

APPENDIX A

Applicable to Section I Liability and Section II Physical Damage

If the actual exposures of the risk have been subject to a 25% change since the experience period, apply the following advisory procedure to determine the basic limits premium subject to experience rating. The 25% differential shall be determined by averaging the actual exposures from the experience period, and comparing the resulting average exposures to the current exposures. An example of this calculation follows:

Current Exposure = 25

Experience Period

3rd Prior Year = 35

2nd Prior Year = 35

1st Prior Year = 33

Average Exposure = 34.33

$(25 - 34.33) / 34.33 = 27.18\%$ change in exposure

Historical Exposures at Present CAR Rates Method

Procedure:

Determine the actual historical exposures on the present rating basis by classification and garaging for each policy of the experience period.

The actual exposures by classification and garaging for a given year of the experience period, when multiplied by the present basic limits CAR rates and then multiplied by the appropriate detrend factor from Table A in Section I for Liability and Section II for Physical Damage, yields the annual basic limits CAR premium for that year of the experience period.

The Servicing Carrier shall determine the applicability of this rating procedure based upon the credibility of the documentation supplied in support of the change in exposure level.

If the historical exposure information is not obtainable from the company insuring the risk during the experience period, historical information may be obtained in the form of a signed statement from the insured. Exposure information submitted in such form may be excluded from the rating if its reliability cannot be established.