

State: District of Columbia **Filing Company:** RLI Insurance Company
TOI/Sub-TOI: 35.0 Interline Filings/35.0002 Commercial Interline Filings
Product Name: TERRORISM 2.0
Project Name/Number: /

Filing at a Glance

Company: RLI Insurance Company
Product Name: TERRORISM 2.0
State: District of Columbia
TOI: 35.0 Interline Filings
Sub-TOI: 35.0002 Commercial Interline Filings
Filing Type: Rate/Rule
Date Submitted: 11/22/2016
SERFF Tr Num: RLSC-130814295
SERFF Status: Submitted to State
State Tr Num:
State Status:
Co Tr Num: RLI-DC-TERR-RR-16-01

Effective Date: 12/01/2016
Requested (New):
Effective Date: 12/01/2016
Requested (Renewal):
Author(s): Sylvia Walker, Tom Drucker, Cathy Barker, Anne Kurt
Reviewer(s):
Disposition Date:
Disposition Status:
Effective Date (New):
Effective Date (Renewal):

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General Information

Project Name: Status of Filing in Domicile: Pending
 Project Number: Domicile Status Comments: This filing is being submitted simultaneously in our state of domicile.
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 11/22/2016
 State Status Changed: Deemer Date:
 Created By: Sylvia Walker Submitted By: Sylvia Walker
 Corresponding Filing Tracking Number:

Filing Description:

RLI Insurance Company has recently submitted commercial filings (filed in conjunction with Contractors Bonding and Insurance Company).

At this time, we are filing the applicable terrorism pricing that will be used with these filings.

We are making this filing to address the Terrorism Risk Insurance Extension Act. This filing consists of rates and rules applicable to Divisions Five - Fire and Allied Lines, Division Six - General Liability, Division Eight - Inland Marine, Division Nine - Multiple Line - Commercial Package Policy, and Division Thirteen - Umbrella.

Enclosed is a narrative of our rate determination.

We trust that the enclosed material satisfies your Department's rate/rule filing requirements. If there are questions regarding this material or anything additional is necessary, please do not hesitate to contact me either directly through SERFF or as indicated below prior to taking any adverse action with regard to this submission. Thank you for your time and attention on this submission.

Sylvia Walker
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Company and Contact

Filing Contact Information

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Filing Company Information

RLI Insurance Company	CoCode: 13056	State of Domicile: Illinois
9025 N Lindbergh Drive	Group Code: 783	Company Type: P&C
Peoria, IL 61615	Group Name: RLI Insurance Group	Domestic Stock
(800) 331-4929 ext. [Phone]	FEIN Number: 37-0915434	State ID Number:

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Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

SERFF Tracking #:

RLSC-130814295

State Tracking #:

Company Tracking #:

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Rate Information

Rate data applies to filing.

Filing Method: File & Use

Rate Change Type: Neutral

Overall Percentage of Last Rate Revision: 0.000%

Effective Date of Last Rate Revision:

Filing Method of Last Filing: Initial 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):
RLI Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

SERFF Tracking #:

RLSC-130814295

State Tracking #:**Company Tracking #:**

RLI-DC-TERR-RR-16-01

State: District of Columbia**Filing Company:**

RLI Insurance Company

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Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		TERRORISM MANUAL TOC		New		DC Terrorism Table of Contents - 2015-08.pdf
2		TERRORISM MANUAL		New		DC Terrorism Manual - 2015-08.pdf

RULE NO.	SECTION I – GENERAL RULES	PAGE NO.
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	B. Sections	1
	C. Lines of Business Eligibility	1
2	Description of Coverage	1
3	Effective Date	1
4	Rounding Procedures	1
5	Coverage Minimum Premiums	1
	A. Package Policies	1
	B. Monoline Policies	1
	C. Contra Pac Policies	1
6	Additional or Return Premium Changes	1
7	Policy Cancellations	2
8	Prorating When Terrorism Coverage Applies Subject to Conditional Exclusion	2
9	Disclosure of Premium	2
	A. Disclosure Pursuant to Terrorism Risk Insurance Act	2
	B. Disclosure of Premium and Estimated Premium for Certified Acts Terrorism Coverage	2
SECTION II – RATING PROCEDURES		
10	Premium Calculation	2
	A. Rating Factor	2
	B. Premiums to be Included in the Line of Business Final Premiums	2

**SECTION I
GENERAL RULES**

**RULE 1
APPLICATION OF THIS DIVISION**

A. Contents

This manual contains the rules, and rating procedures for Certified Acts of Terrorism Coverage.

B. Sections

This manual is divided into separate sections for:

- I. General Rules
- II. Rating Procedures

C. Lines of Business Eligibility

Terrorism coverage is only available for the following lines of business:

1. Fire and Allied Lines (Property)
2. General Liability
3. Inland Marine
4. Businessowners Policies
5. Umbrella Policies

If coverage for terrorism is to be added on a policy, it must be added for all eligible lines of business on the policy.

**RULE 2
DESCRIPTION OF COVERAGE**

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in consultation with the Secretary of Homeland Security and the Attorney General of the United States, to be an act of terrorism, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury.

Certified Acts of Terrorism coverage must be offered if writing any of the eligible coverages.

Insured must sign a form rejecting coverage if coverage is not wanted. If this is a renewal and a signed rejection for the expiring policy is in the file, the insured does not need to sign another rejection. If coverage is wanted on the renewal, the insured must request the coverage.

Only coverage for certified acts of terrorism is available. No other terrorism coverages may be written.

**RULE 3
EFFECTIVE DATE**

The edition date shown on all pages is not necessarily the effective date. The effective date will be established by the Company.

**RULE 4
ROUNDING PROCEDURES**

Round the premium for each coverage for which a separate premium is calculated to the nearest whole dollar. Round a premium involving \$.50 or over to the next higher whole dollar.

**RULE 5
COVERAGE MINIMUM PREMIUMS**

A. Package Policies

Minimum Premiums apply for each line of business on the policy.

1. Annual Minimum Premiums

- | | |
|----------------------|--------|
| a. Property | \$150. |
| b. General Liability | \$150. |
| c. Inland Marine | \$150. |

B. Monoline Policies

1. Annual Minimum Premiums

- | | |
|----------------------|--------|
| a. Property | \$150. |
| b. General Liability | \$150. |
| c. Inland Marine | \$150. |
| d. Businessowners | \$250. |
| e. Umbrella | \$250. |

**RULE 6
ADDITIONAL OR RETURN PREMIUM CHANGES**

If the premiums for the lines of business are increased or decreased, the premium for Certified Acts of Terrorism should be recalculated still subject to the minimum premiums as described in rule 5.

Calculate any additional or return premium pro rata and round to the nearest dollar.

Any additional premium due from the insured will be charged for and any return premium due the insured will be returned.

**RULE 7
POLICY CANCELLATIONS**

If a policy with Certified Acts of Terrorism coverage is cancelled, the cancellation rules for each line of business or policy will apply to the premiums for Certified Acts of Terrorism for that line of business.

Only the earned portion of any minimum premiums as described in rule 5. will be retained.

**RULE 8
PRORATING WHEN TERRORISM COVERAGE APPLIES SUBJECT TO CONDITIONAL EXCLUSION**

If a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer will calculate the additional terrorism premium for the entire policy term. If the federal Program terminates, the company will recalculate the premium by prorating the terrorism premium and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, the premium will remain in effect for the entire policy term.

**RULE 9
DISCLOSURE OF PREMIUM**

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses, is a condition for reimbursement under the federal Program. The following endorsements, which respond to the Treasury Guidance on line item disclosure, may be used.

A. Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85

Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement **IL 09 85** unless paragraph **B.** applies.

B. Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 99

Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement **IL 09 99** for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This situation is described in rule 8. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

**SECTION II
RATING PROCEDURES**

**RULE 10
PREMIUM CALCULATION**

A. Rating Factors

The premium for each line of business will be calculated separately. The following factor(s) will apply to each eligible coverage final premium(s) as described in paragraph **B.** to calculate the premium for terrorism coverage for each line of business.

1. Coverage for Certified Acts of Terrorism

Factor .200

2. Coverage For Certified Acts of Terrorism Excluding Nuclear, Biological, Chemical and Radiological

Factor .012

B. Premiums To Be Included in the Line of Business Final Premiums

Any balances to meet line of business minimum premiums will be included in the final premiums.

1. Property

Include the final premiums for all property coverages.

2. General Liability

a. Include final premiums for:

- (1) The final premium for Directors and Officers (D&O) coverage and/or the final premium for Data Compromise coverage if included on the policy.
- (2) The final premiums for all remaining general liability coverages except coverages shown in **B.2.b.** below.

b. Exclude final premiums for:

- (1) Employee Benefits
- (2) Stop Gap
- (3) Employment Practices Liability (EPLI)
- (4) Any Professional coverages (except D&O).

3. Inland Marine

Include the final premiums for all inland marine coverages.

4. Businessowners Policy

a. Include final premiums for:

- (1) The final premium for Directors and Officers (D&O) coverage if included on the policy.
- (2) The final premiums for all remaining businessowners coverages except coverages shown in **B.4.b.** below.

b. Exclude final premiums for:

- (1) Employee Benefits
- (2) Stop Gap
- (3) Employment Practices Liability (EPLI)
- (4) Any Professional coverages (except D&O).
- (5) Hired and/or Non Owned Auto Liability
- (6) Crime Coverages

5. Umbrella Policies

Use the final umbrella premium

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Supporting Document Schedules

Bypassed - Item:	Consulting Authorization
Bypass Reason:	Not applicable
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Certification (P&C)
Comments:	
Attachment(s):	Terrorism Narrative.pdf Terrorism Rate Support.pdf
Item Status:	
Status Date:	

Satisfied - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Comments:	
Attachment(s):	DC - 5 YEAR - RLI.pdf
Item Status:	
Status Date:	

Satisfied - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Comments:	Acknowledge
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Terrorism Risk Insurance Program Reauthorization Act of 2015
Comments:	
Attachment(s):	TRIA 2015.pdf
Item Status:	
Status Date:	

RLI Insurance Company
Terrorism
Countrywide

Traditional rate justification methods do not accurately develop a rate for terrorism coverage. Historical information is not available and the terrorist attack could come at any time and any place. Therefore, insurers must rely on their own judgement to establish a rate that is not excessive, inadequate or discriminatory.

**RLI / CBIC INSURANCE COMPANIES
CALCULATION OF RATE FOR CERTIFIED ACTS OF TERRORISM**

	<u>Expected Countrywide*</u>
A Property Exposures	16,741,139,500
B Number of Property Policies	21,917
C Average Property Exposure Per Policy (A÷B)	763,854
D Maximum Exposure if Multiple Locations Involved	64,500,000
E Mean GL Limit	1,000,000
F Maximum Limit of Any One Policyholder	9,000,000
G Expected Loss 2	
G 1 Expected Property Loss	7,161,134
G 2 Expected GL Loss	6,250,000
H Expected Direct Defense and Cost Containment Expense	
H 1 Property	1,546,805
H 2 GL	1,350,000
I Total Expected Loss and Direct Expense	16,307,939
J Direct Written Premium	
J 1 ASL 1	8,563
J 2 ASL 2.1	5,021
J 3 ASL 5.1	43,007,033
J 4 ASL 5.2	114,833,200
J 5 ASL 9	111,425
J 6 ASL 17	5,565,321
J 7 ASL 18	3,406,454
K Total Direct Written Premium	166,937,017
L Premium Not Subject to This Filing	
L 1 Contrac Pac Direct Written Premium	112,970,304
L 2 Professional	1,266,488
L 3 Crime	98,542
M Total Premium Subject to TRIA	52,601,683
N Expected Take Up Rate	20%
O Subject Premium After Take Up Rate	10,520,337
P Number of Years to Cover Losses	20
Q Total Loss, Loss Expense and Additional Underwriting Expense	16,307,939
R Factor Needed to Recover Loss and Expense	7.8%
	Selected Factor 7.5%

* Expected countrywide values are based on current CBIC business.

DISTRICT OF COLUMBIA PREMIUM AND LOSS EXPERIENCE EXHIBIT

Name Of The Company RLI Insurance Company

Line Of Business Commercial Package: (\$000) omitted

Experience Current As Of December 31, 2015

Premium and Losses Reported Are:
 Basic Limits Total Limits

	Year <u>2011</u>		Year <u>2012</u>		Year <u>2013</u>		Year <u>2014</u>		Year <u>2015</u>		TOTAL	
	Amount	%	Amount	%								
DISTRICT OF COLUMBIA												
1. Direct Premiums Earned		100.0		100.0		100.0		100.0		100.0		100.0
2. Direct Losses Incurred												
3. Loss Adjustment Expense Incurred												
4. Loss & Loss Adjustment Expense Incurred (2 + 3)												
5. Direct Premiums Written		100.0		100.0		100.0		100.0		100.0		100.0
6. Commission & Brokerage Paid												
7. Other Acquisition, Field Supervision & Collection Expenses Pd.												
8. General Expenses Paid												
9. Taxes, Licenses & Fees Paid												
10. Total Expenses Incurred (6+ 7+ 8+ 9)												
COUNTRYWIDE												
1. Direct Premiums Earned	9,317.00	100.0	11,574.00	100.0	13,031.00	100.0	13,367.00	100.0	14,719.00	100.0	62,008.00	100.0
2. Direct Losses Incurred	4,596.00	49.3	4,669.00	40.3	6,748.00	51.8	2,889.00	21.6	5,168.00	35.1	24,070.00	38.8
3. Direct Defense and Cost Containment Expense Paid	(32.00)	-0.3	92.00	0.8	363.00	2.8	167.00	1.2	174.00	1.2	764.00	1.2
4. Direct Loss & Loss Expenses Incurred (2+3)	4,564.00	49.0	4,761.00	41.1	7,111.00	54.6	3,056.00	22.9	5,342.00	36.3	24,834.00	40.0
5. Direct Premiums Written	10,351.00	100.0	12,900.00	100.0	13,167.00	100.0	14,219.00	100.0	15,296.00	100.0	65,933.00	100.0
6. Commission & Brokerage Incurred	1,813.00	17.5	2,336.00	18.1	2,436.00	18.5	2,634.00	18.5	2,869.00	18.8	12,088.00	18.3
7. Other Acquisition, Field Supervision & Collection Expenses Pd.	1,086.00	10.5	1,173.00	9.1	2,958.00	22.5	2,534.00	17.8	3,495.00	22.8	11,246.00	17.1
8. General Expenses Paid	949.00	9.2	943.00	7.3	1,176.00	8.9	1,166.00	8.2	1,769.00	11.6	6,003.00	9.1
9. Direct Taxes, Licenses & Fees Incurred	313.00	3.0	347.00	2.7	356.00	2.7	368.00	2.6	392.00	2.6	1,776.00	2.7
10. Total Expenses Incurred (6+ 7+ 8+ 9)	4,161.00	40.2	4,799.00	37.2	6,926.00	52.6	6,702.00	47.1	8,525.00	55.7	31,113.00	47.2

NOTES: * % of Lines 1(Same for each year & total)

** % of Lines 5(same for each year & total)

Statistical Agent for this Line of Business _____

Rating Bureau Affiliation for this Line of Business _____

**EXPEDITED SERFF FILING TRANSMITTAL DOCUMENT
FOR TERRORISM RISK INSURANCE FORMS AND PRICING**

Indicate Type of Filing
<input type="checkbox"/> Filing Related to <i>Certified Losses</i>
<input type="checkbox"/> Filing Related to <i>Non-Certified Losses</i>
<input checked="" type="checkbox"/> Filing Applicable to Both Certified and Non-Certified Losses

This abbreviated filing transmittal document should be used in conjunction with a SERFF filing only.

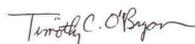
To be complete, a filing must include the following:

- A completed Expedited Filing Transmittal Document
- One copy of each endorsement, disclosure form and/or other policy language, unless the insurer has given an advisory organization authorization to file them on its behalf
- A copy of the rates, rating systems and supporting documentation, if applicable
- The appropriate filing fees, if applicable

The insurer(s) submitting this filing certifies that it:

- Is in compliance with the terms of the Terrorism Risk Insurance Act, as amended, and/or the laws of this state
- Is in compliance with state's requirements with respect to terrorism coverage; and
- Is in compliance with the requirements of the bulletin containing the voluntary expedited filing procedures.

Electronic Signature:



Digitally signed by Tim O'Bryan
DN: cn=Tim O'Bryan, o, ou,
email=timothy.obryan@rlcorp.com, c=US
Date: 2016.11.15 16:11:19 -06'00'