

State: Pennsylvania **Filing Company:** Pennsylvania National Mutual Casualty Insurance Company

TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name: PA Home Rate Review 2/15/17

Project Name/Number: /

Filing at a Glance

Company: Pennsylvania National Mutual Casualty Insurance Company

Product Name: PA Home Rate Review 2/15/17

State: Pennsylvania

TOI: 04.0 Homeowners

Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations

Filing Type: Rate

Date Submitted: 10/25/2016

SERFF Tr Num: P NPR-130781227

SERFF Status: Assigned

State Tr Num:

State Status: Received Review in Progress

Co Tr Num: MK 16-018

Effective Date: 02/15/2017

Requested (New):

Effective Date: 02/15/2017

Requested (Renewal):

Author(s): Michele Kelly

Reviewer(s): Xiaofeng Lu (primary), Michael McKenney

Disposition Date:

Disposition Status:

Effective Date (New):

Effective Date (Renewal):

State Filing Description:

State: Pennsylvania Filing Company: Pennsylvania National Mutual Casualty Insurance Company
 TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations
 Product Name: PA Home Rate Review 2/15/17
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General Information

Project Name: Status of Filing in Domicile:
 Project Number: Domicile Status Comments:
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 10/26/2016
 State Status Changed: 10/26/2016 Deemer Date:
 Created By: Michele Kelly Submitted By: Michele Kelly
 Corresponding Filing Tracking Number:

Filing Description:
 Pennsylvania National Mutual Casualty Insurance Company is filing the following rate change for new business and renewals effective 02/15/2017:

Revised base rates for Rule 301.A.2. P1, P2, P3, P4, P5, P6, and P7 (See attached page CLF 2).

Company and Contact

Filing Contact Information

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 PO Box 2361 717-255-6369 [FAX]
 Harrisburg, PA 17105-2361

Filing Company Information

Pennsylvania National Mutual Casualty Insurance Company 2 N. 2nd St. PO Box 2361 Harrisburg, PA 17105-2361 (717) 234-4941 ext. [Phone]	CoCode: 14990 Group Code: 271 Group Name: Penn National Insurance FEIN Number: 23-0961349	State of Domicile: Pennsylvania Company Type: P&C State ID Number: 37
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Filing Fees

Fee Required? No
 Retaliatory? No
 Fee Explanation:

State Specific

*Filing Fee Amount: n/a
 *Date Filing Fee Mailed: n/a
 *Filing Fee Check Number: n/a
 *Filing Fee Check Date: n/a
 *NAIC Number: 14990

State: Pennsylvania

Filing Company: Pennsylvania National Mutual Casualty Insurance Company

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Rate Information

Rate data applies to filing.

Filing Method:

Rate Change Type: %

Overall Percentage of Last Rate Revision: 0.000%

Effective Date of Last Rate Revision: 02/15/2016

Filing Method of Last Filing:

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Pennsylvania National Mutual Casualty Insurance Company	-9.300%	0.000%	\$0	45,657	\$28,913,969	1.000%	-1.000%

SERFF Tracking #:

PNPR-130781227

State Tracking #:

Company Tracking #:

MK 16-018

State: Pennsylvania

Filing Company: Pennsylvania National Mutual Casualty Insurance Company

TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name: PA Home Rate Review 2/15/17

Project Name/Number: /

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		rate page	CLF 2	Replacement		CLF2.pdf

PENNSYLVANIA NATIONAL MUTUAL CASUALTY INSURANCE COMPANY

PENNSYLVANIA HOMEOWNERS POLICY PROGRAM MANUAL

CLASSIFICATION PAGES

RULE 301. BASE PREMIUM COMPUTATION (Continued)

A. All Forms Except HO 00 04 & HO 00 06

Rule 301.A.2. Factor Tables

*Base Rates						
P1	P2	P3	P4	P5	P6	P7
79.4029	163.2883	11.4886	13.7454	182.4987	168.5336	35.7304

Territory Factors							
Territory	P1	P2	P3	P4	P5	P6	P7
BBD	1.1902	1.2963	1.1584	1.2440	1.1887	1.1481	1.2724
BBF	1.3180	1.1493	1.1921	1.1770	1.0915	1.0405	1.2038
BBG	1.2018	1.1493	1.3124	1.1811	1.1554	1.0405	1.3657
BBJ	1.2118	1.2319	1.1584	1.2010	1.1887	1.1481	1.2763
BBK	1.1759	1.1493	1.2655	1.1811	1.1463	1.0405	1.3199
BBN	1.2658	1.1493	1.3139	1.1811	1.1173	1.0405	1.2404
BBP	1.1902	1.2319	1.1584	1.1606	1.1887	1.1481	1.2295
BBQ	1.2637	1.1270	1.1512	1.1811	1.1004	1.0405	1.3657
BBR	1.1902	1.2319	1.1584	1.1606	1.1887	1.1481	1.2295
BBT	1.3012	1.1493	1.3139	1.1811	1.1111	1.0405	1.2404
BBV	1.3180	1.1493	1.3139	1.0969	1.1341	1.0648	1.2404
BBW	1.1257	1.1493	1.1019	1.1811	1.0972	1.0648	1.2416
BCC	1.2035	1.1493	1.1769	1.1811	1.0967	1.0405	1.3346
BCF	1.2340	1.1270	1.1301	1.1811	1.0839	1.0405	1.3657
BCG	1.2872	1.1493	1.3139	1.1811	1.1090	1.0405	1.2404
BCH	1.2285	1.1493	1.3139	1.1811	1.1572	1.0405	1.2497
BCM	1.2867	1.1493	1.1659	1.1811	1.0927	1.0405	1.3657
BCN	1.3180	1.1493	1.2085	1.1811	1.1218	1.0405	1.3657
BCT	1.2738	1.1493	1.3139	1.1811	1.1140	1.0405	1.2404
BCW	1.2565	1.1270	1.2357	1.1811	1.1081	1.0405	1.3506
BCX	1.3180	1.1493	1.2890	1.1811	1.0867	1.0405	1.2404

*Indicates Change

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Effective February 15, 2017

CLF 2

SERFF Tracking #:

PNPR-130781227

State Tracking #:

Company Tracking #:

MK 16-018

State: Pennsylvania

Filing Company:

Pennsylvania National Mutual Casualty Insurance Company

TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name: PA Home Rate Review 2/15/17

Project Name/Number: /

Supporting Document Schedules

Bypassed - Item:	Authorization to File (PC)
Bypass Reason:	Not applicable
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Explanatory Memorandum & Supporting Exhibits (PC)
Comments:	
Attachment(s):	PA HO Support 2-1-2017.pdf Exhibits.xlsx
Item Status:	
Status Date:	

SERFF Tracking #:

PNPR-130781227

State Tracking #:

Company Tracking #:

MK 16-018

State:

Pennsylvania

Filing Company:

Pennsylvania National Mutual Casualty Insurance Company

TOI/Sub-TOI:

04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name:

PA Home Rate Review 2/15/17

Project Name/Number:

/

Attachment Exhibits.xlsx is not a PDF document and cannot be reproduced here.

Calculation of Statewide Indications

The attached exhibits support a rate level adjustment for Pennsylvania National Mutual Casualty Insurance Company's Pennsylvania Homeowners program. The proposed changes result in an overall premium level change of 0.0% on all Owners Forms. The intent of this change is to ensure that the distribution of premium by peril matches the distribution of losses by peril. The indications are based on fiscal accident years ending March evaluated as of June 30, 2016. The statewide indication is developed on Exhibit 1.

In order to evaluate the rate need, premiums are adjusted from their collected level to the projected level. Collected Earned Premiums are adjusted for all subsequent rate changes to bring them to the current rate level (Earned Premium @ Current Rate Level). In addition to rate level changes, inflation impacts the premium through increases in the coverage A amount. The Premium Trend Factors adjust for past and projected changes in coverage A levels. Projected Earned Premium is the product of Earned Premium @ Current Rate Level and the Premium Trend Factors. The Projected Earned Premium represents the premium on policies written for 12 months following the assumed effective date, without the proposed rate change.

Exhibit 2 shows the derivation of owners' forms premium trend factors. The methodology used to develop these factors may be summarized as follows. The premium trend factors are based on the change in average premium size at current rates levels. The average policy sizes are fit to a least squares exponential curve to derive the annual average change. Trend factors for each experience year are developed with the annual trend and the amount of time between each experience period and the average date of writing for policies effective for the year beginning February 1st, 2017.

The development of the Company's projected losses begins with Reported Loss Excluding Catastrophe. These losses are on a fiscal-accident year basis and exclude all catastrophes. In order to project our rate need, these losses must be developed to their ultimate basis, trended to expected future levels, and loaded for expected catastrophe losses.

Exhibit 3 displays the calculation of the loss development factors. Countrywide Penn National Homeowners data is used. Application of the loss development factors to the accident year reported losses estimates the ultimate incurred loss for each accident year.

As with the premium trend factors, the loss trend factors are based on Penn National's actual trends. Exhibit 4 illustrates the basis for the derivation of owner's forms loss trend factors. The pure premium (incurred losses/exposures) was calculated by quarter and then plotted on a chart. The countrywide trend factor was obtained by fitting an exponential curve to the data. The accident year loss trend factors are the accumulation of the annual loss trend based on the average loss date of February 1, 2018 the average date of loss for policies written in the year beginning February 1, 2017.

Catastrophe loss levels are erratic and their presence can skew the rate level indications. To prevent this skewing, we have eliminated actual catastrophe losses and replaced them with

long-term expectations. Exhibit 5 contains the cat to non-cat reported ratios used to calculate the 1996-2015 cat ratios. The selected factor is applied to the non-catastrophe losses to estimate expected catastrophe losses.

Projected Incurred Loss is the product of the Reported Loss Excluding Catastrophe, the Loss Development Factor, the Loss Trend Factor, and the Catastrophe Loss Loading. The Projected Incurred LAE is the Projected Incurred Loss times the allocated and unallocated loss adjustment expense factors. The LAE factors are the budgeted 2016 ratios of LAE-to-Loss.

The Projected Loss & LAE Ratio is the quotient of the Projected Incurred Loss & LAE to the Projected Earned Premium. The total loss ratio is a simple average of the five accident years.

The Expected Combined Ratio is calculated on Exhibit 6a. The expected combined ratio is calculated to produce a 12.0% return on surplus. Underwriting income as well as investment income on reserves and surplus is considered. The investment return to invested assets is calculated on Exhibit 6b.

The expenses in this filing are split into flat and variable portions to make the indications more accurate. The flat expenses include other acquisition, general expenses, and other taxes. The Expected Loss, LAE, & Flat Expense provision equals the Expected Combined Ratio less commission and premium tax. The statewide Indicated Change equals the Total Projected Loss & LAE Ratio plus the Flat Expense divided by the Expected Loss, LAE, & Flat Expense.

Selections and policy level impacts are contained on Exhibit 7.

Statewide Rate Level Indication
Pennsylvania Owners Forms

Fiscal Accident Year	Collected Earned Premiums	Earned Prem @ Current Rate Level	Premium Trend Factors	Projected Earned Premium	Earned House Yrs
2012	24,994,819	30,912,188	1.056	32,627,875	40,384
2013	26,711,395	31,191,214	1.047	32,642,309	41,540
2014	29,917,388	31,939,006	1.038	33,141,309	43,019
2015	32,043,156	32,684,718	1.029	33,627,353	43,922
2016	33,919,579	34,005,955	1.020	34,689,863	45,644

Accident Year	Reported Loss Excluding Catastrophe	Loss Development Factor	Loss Trend Factors	Projected Incurred Loss & LAE	Projected Loss & LAE Ratio
2012	10,666,876	1.000	1.101	16,018,482	49.1%
2013	10,658,464	1.002	1.084	15,796,685	48.4%
2014	13,621,755	1.004	1.068	19,925,439	60.1%
2015	12,313,629	1.004	1.052	17,741,829	52.8%
2016	9,836,713	1.016	1.036	14,127,321	40.7%

Expense and Loss Loadings		Calculation of Indicated Change	
LAE-to-Loss Ratios		5-Yr Avg Projected	
Adj Expense	8.8%	Loss & LAE Ratio	50.2%
D&CC	0.6%		
Underwriting Expense Ratio		Projected Flat Expense	10.8%
Commission	20.1%	Variable Expense	22.1%
Other Acquisition	6.0%		
General	2.2%	Expected Combined Ratio	89.4%
Premium Taxes	2.0%		
Other Taxes	0.6%		
Reinsurance	2.0%		
Catastrophe Loss Loading	1.248	Indicated Change	-9.4%

Statewide Rate Level Indication
Pennsylvania Tenants Forms

Fiscal Accident Year	Collected Earned Premiums	Earned Prem @ Current Rate Level	Premium Trend Factors	Projected Earned Premium	Earned House Yrs
2012	857,331	857,331	1.000	857,331	5,530
2013	975,113	975,113	1.000	975,113	5,852
2014	1,107,550	1,107,550	1.000	1,107,550	6,716
2015	1,204,184	1,204,184	1.000	1,204,184	7,780
2016	1,325,332	1,325,332	1.000	1,325,332	8,486

Fiscal Accident Year	Reported Loss Including Catastrophe	Loss Development Factor	Loss Trend Factors	Projected Incurred Loss & LAE	Projected Loss & LAE Ratio
2012	417,056	1.000	1.065	485,817	56.7%
2013	426,734	1.002	1.055	493,139	50.6%
2014	794,244	1.004	1.044	910,565	82.2%
2015	562,854	1.004	1.034	638,898	53.1%
2016	268,546	1.016	1.024	305,417	23.0%

<u>Expense and Loss Loadings</u>		<u>Calculation of Indicated Change</u>	
LAE-to-Loss Ratios		5-Yr Avg Projected	
Adj Expense	8.8%	Loss & LAE Ratio	53.1%
D&CC	0.6%		
Underwriting Expense Ratio		Projected Flat Expense	10.8%
Commission	20.1%	Variable Expense	22.1%
Other Acquisition	6.0%		
General	2.2%	Expected Combined Ratio	89.4%
Premium Taxes	2.0%		
Other Taxes	0.6%		
Reinsurance	2.0%		
Catastrophe Loss Loading	1.000	Indicated Change	-5.1%

Pennsylvania Homeowners: Rate Revision History

Owners Forms

	<u>Form</u>	<u>Percentage</u>	<u>Dollar Impact</u>
2/1/2004	All	3.0%	462,466
5/16/2005	All	2.1%	358,901
1/1/2006	All	-1.4%	(250,007)
1/1/2007	All	1.2%	273,886
5/15/2008	All	0.0%	0
3/15/2009	All	0.0%	0
8/15/2010	All	7.0%	1,810,214
10/21/2011	2	12.2%	118,967
10/21/2011	3	5.9%	1,603,854
10/21/2011	5	1.3%	12,887
10/21/2011	8	5.9%	575
11/1/2012	All	11.0%	3,205,359
11/1/2013	All	3.7%	1,231,871
11/1/2014	All	1.5%	508,416
2/15/2016	All	0.0%	0
Current	All	0.0%	0

Tenants Forms

		<u>Percentage</u>	<u>Dollar Impact</u>
Current	4,6	0.0%	0

All Forms

		<u>Percentage</u>	<u>Dollar Impact</u>
Current	All	0.0%	0

Homeowners Insurance - Owners Forms
Calculation of Premium Trend

Analysis of Homeowners Premium Trends						
Pol Yr	Avg Prem	Rate Impact	On-Level Prem	Change		
				Avg Prem	Cov A	
2006	\$542	0.1%	1.348	\$731	6.4%	9.1%
2007	\$583	1.7%	1.325	\$772	5.7%	8.9%
2008	\$606	0.4%	1.320	\$800	3.6%	6.1%
2009	\$621	0.9%	1.308	\$812	1.5%	4.8%
2010	\$643	2.1%	1.281	\$824	1.4%	4.0%
2011	\$672	3.5%	1.238	\$831	1.0%	3.3%
2012	\$704	5.2%	1.177	\$828	-0.4%	3.9%
2013	\$755	8.9%	1.080	\$816	-1.5%	3.3%
2014	\$790	5.3%	1.026	\$810	-0.7%	3.8%
2015	\$808	2.6%	1.000	\$808	-0.3%	3.5%
				0.9%		

Trend Calculation	
Avg Date of Writing	Trend Factors
4/1/2011	1.056
4/1/2012	1.047
4/1/2013	1.038
4/1/2014	1.029
4/1/2015	1.020
8/1/2017	1.000

	Change	Weights	
4q05-Present	0.9%	100%	0.7%

Homeowners Loss Development Exhibit

Fiscal-Acc Year	Countrywide Incurred Losses as of:				
	15-MONTH	27-MONTH	39-MONTH	51-MONTH	63-MONTH
2010		29,536,875	29,726,229	29,847,312	30,056,140
2011	31,774,073	34,415,734	34,627,945	34,794,190	34,746,212
2012	30,340,324	30,871,218	30,915,464	31,040,166	31,043,005
2013	29,095,283	28,929,178	29,100,201	29,028,143	
2014	33,804,529	34,180,962	33,999,988		
2015	28,930,124	29,841,426			
2016	27,379,877				

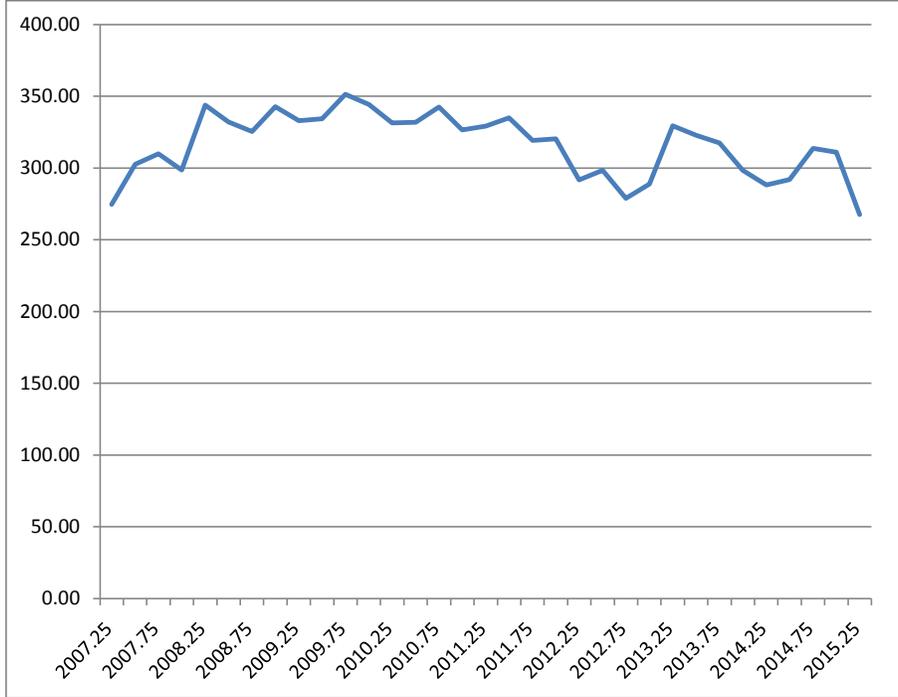
	Incremental Ratios:			
	15-27 MO	27-39 MO	39-51 MO	51-63 MO
4TH PRIOR	1.083	1.006	xxxx	xxxx
3RD PRIOR	1.017	1.006	1.004	xxxx
2ND PRIOR	0.994	1.001	1.005	1.007
1ST PRIOR	1.011	1.006	1.004	0.999
CURRENT	1.032	0.995	0.998	1.000
3-yr AVERAGE	1.012	1.000	1.002	1.002

	Age-to-Ultimate Ratios:				
	15-Ult	27-Ult	39-Ult	51-Ult	63-Ult
AVERAGE	1.016	1.004	1.004	1.002	1.000

Homeowners Insurance - Owners Forms
Calculation of Loss Trend

Pure Premium by Quarter

2007.25	274.66
2007.50	302.49
2007.75	309.82
2008.00	298.65
2008.25	343.76
2008.50	332.05
2008.75	325.47
2009.00	342.70
2009.25	332.96
2009.50	334.20
2009.75	351.42
2010.00	344.21
2010.25	331.32
2010.50	331.90
2010.75	342.39
2011.00	326.48
2011.25	329.18
2011.50	334.92
2011.75	319.31
2012.00	320.38
2012.25	291.76
2012.50	298.46
2012.75	278.75
2013.00	288.78
2013.25	329.43
2013.50	322.80
2013.75	317.39
2014.00	298.29
2014.25	288.22
2014.50	291.84
2014.75	313.60
2015.00	310.89
2015.25	267.57



1q08-Present	Change	Weights
	1.5%	100%

Avg Date of Loss	Loss Trend Factors
10/1/11	1.101
10/1/12	1.084
10/1/13	1.068
10/1/14	1.052
10/1/15	1.036
2/1/18	1.000

Notes: 2003.75 = 12/31/2003 + 3 Quarters = 9/30/2004
Weights based on number of points in each calculation

Development of Non-Hurricane Catastrophe Loading

Accident Year	Reported Losses		Catastrophe Factor
	Excluding Catastrophe	Catastrophe	
1996	5,362,455	4,721,393	0.880
1997	5,643,625	355,887	0.063
1998	6,339,570	1,291,858	0.204
1999	4,898,515	1,195,791	0.244
2000	7,117,528	924,775	0.130
2001	10,483,894	133,815	0.013
2002	7,455,750	351,319	0.047
2003	7,631,619	1,878,301	0.246
2004	9,575,903	1,583,261	0.165
2005	9,852,232	166,447	0.017
2006	7,599,517	709,867	0.093
2007	10,606,515	373,514	0.035
2008	12,216,459	56,781	0.005
2009	11,742,895	1,403,726	0.120
2010	12,514,037	7,290,110	0.583
2011	15,647,119	9,927,530	0.634
2012	11,227,233	5,285,224	0.471
2013	10,811,375	688,858	0.064
2014	13,021,385	9,517,109	0.731
2015	11,457,959	2,385,720	0.208
20-Yr Avg			0.248
Selected			0.248

LINE: Homeowners

STATE: PA

Expense Provisions and Target Loss Ratios
12% ROS, 1.2 P/S

Commission (incl. Conting.)	20.1%
Other Acquisition	6.0%
General	2.2%
Premium Taxes	2.0%
Other Taxes	0.6%
Reinsurance	2.0%
Total Premium Related Expenses	32.8%
Target Combined Ratio	89.4%
Target Loss & LAE Ratio	56.5%
LAE (% of loss)	9.4%
Unallocated	8.8%
Allocated	0.6%

Target Operating Ratio Exhibit

LINE: Homeowners

STATE: PA

(1) Earned Premium (CW)	90,818		
(2) Unearned Prem. Reserve (CW)	45,409		
(3) Prepaid Expenses	12,469		
(4) Outstanding agent's balances	13,625		
(5) Loss Reserves/Incurred	0.446		
(6) Reserves/Premium	0.465	(7) Reserves/Surplus	0.558
		(8) Investment Rate of Return (%)	3.5
(9) P/S allocated to this line	1.20		
(10) Tax Rate on investment	34.0%	(11) Target Returned on Surplus (%)	
(12) Tax Rate on u/w profit	34.0%	12	
(13) % Investment Return (as % of surplus)		(14) Pre Tax	(15) After Tax
		5.453	3.599
(16) % Excess above target ROS	-8.401		
(17) Excess as % of premium	-7.001		
(18) Minimum U/W gain needed to achieve target ROS	10.6%		
(19) Target Combined Ratio	89.4%		

Note: See Appendix A for and explanation of the items on this exhibit

Base Rate Calculation							
	P1	P2	P3	P4	P5	P6	P7
Current Base Rate	80.7596	165.6889	11.8079	14.0149	183.0144	161.8940	36.8032
Current Distribution	12.96%	28.63%	1.98%	1.99%	28.00%	22.43%	4.01%
Target Distribution	12.7%	28.2%	1.9%	2.0%	27.9%	23.4%	3.9%
Adjustment	0.9832	0.9855	0.9730	0.9808	0.9972	1.0410	0.9708
Proposed Base Rates	79.4029	163.2883	11.4886	13.7454	182.4987	168.5336	35.7304

Impact (%)	Policy Count	Distribution
-1%	1,034	2.3%
0%	44,038	96.5%
1%	585	1.3%

Impact (\$)	Policy Count	Distribution
\$1 - \$12 Decrease	16,327	35.8%
No Change	13,879	30.4%
\$1 - \$19 Increase	15,451	33.8%

Notes: This change results in an overall 0.0% impact.

Current Distribution of premium is based on inforce policies

Target Distribution of premium is based on the distribution of trended and developed losses for fiscal accident years 2007-2016.