpaid Loss Adjustment Expense	(3) Unearned Premium	(4) Policyholder Surplus	(5) Ratio excl. Unearned Premium {(1)+(2)}/(4)	(6) Ratio incl. Unearned Premium {(1)+(2)+(3)}/(4)
2015	185,919,427	42,816,231	73,469,477	169,017,203	1.35	1.79
2014	214,239,981	48,564,685	83,674,315	192,947,461	1.36	1.80
2013	215,275,673	47,841,227	81,229,642	182,832,920	1.44	1.88
2012	212,275,479	46,533,070	75,723,720	174,892,306	1.48	1.91
2011	211,071,160	46,773,232	72,629,793	168,688,743	1.53	1.96
2011 - 2015	1,038,781,720	232,528,445	386,726,947	888,378,633	1.43	1.87

Selected Ratio including Unearned Premium: 1.87

Source: Columns (1) - (4) for the latest year are taken from Liabilities on page 277 in Best's 2016 Aggregates & Averages, for Commercial Casualty Composite.

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IRR: 12.30%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.79% (no tax- exempt bonds)

Appendix D
Sheet 1

TABLE 1: IRR MODEL INPUTS AND RESULTS

Inputs:	
(1) Expenses and Taxes as a Percentage of Net Premium at NCCI Level	20.36%
(2) Reserve-to-Surplus Ratio	1.87
(3) Cash Flow Patterns	See Table 2
(4) Return on Investments	2.79%
(5) Weighted Average Cost of Capital (IRR)	12.30%
Results	
(6) Indicated Profit and Contingency Provision	7.20%
(7) Loss and Loss Adjustment Expense Provision [100% - (6) - (1)]	72.44%

Table Notes:
It is assumed that no policyholders dividends are paid and that there are no rate departures (deviations or schedule rating).
(1) Expense provisions and taxes derived from the filing.
(2) Calculated from Best's 2016 Aggregates & Averages, for Commercial Casualty Composite, as the weighted average of Loss, LAE, and Unearned Premium Reserves to Policyholder Surplus, for years 2011 - 2015.
* See Table 3 for details by time period.

Used with NCCI's permission

IRR: 12.30%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.79% (no tax- exempt bonds)

Appendix D
Sheet 2

TABLE 2: CASH FLOW PATTERNS (CUMULATIVE)

Time	(1) Policy-Year Collected Premium	(2) Earned Premium	(3) Written Premium	(4) Expenses and Taxes	(5) Paid Losses and LAE
0.00	0.00%	0.00%	0.00%	0.00%	0.00%
0.25	15.37%	4.51%	36.10%	16.30%	1.16%
0.50	33.09%	16.51%	59.90%	34.29%	4.25%
0.75	54.02%	33.75%	78.00%	55.09%	8.68%
1.00	76.83%	56.00%	100.00%	77.86%	14.40%
1.25	89.14%	76.49%		89.62%	23.55%
1.50	96.82%	89.49%		96.96%	32.70%
1.75	100.00%	97.25%		100.00%	41.85%
2.00		100.00%			51.00%
2.25					55.35%
2.50					59.70%
2.75					64.05%
3.00					68.40%
3.25					70.45%
3.50					72.50%
3.75					74.55%
4.00					76.60%
4.25					77.70%
4.50					78.80%
4.75					79.90%
5.00					81.00%
6.00					83.80%
7.00					85.70%
8.00					87.20%
9.00					88.20%
10.00					89.40%
11.00					89.90%
12.00					90.80%
13.00					91.30%
14.00					92.00%
15.00					92.60%
16.00					93.20%
17.00					93.50%
18.00					93.90%
19.00					94.30%
20.00					94.60%
21.00					94.90%
22.00					95.10%
23.00					95.60%
24.00					95.70%
25.00					96.00%
26.00					96.40%
27.00					96.90%
28.00					97.40%
29.00					98.00%
30.00					98.51%
31.00					98.94%
32.00					99.28%
33.00					99.57%
34.00					99.81%
35.00					100.00%

TABLE 3: Not Used in Static Example

Time	(1) Return on Investments	(2) Weighted Average Cost of Capital
0.00		
0.25		
0.50		
0.75		
1.00		
1.25		
1.50		
1.75		
2.00		
2.25		
2.50		
2.75		
3.00		
3.25		
3.50		
3.75		
4.00		
4.25		
4.50		
4.75		
5.00		
6.00		
7.00		
8.00		
9.00		
10.00		
11.00		
12.00		
13.00		
14.00		
15.00		
16.00		
17.00		
18.00		
19.00		
20.00		
21.00		
22.00		
23.00		
24.00		
25.00		
26.00		
27.00		
28.00		
29.00		
30.00		
31.00		
32.00		
33.00		
34.00		
35.00		

Table 2 Notes:
Table 2 shows cumulative cash flows. For ease of reading no additional numbers are shown after a column reaches 100% cumulative cash flow.
(1) Derived from estimates of premium distribution and payment terms by size of policy.
(2) Based on written premium pattern assuming uniform writings within quarters and standard quarterly earning pattern.
(3) Based on this jurisdiction’s premium writings by quarter.
(4) Expenses assumed paid as premium is collected; timing of taxes based on NCCI's Tax and Assessment Directory.
(5) Derived from loss development data underlying this rate filing. Payouts for the first 29 years are based upon the ratio of paid losses to incurred losses from the most recent 29 policy years for which data is available. For the following years, loss payouts are assumed to trail off geometrically, with an adjustment so that the payout will be complete at 35 years.

Used with NCCI's permission

IRR: 12.30%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.79% (no tax- exempt bonds)

TABLE 4: DERIVATION OF INSURANCE CASH FLOW

Appendix D
Sheet 3

Time	(1) Collected Premium Factor	(2) Expense and Taxes Factor	(3) Paid Losses and LAE Factor	(4) Federal Income Tax Factor	(5) Insurance Cash flow Factor
0.00	-	-	-	-	-
0.25	0.1537	0.0332	0.0084	0.0084	0.1037
0.50	0.3309	0.0698	0.0308	0.1677	0.2135
0.75	0.5402	0.1122	0.0629	0.2516	0.3400
1.00	0.7683	0.1585	0.1043	0.3354	0.4719
1.25	0.8914	0.1825	0.1706	0.3139	0.5069
1.50	0.9682	0.1974	0.2369	0.2925	0.5047
1.75	1.0000	0.2036	0.3032	0.2710	0.4661
2.00	1.0000	0.2036	0.3694	0.2495	0.4020
2.25	1.0000	0.2036	0.4010	0.2426	0.3712
2.50	1.0000	0.2036	0.4325	0.2356	0.3404
2.75	1.0000	0.2036	0.4640	0.2287	0.3096
3.00	1.0000	0.2036	0.4955	0.2217	0.2787
3.25	1.0000	0.2036	0.5103	0.2183	0.2642
3.50	1.0000	0.2036	0.5252	0.2149	0.2497
3.75	1.0000	0.2036	0.5400	0.2115	0.2352
4.00	1.0000	0.2036	0.5549	0.2082	0.2207
4.25	1.0000	0.2036	0.5629	0.2063	0.2129
4.50	1.0000	0.2036	0.5708	0.2045	0.2051
4.75	1.0000	0.2036	0.5788	0.2026	0.1973
5.00	1.0000	0.2036	0.5868	0.2008	0.1896
6.00	1.0000	0.2036	0.6070	0.1949	0.1699
7.00	1.0000	0.2036	0.6208	0.1900	0.1566
8.00	1.0000	0.2036	0.6317	0.1847	0.1463
9.00	1.0000	0.2036	0.6389	0.1807	0.1394
10.00	1.0000	0.2036	0.6476	0.1757	0.1312
11.00	1.0000	0.2036	0.6512	0.1719	0.1280
12.00	1.0000	0.2036	0.6578	0.1683	0.1218
13.00	1.0000	0.2036	0.6614	0.1656	0.1185
14.00	1.0000	0.2036	0.6664	0.1629	0.1137
15.00	1.0000	0.2036	0.6708	0.1605	0.1096
16.00	1.0000	0.2036	0.6751	0.1583	0.1054
17.00	1.0000	0.2036	0.6773	0.1566	0.1034
18.00	1.0000	0.2036	0.6802	0.1549	0.1007
19.00	1.0000	0.2036	0.6831	0.1534	0.0980
20.00	1.0000	0.2036	0.6853	0.1526	0.0959
21.00	1.0000	0.2036	0.6875	0.1524	0.0937
22.00	1.0000	0.2036	0.6889	0.1523	0.0923
23.00	1.0000	0.2036	0.6925	0.1522	0.0887
24.00	1.0000	0.2036	0.6933	0.1522	0.0879
25.00	1.0000	0.2036	0.6954	0.1521	0.0858
26.00	1.0000	0.2036	0.6983	0.1520	0.0829
27.00	1.0000	0.2036	0.7019	0.1519	0.0793
28.00	1.0000	0.2036	0.7056	0.1518	0.0757
29.00	1.0000	0.2036	0.7099	0.1517	0.0713
30.00	1.0000	0.2036	0.7136	0.1515	0.0676
31.00	1.0000	0.2036	0.7167	0.1514	0.0645
32.00	1.0000	0.2036	0.7192	0.1514	0.0621
33.00	1.0000	0.2036	0.7213	0.1513	0.0600
34.00	1.0000	0.2036	0.7230	0.1512	0.0583
35.00	1.0000	0.2036	0.7244	0.1512	0.0569

Column Notes:
(1) is Collected Premium by time period, expressed as a factor, = Table 2 col (1)
(2) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(3) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(4) per the Tax Reform Act of 1986, federal income taxes are computed as the tax rate times the adjusted underwriting income calculated per IRS rules. See Appendix B for details.
(5) is the Total Insurance Cash Flow by time period, expressed as a factor, = (1) - [(2) + (3) + (4)]

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IRR: 12.30%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.79% (no tax- exempt bonds)

TABLE 5: DERIVATION OF CASH FLOWS TO THE CAPITAL PROVIDERS

Appendix D
Sheet 4

Time	(1) Unearned Premium, Unpaid Loss and Unpaid LAE Reserve Factor	(2) Factor for Surplus Allocated to Reserves	(3) Total Invested Funds Factor	(4) Income from Invested Funds Factor	(5) Capital Provider Equity Factor	(6) Capital Provider Cash Flow Factor	(7) Discounted Capital Provider Cash Flow Factor
0.00	-	-	-	-	-	-	-
0.25	0.3402	0.1819	0.3126	0.0011	(0.2078)	(0.2078)	(0.2135)
0.50	0.5227	0.2795	0.5298	0.0040	(0.3123)	(0.1045)	(0.1139)
0.75	0.6241	0.3337	0.7116	0.0083	(0.3633)	(0.0510)	(0.0640)
1.00	0.7414	0.3964	0.8975	0.0138	(0.4118)	(0.0484)	(0.0634)
1.25	0.6186	0.3308	0.8337	0.0198	(0.3069)	0.1048	0.0904
1.50	0.5165	0.2762	0.7552	0.0253	(0.2252)	0.0817	0.0724
1.75	0.4288	0.2293	0.6539	0.0301	(0.1576)	0.0676	0.0619
2.00	0.3550	0.1898	0.5420	0.0343	(0.1057)	0.0519	0.0501
2.25	0.3234	0.1730	0.4940	0.0379	(0.0849)	0.0208	0.0188
2.50	0.2919	0.1561	0.4460	0.0411	(0.0645)	0.0204	0.0182
2.75	0.2604	0.1393	0.3980	0.0440	(0.0444)	0.0201	0.0176
3.00	0.2289	0.1224	0.3500	0.0466	(0.0246)	0.0198	0.0171
3.25	0.2141	0.1145	0.3273	0.0489	(0.0142)	0.0105	0.0088
3.50	0.1992	0.1065	0.3047	0.0511	(0.0039)	0.0103	0.0085
3.75	0.1844	0.0986	0.2821	0.0531	0.0063	0.0102	0.0083
4.00	0.1695	0.0906	0.2594	0.0550	0.0163	0.0100	0.0080
4.25	0.1615	0.0864	0.2472	0.0568	0.0224	0.0062	0.0048
4.50	0.1536	0.0821	0.2350	0.0584	0.0285	0.0061	0.0046
4.75	0.1456	0.0779	0.2228	0.0600	0.0345	0.0060	0.0045
5.00	0.1376	0.0736	0.2106	0.0615	0.0404	0.0059	0.0043
6.00	0.1174	0.0628	0.1796	0.0669	0.0572	0.0168	0.0116
7.00	0.1036	0.0554	0.1585	0.0717	0.0698	0.0126	0.0080
8.00	0.0927	0.0496	0.1419	0.0758	0.0802	0.0104	0.0062
9.00	0.0855	0.0457	0.1307	0.0796	0.0884	0.0082	0.0044
10.00	0.0768	0.0411	0.1175	0.0831	0.0969	0.0085	0.0044
11.00	0.0732	0.0391	0.1119	0.0863	0.1024	0.0055	0.0025
12.00	0.0666	0.0356	0.1020	0.0893	0.1091	0.0067	0.0030
13.00	0.0630	0.0337	0.0964	0.0921	0.1141	0.0050	0.0020
14.00	0.0580	0.0310	0.0887	0.0946	0.1196	0.0055	0.0021
15.00	0.0536	0.0287	0.0821	0.0970	0.1245	0.0049	0.0018
16.00	0.0493	0.0263	0.0754	0.0992	0.1292	0.0047	0.0016
17.00	0.0471	0.0252	0.0721	0.1013	0.1326	0.0034	0.0010
18.00	0.0442	0.0236	0.0677	0.1032	0.1363	0.0036	0.0010
19.00	0.0413	0.0221	0.0633	0.1051	0.1397	0.0035	0.0009
20.00	0.0391	0.0209	0.0600	0.1068	0.1426	0.0029	0.0007
21.00	0.0369	0.0198	0.0567	0.1084	0.1454	0.0028	0.0006
22.00	0.0355	0.0190	0.0545	0.1100	0.1478	0.0023	0.0005
23.00	0.0319	0.0170	0.0489	0.1114	0.1511	0.0034	0.0007
24.00	0.0311	0.0167	0.0478	0.1127	0.1529	0.0017	0.0003
25.00	0.0290	0.0155	0.0445	0.1140	0.1553	0.0025	0.0004
26.00	0.0261	0.0139	0.0400	0.1152	0.1581	0.0027	0.0005
27.00	0.0225	0.0120	0.0345	0.1163	0.1611	0.0030	0.0005
28.00	0.0188	0.0101	0.0289	0.1171	0.1639	0.0028	0.0004
29.00	0.0145	0.0077	0.0222	0.1179	0.1669	0.0030	0.0004
30.00	0.0108	0.0058	0.0166	0.1184	0.1695	0.0025	0.0003
31.00	0.0077	0.0041	0.0118	0.1188	0.1715	0.0021	0.0002
32.00	0.0052	0.0028	0.0080	0.1191	0.1731	0.0016	0.0002
33.00	0.0031	0.0017	0.0048	0.1192	0.1745	0.0013	0.0001
34.00	0.0014	0.0007	0.0021	0.1193	0.1755	0.0010	0.0001
35.00	-	-	-	0.1194	0.1762	0.0008	0.0001

Column Notes:
(1) is Unearned Premium Reserve (equal to Written Premium minus Earned Premium, per the cashflow pattern) plus Unpaid Loss and LAE Re
(equal to Incurred minus Paid Losses and LAE) by time period, expressed as a factor,
= [Table 2 col (3) - Table 2 col (2)] + Table 1 row (7) x [Table 2 col (2) - Table 2 col (5)]
(2) is the Surplus derived from Reserves per the Reserve-to-Surplus Ratio by time period, expressed as a factor, = (1) / Table 1 row (2)
(3) is Reserves plus Surplus minus Agent Balances by time period, expressed as a factor, = (1) + (2) - Agent Balances. Agent Balances exist w
Written Premium exceeds Collected Premium, = [Table 2 col (3) - Table 2 col (1)].
(4) is derived by applying the Return on Investments [Table 1 row (4)] to the average Invested Funds (4) from the previous and current
time periods, plus previous Income from Invested Funds, by time period expressed as a factor.
(5) is Insurance Cash Flow plus Income from Invested Funds minus Total Invested Funds by time period, expressed as a factor,
= Table 4 col (5) + (4) - (3)
(6) is the difference between Capital Provider Equity (5) at the current and previous time periods, expressed as a factor
(7) is the Capital Provider Cash Flow (6) discounted by the Weighted Average Cost of Capital [Table 1 row (5)], expressed as a factor

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IRR: 12.30%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.79% (no tax- exempt bonds)

INTERNAL RATE OF RETURN ANALYSIS

Appendix D
Sheet 5

SECTION B: PORTFOLIO OF INVESTED ASSETS

(1) Security Description			(2) Investment Portfolio	(3) Yield Curve, Maturity, and Spread	(4) Roll-over Period	(5) Income Tax Rate	(6) After-tax Return
Bonds, of which	73.8%						
Government Direct Obligations		6.7%					
< 1yr			1.9%	6 mo US T-bill	0.50 yrs	21.00%	0.57%
1 – 5 yrs			2.9%	2.5 yr US T-note	2.50 yrs	21.00%	1.09%
5 – 10 yrs			1.3%	7.5 yr US T-note	7.50 yrs	21.00%	1.81%
10 – 20 yrs			0.3%	15 yr US T-note	15.00 yrs	21.00%	2.07%
> 20 yrs			0.4%	20 yr US T-note	20.00 yrs	21.00%	2.20%
Collateralized Securities		6.8%					
< 1yr			0.9%	6 mo US T-bill + 50 basis points	0.50 yrs	21.00%	0.96%
1 – 5 yrs			2.6%	2.5 yr US T-note + 50 basis points	2.50 yrs	21.00%	1.48%
5 – 10 yrs			1.8%	7.5 yr US T-note + 50 basis points	7.50 yrs	21.00%	2.20%
10 – 20 yrs			1.1%	15 yr US T-note + 50 basis points	15.00 yrs	21.00%	2.46%
> 20 yrs			0.4%	20 yr US T-note + 50 basis points	20.00 yrs	21.00%	2.59%
Tax-exempt Bonds		0.0%					
< 1yr			0.0%	6 mo US T-bill + Tax-exempt spread	0.50 yrs	5.25%	0.81%
1 – 5 yrs			0.0%	2.5 yr US T-note + Tax-exempt spread	2.50 yrs	5.25%	1.53%
5 – 10 yrs			0.0%	7.5 yr US T-note + Tax-exempt spread	7.50 yrs	5.25%	2.41%
10 – 20 yrs			0.0%	15 yr US T-note + Tax-exempt spread	15.00 yrs	5.25%	2.82%
> 20 yrs			0.0%	20 yr US T-note + Tax-exempt spread	20.00 yrs	5.25%	3.04%
Industrial and Hybrid Securities (unaffiliated)		58.8%					
< 1yr			6.6%	6 mo US T-bill + Corp spread	0.50 yrs	21.00%	1.15%
1 – 5 yrs 1			19.6%	2.5 yr US T-note + Corp spread	2.50 yrs	21.00%	1.96%
5 – 10 yrs 1			19.8%	7.5 yr US T-note + Corp spread	7.50 yrs	21.00%	2.93%
10 – 20 yrs			8.2%	15 yr US T-note + Corp spread	15.00 yrs	21.00%	3.25%
> 20 yrs			4.6%	20 yr US T-note + Corp spread	20.00 yrs	21.00%	3.40%
Industrial and Hybrid Securities (affiliated)		1.5%					
< 1yr			1.5%	6 mo US T-bill + Corp spread	0.50 yrs	5.25%	1.38%
1 – 5 yrs			0.0%	2.5 yr US T-note + Corp spread	2.50 yrs	5.25%	2.35%
5 – 10 yrs			0.0%	7.5 yr US T-note + Corp spread	7.50 yrs	5.25%	3.52%
10 – 20 yrs			0.0%	15 yr US T-note + Corp spread	15.00 yrs	5.25%	3.90%
> 20 yrs			0.0%	20 yr US T-note + Corp spread	20.00 yrs	5.25%	4.09%
Stocks, of which	12.3%	12.3%					
Preferred Stock			0.4%	5 year US T-note + 376 basis points	0.25 yrs	13.13%	4.96%
Common Stock			11.9%	5 year US T-note + 751 basis points	0.25 yrs	18.31%	7.73%
Other, of which	13.9%						
Mortgage Loans		1.5%	1.5%				
Real Estate		0.3%	0.3%				
Cash & Short-Term Investment		3.8%	3.8%	3 month US T-bill	0.25 yrs	21.00%	0.47%
All Other Assets*		8.3%	8.3%				
(8) Total / Average	100.0%	100.0%	100.0%		5.52	20.35%	2.94%
(9) Investment Expense**						21.00%	0.15%
(10) Selected After-tax Return on Invested Funds = (8) - (9)							2.79%

Table Notes:

(1) Government Direct Obligations include US Government Issuer Obligations and Non-US Government Issuer Obligations.
Collateralized Securities include Mortgage Backed, Loan Backed, or Structured Securities.
Tax-exempt Bonds include Issuer Obligations of US States, Territories, and Possessions, US Political Subdivisions of States, Territories, and Possessions, and US Special Revenue and Special Assessment Obligations.
Industrial and Hybrid Securities (unaffiliated) include Industrial and Miscellaneous and Hybrid Securities.
Industrial and Hybrid Securities (affiliated) include Parents, Subsidiaries, and Affiliates.
(2) Bond and total portfolio distributions are 3-year averages for 2013-2015, calculated from various annual editions of Best's Aggregates & Averages (Property-Casualty), Assets for Commercial Casualty Composite, p. 276, Column 3, Net Admitted Assets.
For each year 2013-2015, the maturity distribution pertains to all bonds owned as of December 31 at book/adjusted carrying value for Commercial Casualty Composite, Schedule D, Part 1A, Section 2.
(3) Spread to US treasury yields are either constant or varying by maturity (tax-exempt or corporate) as applicable.
The tax-exempt spread is a term structure of average historical spreads in forward rates at different maturities between US municipal bonds and US Treasuries.
Data on historical yields to US municipal bonds are from Bloomberg.
The corporate spread is a term structure of average historical spreads in forward rates at different maturities between US corporate bonds and US Treasuries.
Historical data on yields to US corporate bonds are from the US Department of Treasury.
(4) Applies to the estimate of the return on invested funds.
The roll-over period is the time interval at which the estimated yield is updated for the given security in the investment portfolio.
For bonds, the roll-over period is the bond's term to maturity. Forward yields for common and preferred stocks are updated quarterly.
(5) It is assumed that investment returns, except dividends and tax exempt municipal bond income, are taxed at 35%.
With respect to dividends, it is assumed that 70% of dividends received are tax exempt. It is further assumed that in accordance with the "pro-ration" provision, 15% of otherwise exempt municipal bond income and dividends are taxed at 35%. The portion of income attributable to capital appreciation is assumed to equal 65.8% while the income portion is 34.2%. The percentages were obtained from Morningstar's Analyst Research Center containing Table 6-7 previously published in Ibbotson SBBI Classic Yearbook, large company stocks, arithmetic mean.
(6) Estimates of treasury yields are actual current yields.
* Yields to mortgage loans, real estate, and all other assets are not directly estimated, but are assumed to be equal to the weighted average portfolio yield net of these categories.
** Investment expense calculated from Annual Statement data for the Commercial Casualty Composite by dividing Total Investment Expense by Cash and Invested Assets.
Total investment expense for 2015 from the Annual Statement, Exhibit of Net Investment Income.
Average of 2014 and 2015 cash and invested assets from Best's Aggregates and Averages (Property-Casualty), Assets for Commercial Casualty Composite, p.276, Line 12.

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IRR: 12.30%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.79% (no tax- exempt bonds)

TABLE B.1: FEDERAL INCOME TAX CALCULATION

Appendix D
Sheet 6

Time	(1) Written Premium Factor	(2) Unearned Premium Factor	(3) Expense and Taxes Factor	(4) Discount Factor	(5) Paid Losses and LAE Factor	(6) AY1 Paid Losses and LAE Factor	(7) AY2 Paid Losses and LAE Factor	(8) Discounted AY1 Unpaid Losses & LAE Factor	(9) Discounted AY2 Unpaid Losses & LAE Factor	(10) Federal Income Tax Factor
0.00	-	-	-		-	-	-	-	-	-
1.00	1.0000	0.4400	0.1585	0.8742	0.1043	0.1043	-	0.2254	-	0.0335
2.00	1.0000	-	0.2036	0.8584	0.3694	0.2249	0.1445	0.1178	0.1903	0.0250
3.00	1.0000	-	0.2036	0.8470	0.4955	0.2592	0.2363	0.0873	0.1080	0.0222
4.00	1.0000	-	0.2036	0.8313	0.5549	0.2866	0.2683	0.0629	0.0795	0.0208
5.00	1.0000	-	0.2036	0.8255	0.5868	0.2968	0.2900	0.0540	0.0600	0.0201
6.00	1.0000	-	0.2036	0.8199	0.6070	0.3069	0.3002	0.0453	0.0512	0.0195
7.00	1.0000	-	0.2036	0.8237	0.6208	0.3122	0.3087	0.0412	0.0439	0.0190
8.00	1.0000	-	0.2036	0.8325	0.6317	0.3177	0.3140	0.0371	0.0397	0.0185
9.00	1.0000	-	0.2036	0.8389	0.6389	0.3204	0.3186	0.0351	0.0363	0.0181
10.00	1.0000	-	0.2036	0.8586	0.6476	0.3255	0.3221	0.0315	0.0337	0.0176
11.00	1.0000	-	0.2036	0.8713	0.6512	0.3257	0.3256	0.0318	0.0314	0.0172
12.00	1.0000	-	0.2036	0.8843	0.6578	0.3305	0.3273	0.0280	0.0304	0.0168
13.00	1.0000	-	0.2036	0.8975	0.6614	0.3308	0.3306	0.0282	0.0280	0.0166
14.00	1.0000	-	0.2036	0.9110	0.6664	0.3344	0.3320	0.0253	0.0271	0.0163
15.00	1.0000	-	0.2036	0.9248	0.6708	0.3359	0.3349	0.0243	0.0249	0.0160
16.00	1.0000	-	0.2036	0.9388	0.6751	0.3384	0.3367	0.0223	0.0236	0.0158
17.00	1.0000	-	0.2036	0.9531	0.6773	0.3388	0.3385	0.0223	0.0222	0.0157
18.00	1.0000	-	0.2036	0.9675	0.6802	0.3408	0.3394	0.0207	0.0217	0.0155
19.00	1.0000	-	0.2036	0.9819	0.6831	0.3419	0.3412	0.0199	0.0204	0.0153
20.00	1.0000	-	0.2036	0.9846	0.6853	0.3430	0.3423	0.0189	0.0195	0.0153
21.00	1.0000	-	0.2036	0.9846	0.6875	0.3441	0.3434	0.0178	0.0186	0.0152
22.00	1.0000	-	0.2036	0.9846	0.6889	0.3446	0.3443	0.0173	0.0176	0.0152
23.00	1.0000	-	0.2036	0.9846	0.6925	0.3471	0.3454	0.0149	0.0165	0.0152
24.00	1.0000	-	0.2036	0.9846	0.6933	0.3464	0.3469	0.0156	0.0151	0.0152
25.00	1.0000	-	0.2036	0.9846	0.6954	0.3484	0.3471	0.0136	0.0149	0.0152
26.00	1.0000	-	0.2036	0.9846	0.6983	0.3496	0.3488	0.0124	0.0132	0.0152
27.00	1.0000	-	0.2036	0.9846	0.7019	0.3517	0.3503	0.0104	0.0118	0.0152
28.00	1.0000	-	0.2036	0.9846	0.7056	0.3533	0.3522	0.0087	0.0098	0.0152
29.00	1.0000	-	0.2036	0.9846	0.7099	0.3558	0.3541	0.0063	0.0079	0.0152
30.00	1.0000	-	0.2036	0.9846	0.7136	0.3573	0.3563	0.0048	0.0058	0.0152
31.00	1.0000	-	0.2036	0.9846	0.7167	0.3589	0.3578	0.0033	0.0043	0.0151
32.00	1.0000	-	0.2036	0.9846	0.7192	0.3599	0.3592	0.0022	0.0029	0.0151
33.00	1.0000	-	0.2036	0.9846	0.7213	0.3610	0.3603	0.0012	0.0019	0.0151
34.00	1.0000	-	0.2036	0.9846	0.7230	0.3618	0.3613	0.0004	0.0009	0.0151
35.00	1.0000	-	0.2036	0.9846	0.7244	0.3624	0.3620	(0.0002)	0.0002	0.0151

Column Notes:
(1) is Written Premium by time period, expressed as a factor, = Table 2 col (3)
(2) is Written Premium minus Earned Premium by time period, expressed as a factor, = Table 2 col (3) - Table 2 col (2)
(3) is Expenses and Taxes by time period, expressed as a factor, = Table 1 row (1) x Table (2) col (4)
(4) is from Internal Revenue Bulletin 2016-51, Rev. Proc 2016-58, dated December 19, 2016
(5) is Paid Losses and LAE by time period, expressed as a factor, = Table 1 row (7) x Table (2) col (5)
(6) and (7) split the payments between the accident year coincident with the policy year ("AY1"), and the following accident year ("AY2"). Assuming that the payout pattern is linear between integer times, and that the average accident date for AY2 is two-thirds of a year later than the average accident date for AY1 , columns (6) and (7) are determined by solving these two equations simultaneously:
Col (6) + Col (7) = Col (5)
Col (7) = (2/3) * Col (6, previous row) + (1/3) * Col (6)
with Col (6, Time 1) = Col (5, Time 1) and Col (6, Time 35) = Col (7, Time 35)
(8) is the discounted difference between AY1 Losses and LAE that will ultimately be paid, and the amount already paid, = [col (6, Time 35) - (6)] x (4)
(9) is the discounted difference between AY2 Losses and LAE that will ultimately be paid, and the amount already paid, = [col (7, Time 35) - (7)] x col (4, previous row)
(10) Per IRS rules, federal income tax equals the tax rate (35%) times the adjusted underwriting income
= 35% * { (1) - 0.8 * (2) - [(3) + (5) + (8) + (9)]}

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IRR: 12.30%; Interest Rate: 3.14%; Tax Rate: New; Post tax Return: 2.79% (no tax- exempt bonds)

APPENDIX C: RESERVE-TO-SURPLUS RATIO
in 000's

Appendix D
Sheet 7

Year End	(1) Unpaid Losses	(2) Unpaid Loss Adjustment Expense	(3) Unearned Premium	(4) Policyholder Surplus	(5) Ratio excl. Unearned Premium {(1)+(2)}/(4)	(6) Ratio incl. Unearned Premium {(1)+(2)+(3)}/(4)
2015	185,919,427	42,816,231	73,469,477	169,017,203	1.35	1.79
2014	214,239,981	48,564,685	83,674,315	192,947,461	1.36	1.80
2013	215,275,673	47,841,227	81,229,642	182,832,920	1.44	1.88
2012	212,275,479	46,533,070	75,723,720	174,892,306	1.48	1.91
2011	211,071,160	46,773,232	72,629,793	168,688,743	1.53	1.96
2011 - 2015	1,038,781,720	232,528,445	386,726,947	888,378,633	1.43	1.87

Selected Ratio including Unearned Premium: 1.87

Source: Columns (1) - (4) for the latest year are taken from Liabilities on page 277 in Best's 2016 Aggregates & Averages, for Commercial Casualty Composite.

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