

State: District of Columbia **Filing Company:** RLI Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners
Product Name: RLI Short Stay Program
Project Name/Number: /

Filing at a Glance

Company: RLI Insurance Company
Product Name: RLI Short Stay Program
State: District of Columbia
TOI: 04.0 Homeowners
Sub-TOI: 04.0004 Tenant Homeowners
Filing Type: Rate
Date Submitted: 11/22/2016
SERFF Tr Num: RLSC-130818962
SERFF Status: Submitted to State
State Tr Num:
State Status:
Co Tr Num: THO-SS-R-1116-R

Effective Date: 01/01/2017
Requested (New):
Effective Date: 01/01/2017
Requested (Renewal):
Author(s): Tom Drucker, Cathy Barker, Mark Lucas
Reviewer(s):
Disposition Date:
Disposition Status:
Effective Date (New):
Effective Date (Renewal):

State: District of Columbia **Filing Company:** RLI Insurance Company
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General Information

Project Name: Status of Filing in Domicile: Pending
 Project Number: Domicile Status Comments: Illinois is our domiciled state.
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 11/22/2016
 State Status Changed: Deemer Date:
 Created By: Mark Lucas Submitted By: Mark Lucas
 Corresponding Filing Tracking Number:

Filing Description:

RLI Insurance Company is submitting this rate filing to allow us the opportunity to provide personal liability coverage to short stay renters that use services such as Airbnb and Homeaway. Coverage will be provided for a set liability limit of \$100,000 for a set rate of \$10/day. This product will be marketed through the same agency that markets our Lease Deposit Bond Program and our Renters Program.

We are requesting an effective date of January 1, 2017 for this filing.

Thank you,
 Mark P. Lucas

Company and Contact

Filing Contact Information

Mark Lucas, Sr. IDA Analyst Mark.Lucas@rlicorp.com
 9025 N. Lindbergh Drive 309-692-1000 [Phone] 5543 [Ext]
 Peoria, IL 61615

Filing Company Information

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

Fee Required? No
 Retaliatory? No
 Fee Explanation:

SERFF Tracking #:

RLSC-130818962

State Tracking #:

Company Tracking #:

THO-SS-R-1116-R

State:

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Rate Information

Rate data does NOT apply to filing.

SERFF Tracking #:

RLSC-130818962

State Tracking #:

Company Tracking #:

THO-SS-R-1116-R

State:

District of Columbia

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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		Short Stay Rate Page	Page 1	New		Rate Page - Short Stay Program 1-1-17.pdf

RLI Insurance Company
Short Stay Program

Countrywide

The RLI Short Stay Program provides \$100,000 of personal liability coverage to short stay renters. The premium for coverage will be determined by using the following formula: rental days x \$10.00 daily rate = premium charge. For example a 5 day rental would require a \$50.00 (5 days x \$10.00) premium. There is a \$20.00 minimum premium charge for the coverage that is fully earned at the time of policy issuance.

Personal Liability Limit	\$100,000
Rate per Day	\$10.00

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Supporting Document Schedules

Bypassed - Item:	Consulting Authorization
Bypass Reason:	No third party filer is involved in this filing.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Certification (P&C)
Comments:	Filing support exhibits are attached.
Attachment(s):	Filing Exhibits - RLI Short Stay Program 2016.pdf
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	New program
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	New program
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Rate Explanatory Memorandum
Comments:	Rate Explanatory Memorandum is attached.
Attachment(s):	DC Rate Explanatory Memorandum.pdf
Item Status:	
Status Date:	

**RLI Insurance Company - Short Stay Program
Permissible Loss/LAE**

Exhibit 1

(Countrywide Data)

	<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>Selected</u>
Written Premium	1,209,038	---	600,121	---	184,445	---	---
Commission	241,822	20.0%	122,364	20.4%	37,090	20.1%	20.1%
Other Acquisition	130,688	10.8%	70,422	11.7%	20,510	11.1%	11.1%
General	75,812	6.3%	52,938	8.8%	19,952	10.8%	7.5%
Taxes, License, & Fees	29,339	2.4%	11,561	1.9%	2,788	1.5%	2.2%
Total Expense	477,661	39.5%	257,286	42.9%	80,340	43.6%	40.9%
							Profit & Contingency 5.0%
							Investment Income -1.4%
							Expense & Profit & Contingency 44.5%
							Permissible Loss/LAE <u>55.5%</u>

* RLI Renters Program Data.

** The selected %'s = the 3yr weighted averages.

**RLI Insurance Company - Homeowners aslob 4.0
Investment Income**

Exhibit 2

(Countrywide Data)

A. Funds provided by unearned premiums

1. Direct premium earned	9,734,489
2. Mean unearned premium reserve (.514 x A1)	5,007,183
3. Deduction for prepaid expense (.481 x A2)	2,410,087
4. Funds available (A2 - A3)	2,597,096

B. Delayed remission of premiums (agents' balance)

1. Direct premiums earned (A1)	9,734,489
2. Average agents' balance	2.6%
3. Delayed remission (B1 x B2)	250,481

C. Funds provided by loss reserves

1. Direct premiums earned (A1)	9,734,489
2. Expected incurred loss and lae expense (.310 x A1)	5,403,114
3. Expected mean loss reserve (.576 x C2)	3,112,194

D. Net subject to investment (A4 - B3 + C3)

5,458,809

E. Average rate of return of assets

2.4%

F. Investment earnings of funds provided (D x E)

131,867

**G. Average investment rate of return as a percentage
of earned premiums (F / A1)**

1.4%

**RLI Insurance Company - Short Stay Program
Rate Development**

Exhibit 3

1) Fixed Expense Per Policy (General (25%) + Other Acq (25%)) / Policy Count	\$6.36
Expected Loss (Ave Prem x Permissible Loss 55.5%)	<u>\$27.75</u>
Total Fixed Exp + Expected Loss	\$34.11
Multiplier	<u>1.63</u>
Calculated Average Premium	\$55.78
Proposed Average Premium	<u>\$50.00</u>

2) Written Premium		<u>2015</u>	
		\$1,209,037	
Commission	Variable 100%	\$241,822	20.0%
Other Acquisition	Variable 75%, Fixed 25%	\$130,688	10.8%
General	Variable 75%, Fixed 25%	\$75,812	6.3%
Taxes, License, & Fees	Variable 100%	\$29,339	2.4%
Total Expense		\$477,661	39.5%
Policy Count		8,114	

3) <u>Variable Expense & Profit Load</u>	
Variable Expense Load (Comm + Tax + Other Acq (75%) + General (75%))	35.2%
Profit & Contingency Load	<u>3.6%</u>
Variable Expense + Profit Total	38.8%
Multiplier (1.00 / (1.00 - 38.8%))	1.63

4) Average Premium Proposed

3 Day Stay	\$30.00
4 Day Stay	\$40.00
5 Day Stay	\$50.00
6 Day Stay	\$60.00
7 Day Stay	\$70.00
Average Premium	\$50.00

RLI INSURANCE COMPANY

SHORT STAY PROGRAM

DISTRICT OF COLUMBIA RATE EXPLANATORY MEMORANDUM

RLI Insurance Company is submitting this Short Stay Program rate filing to allow us the opportunity to provide personal liability coverage to short stay renters that use services such as Airbnb and HomeAway. These services provide a community marketplace for people to list, discover and book unique accommodations around the world as an alternative to staying in a hotel. They have traditionally focused on hosts with homes, however, they are now targeting hosts with apartments. Apartment Complex Owners have been resistant in the past due to liability concerns, concerns about transient communities, lack of control, etc. The Apartment Complex Owners, in order to allow short stay rentals to occur under the (long term) renter's lease, have asked that proof of liability coverage be provided or liability coverage be purchased by the short stay renter. Our product would be marketed to those short stay renters who wish to purchase the liability coverage. The product will be marketed by the agency that currently markets our Lease Deposit Bond Program and our Renters Program.

This is a new program for RLI Insurance Company. We became aware of the need for this program through relationships developed after starting our Lease Deposit Bond Program and our Renters Program. Both of these programs market to tenants of large apartment complexes. These tenants, and others within approved complexes, are the potential hosts for the short stay renters. The agency that will be marketing this Short Stay Program has been providing Lease Deposit Bonds, Renters policies and screening services for the Apartment Complex Owners since 2009. We are using a simplified rating plan as the program will only be offered to short stay renters who qualify to rent through one of the short stay services mentioned above. As this is a new program, we have developed rates using the following steps:

1. We have used our existing Renters Program fixed and variable expenses as the same agency and policy issuance methods will be used for the Short Stay Program.
2. We have used the permissible Loss/LAE ratio (Exhibit 1 in our support exhibits) to develop the loss cost portion of the premium.
3. The proposed rate of \$10 per day (for \$100,000 liability coverage) was selected to be affordable to our policyholders, yet reasonable and adequate to maintain profitability.

Exhibit 3 in our support exhibits illustrates these steps.