

# Actuarial Memorandum

Obsidian Insurance Company – Wisconsin Manufactured Homeowners Program

## 1 FILING OVERVIEW

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Obsidian Insurance Company (Obsidian) is proposing a new homeowners insurance program for new and renewal business, branded SafeHome. This product will be distributed through a general agent, SafeLease Insurance Services LLC (SafeLease).

Since this is a new program for which Obsidian does not have its own loss data on which to develop rates, the proposed program is based on the loss experience and approved rating plans of Markel American Insurance Company (Markel). Markel’s program is filed in 18 states, with the most recent approved SERFF Rate filings listed below.

MARKEL APPROVED FILINGS		
State	SERFF Filing Number	New Business Effective Date
Alabama	MRKA-134723272	1/1/2026
Arizona	MRKA-134436838	5/1/2025
Arkansas	MRKA-134600545	6/1/2023
Georgia	MRKA-134600545	9/5/2025
Illinois	MRKA-134397799	7/15/2025
Indiana	MRKA-134851671	5/25/2026
Kansas	MRKA-134533470	8/1/2025
Kentucky	MRKA-134470860	7/1/2025
Michigan	MRKA-134674721	12/15/2025
Mississippi	MRKA-134704821	12/5/2025
Missouri	MRKA-133789464	12/15/2023
New Mexico	MRKA-134530568	7/15/2025
Ohio	MRKA-134765013	2/1/2026
Oklahoma	MRKA-134786119	3/15/2026
South Carolina	MRKA-134545469	7/15/2025
Tennessee	MRKA-134875422	5/15/2026
Texas	MRKA-134817333	4/15/2026
Wisconsin	MRKA-134035143	5/1/2024

The proposed program is intended to support owner-occupied, seasonal, rental, vacant, and tenant-occupied scenarios through a flexible, occupancy-based rating structure with manufactured home-specific optional coverages.

This filing does not have a current book of business. No policyholders will be rolled into, renewed into, or transferred into the proposed program. Obsidian does not use price optimization methods in the development of any part of the rating plan.

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## 2 PROPOSED ENHANCEMENTS

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The proposed enhancements to the approved Markel program include:

- Regrouping of perils from Markel's approved peril structure to the proposed five-peril structure
- Adjustment to the base rate to recognize:
  - Inflation between the average accident date of the Markel rates and the expected average accident date of the proposed program
  - Expected difference in program expenses
  - Expected difference in base coverage risk
  - Competitive adjustment
- Revisions to rating factors and additive coverages, as detailed in the enclosed actuarial exhibits
- Removal of select Markel rating steps, including Channel, Roof - Material, Auto/Home Discount, Multi-Policy Discount, Multi-Unit Discount, Price Protection, Community Status, Community Policy, Secondary Residence Liability, and Theft Limitation

## 3 ENCLOSURES

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### **Rule Manual**

The Rule Manual documents the coverage definitions and rating rules applicable to the proposed program.

### **Rate Order of Calculation and Rate Manual**

The Rate Order of Calculation and Rate Manual document the step-by-step calculation sequence and the base rates, factors, and additive rates used to determine the final premium for the proposed program. These enclosures serve as the definitive source for the complete and final proposed rate algorithm and proposed factors.

### **Exhibit 1 – Proposed Base Rates**

Exhibit 1 develops the proposed base rates by multiplying the proposed peril weights by the adjusted Markel base rates from Page 2. The proposed program modifies the peril structure used in the underlying Markel program. The Markel program utilizes a two-peril structure consisting of All Other Perils (AOP) and Windstorm or Hail (WH). The proposed program replaces this two-peril structure with a five-peril structure consisting of AOP and four CAT perils: Wild Fire, Convective Storm, Winter Storm, and Wind Storm.

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Under the proposed five-peril structure, the combined AOP and WH adjusted base rates from the Markel program are redistributed across the proposed five peril groups. The approved Markel base rates were adjusted to account for inflation between the average accident date of the Markel rates and the expected average accident date of the proposed program and expense differences between the approved Markel program and the proposed program.

## **Exhibit 2 – Proposed Expense and Profit Ratios**

Exhibit 2 supports the expense and profit load used to develop the rates. Page 1 summarizes the expense and profit ratios for the Property & Casualty (P&C) industry and the Markel historical experience for the Homeowners Multiple Peril line of business. The selected expense and profit ratios are based on those expected for the proposed program and explained below:

- Commission is selected based on the expected commission to be paid to the distributor.
- Other acquisition expenses are selected based on expected other acquisition costs for the proposed program.
- General expenses are selected to include costs to administer the program.
- Taxes, licenses, & fees are selected as the expected cost for the proposed program in this state.

Page 1 develops the base rate adjustment factor used in Exhibit 1 by dividing the expected loss and defense and cost containment expense (DCCE) ratio for the underlying Markel program by the loss and DCCE ratio of the proposed program.

Pages 2 and 3 summarize the historical expense and profit for the P&C Industry in the state and countrywide, respectively, for the Homeowners Multiple Peril line of business. Pages 4 and 5 summarize the historical expense and profit for Markel in the state and countrywide, respectively, for the Homeowners Multiple Peril line of business.

## **Exhibit 3 – Proposed Territory Factors**

Exhibit 3 develops the proposed territory factors. The approved Markel territory factors are not adopted for the proposed program. The Markel filing does not segment territory at the zip code level, and the territory differentials that exist across defined territories are minimal, where most factors are 1.000 with limited variation. Accordingly, the Markel territory structure is not adopted.

In its place, the proposed program adopts a by-peril territory structure as follows:

- **CAT Perils:** Territory factors for CAT perils are adopted from Travelers' Quantum Home 2.0 rating plan. Travelers writes manufactured homes in the state under its HO-3 program, using the same by-peril territory structure. The geographic drivers of CAT exposure, wind, hail, and similar weather perils, do not differ materially between manufactured homes and site-built homes within the same territory. Accordingly, the Quantum Home 2.0 CAT territory factors are appropriate for use in the proposed program.

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- **Non-CAT Perils:** Non-CAT territory factors are set to 1.000 for all territories. Manufactured homes are not subject to the same building code requirements and construction standards as site-built homes, which limits the comparability of non-CAT loss experience across carriers and programs. In the absence of a credible manufactured home specific source for non-CAT geographic differentials, a conservative, flat factor is used.

When developing the proposed territory factors, the weighted average Travelers territory factors were calculated based on the U.S. Census Bureau American Community Survey 5-Year Estimates (2019-2023) population data at the ZCTA level. The territory factors were then normalized to an average of 1.000 by dividing each factor by the weighted average territory factor. The proposed territory factors are based on these normalized territory factors and regrouped to the proposed by-peril structure.

## **Exhibit 4 – Proposed Deductible Factors**

Exhibit 4 develops the proposed deductible factors using the Markel deductible factor formula:  $\text{Factor} = C \times R^B$ , where B and C are variables and R is defined as the ratio of deductible to coverage amount. In the case of percentage-based deductibles, R is defined as the percentage deductible directly. Page 1 develops non-tenant factors using Coverage A limits while Page 2 develops tenant factors using Coverage C limits. For deductible ratios exceeding the interpolation threshold, factors are calculated by using linear interpolation. Calculated factors are subject to a factor cap. For non-tenant policies, deductible factors from Page 1 apply uniformly to Coverages A, B, and C. For tenant policies, deductible factors from Page 2 apply only to Coverage C, with factors set as 1.000 for Coverages A and B. For both non-tenant and tenant policies, Coverage D factors are set as 1.000.

Page 3 selects values for the parameters used in the Markel calculation steps: Variable B, Variable C, Cap, and Interpolation Threshold. The factor at threshold, used as the basis for linear interpolation, is derived from these selections of Variable B, Variable C, and Interpolation Threshold. Selected parameters reflect the most recent Markel countrywide deductible study as filed in Alabama, Georgia, Illinois, Kansas, Mississippi, Tennessee, and Texas, as shown on Page 4.

## **Exhibit 5 – Proposed Age of Home Factors**

Exhibit 5 develops the proposed age of home factors. Page 1 develops non-tenant age of home factors that are uniform across Coverages A, B, and C. Factors are set to 1.000 for non-tenant Coverage D and for all tenant coverages.

Page 2 compares age of home factors across Markel filed states. Average factors are calculated for 6 age bands (0-5, 6-10, 11-15, 16-25, 26-35, 36+) and rebased to age 14 for comparison. The selected curve adopts the age of home factors filed uniformly in Arizona, Kentucky, Michigan and Mississippi, which sits as an approximate midpoint of all curves across filed states. The full age-by-age curve on Page 1 is taken from the approved Markel curve from these four states.

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## **Exhibit 6 – Proposed Age of Insured Factors**

Exhibit 6 develops the proposed age of insured factors. Page 1 develops age of insured factors that are uniform across Coverages A, B, and C. Factors are set to 1.000 for Coverage D.

Page 2 compares age of insured factors across Markel filed states. Average factors are calculated for 6 age bands (18-25, 26-35, 36-45, 46-55, 56-65, 66+) and rebased to age 31 for comparison. The selected curve adopts the age of insured factors filed in Kentucky, which sits as an approximate midpoint of all curves across filed states.

## **Exhibit 7 – Proposed Insurance Score Factors**

Exhibit 7 develops the proposed insurance score factors. This exhibit assigns states to one of several score factor curves drawn from Markel's filed programs. For states where Markel has filed insurance score factors, the program adopts factors directly from the Markel filings. For non-filed states, insurance score factor curves are assigned from states with similar socioeconomic and credit profile characteristics.

The proposed program uses TransUnion as the insurance score vendor in place of LexisNexis, which is the vendor underlying Markel's filed factors. Each LexisNexis score band is matched to the TransUnion score range occupying the same position in the scored-population distribution, and the relativities are assigned to the matched TransUnion bands. The mapping preserves each band's population share and its relativity. There is no expected rate impact for this change.

Factors are uniform for All Other Perils (AOP), Wildfire, Convective Storm, and Winter Storm in all states. For most states, Wind Storm factors are also set as equal to this group. For Alabama, Florida, Louisiana, Mississippi, and Texas, separate Wind Storm curves are used to reflect regional treatment in Markel's program. Factors apply uniformly to Coverages A through C. For Coverage D, factors are set to 1.000.

## **Exhibit 8 – Proposed Occupancy Factors**

Exhibit 8 develops the proposed occupancy type factors. Page 1 shows how selections for Coverages A through C vary by occupancy type. For all occupancy types, Coverage D factors are set to 1.000.

Owner-occupied dwellings are selected as the base level for occupancy type, with factors set as 1.000 for Coverages A through C.

Pages 2 through 5 develop seasonal, rental, vacant, and tenant occupancy factors, respectively. On each page, approved factors are rebased relative to approved owner occupancy factors for each Markel filed state. Factor selections for Coverages A through C are made based on these rebased factors and informed by the underlying risk drivers of each occupancy type, with supporting documentation in on each page.

## **Exhibit 9 – Proposed Age of Roof Factors**

Exhibit 9 develops the proposed roof age factors. Page 1 proposes factors across combinations of Roof Condition, Age of Roof, and Age of Home. Coverage A factors are adopted from filed Markel factors,

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listed on Page 2, depending on parameter combination. Roof age factors are not applicable to Coverage B. Coverage C and D factors are set to 1.000 for all parameter combinations.

This program rates based on two roof condition categories: Undamaged and Damaged. This collapses the Markel program's structure, which utilizes five roof condition categories: Excellent/Good, Fair, Poor, Severe, and Unknown. Markel's structure is outlined on Page 2.

For undamaged roofs on homes 0 to 5 years old, factors are set as 1.000 for all roof ages to reflect Markel's Excellent/Good condition factors, which are uniform across all filed states. These represent the base expectation that the roof is original to the home. For undamaged roofs on houses over 5 years old, the proposed program applies a new roof discount that rolls off. The factor curve is taken from Markel's Unknown condition factors, which provide this discount mechanism and are uniform across all filed states. For damaged roofs, factors are adopted from Markel's Poor/Severe condition factors in Kentucky, Michigan, and Wisconsin, which represent the most recently filed updates to these factors.

## **Exhibit 10 – Proposed Settlement Factors**

Exhibit 10 develops the proposed settlement factors. Page 1 outlines the proposed factors for the four dwelling settlement options (Actual Cash Value, Replacement Cost, Extended Replacement Cost, and Full Repair Cost) and the two personal property settlement options (Actual Cash Value and Replacement Cost). Dwelling settlement factors apply to Coverages A and B, while personal property settlement factors apply to Coverage C. Coverage D factors are set to 1.000 for all settlement options. Actual Cash Value is chosen as the base settlement type, with factors set to 1.000 for all coverages for dwelling and personal property.

Pages 2 and 3 develop the proposed dwelling and personal property settlement factors, respectively. Markel's underlying program varies settlement factors by age of home, with one factor for homes less than 30 years old, unique factors for each home age from 31 years to 39 years, and one factor for homes older than 40 years old. The proposed program adopts flat settlement factors regardless of home age, with age-driven loss cost variation captured in the age of home factor. Factors are selected from approved flat factors at the age 0 to 30 level across Markel's filed states.

## **Exhibit 11 – Proposed Limit Factors**

Exhibit 11 develops the proposed limit factors and is divided into three sub-exhibits: Exhibit 11.A, 11.B, and 11.C for Coverages A, B, and C respectively. Limit factors are developed separately based on occupancy type.

Each sub-exhibit follows a similar methodology. Page 1 summarizes the proposed limit factors for all covered occupancy types. Subsequent pages alternate between proposed factors and approved Markel factors for each occupancy type. Proposed factor pages rebase the approved Markel factors to the base limit of \$75,000 in all filed states. Proposed factors are then developed as the average of the rebased factors, with adjustments to eliminate reversals and address issues with consistency. Approved factor pages display the underlying Markel factors used in development.

Coverage D factors adopt the Markel filed rating structure, which is uniform across all filed states. No separate sub-exhibit is included for Coverage D as a result. Factors for Owner, Seasonal, and Rental

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occupancy types are filed identically. For each, a factor of 1.000 reflects the base limit of 10% of the coverage A limit. A 2.000 factor is applied when the Coverage D limit is set at 20% of the Coverage A limit. For Tenant occupancy, a factor of 1.000 is applied when the Coverage D limit is set at 20% or 30% of the Coverage C limit. A 2.000 factor is applied when the Coverage D limit is set at 40% of the coverage C limit.

## **Exhibit 12 – Proposed Distribution Channel Discount Factors**

Exhibit 12 develops the proposed distribution channel discount factors to account for differences in expenses by distribution channel. The proposed program offers ten distribution channels with discount factors varying by channel, applying uniformly to Coverages A through D.

The proposed program consolidates three rating variables used in Markel's program: Community Status, Affinity Status, and Community Policy. The three Markel variables capture overlapping risk and exposure characteristics for policies sold through community-based and affinity-based distribution arrangements, and the proposed program replaces them with a single consolidated factor that captures the same underlying differentiation along with the expense-based component.

Page 1 supports the proposed range by developing minimum and maximum supportable discounts. The minimum discount covers scenarios when no underlying Markel discounts apply. The product of all three Markel-derived discounts and the expense-based discount provides the total maximum discount. Pages 2 through 4 show the Markel rating variables used in development of a maximum discount. Page 2 shows Markel's approved Community Status factors, which provide a discount for manufactured homes located in qualifying communities. Page 3 shows Markel's approved Affinity Status factors, which provide a discount for affinity members. Page 4 shows Markel's approved Community Policy factors, which provide a discount for policies written under a community master agreement. For each of these variables, the average factor across filed states is used in the Page 1 factor development. Page 5 develops the expense-based component by comparing the expense and profit ratios from Exhibit 2 (reflecting the typical distribution model) against an alternative distribution model with the lowest reasonable expectation of expenses.

## **Exhibit 13 – Proposed Burglar Alarm Factors**

Exhibit 13 develops the proposed burglar alarm factors. Section A displays the approved Markel factors by coverage form and burglar alarm type.

Section B develops factors for the proposed program based on the approved Markel factors and simplifies Markel's segmentation of three burglar alarm types (No, Local, Central/Monitored) into two (No, Yes). The discount applies to Coverage C only; Coverages A, B, and D receive a factor of 1.000 for all alarm and form combinations.

## **Exhibit 14 – Proposed Claims Free Factors**

Exhibit 14 develops the proposed claims free factors. Page 1 proposes a claims free discount that applies to Coverages A to C, with Coverage D factors set to 1.000 regardless of claim free status. These factors are selected based on the approved Markel factors from Page 2 and the proposed structure simplifies Markel's segmentation that varies by policy Term, claim count, and days uninsured to claims free status.

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## **Exhibit 15 – Proposed Method of Payment Factors**

Exhibit 15 develops the proposed method of payment factors. The proposed factors are based on the approved Markel factors and applied uniformly across Coverages A, B, and C. Factors are set to 1.000 for Coverage D regardless of method of payment.

## **Exhibit 16 – Proposed Number of Claims Factors**

Exhibit 16 develops the proposed number of claims factors. Page 1 details the proposed factors, which are segmented by number of claims (0, 1, 2, 3, and 4+). Proposed factors are selected based on Markel's approved factors from Page 2, with factors applied uniformly across Coverages A, B, and C. Factors are set as 1.000 for Coverage D regardless of number of claims.

Page 2 shows approved Markel factors for all filed states. The Markel program segments on a more granular level than the proposed program; in addition to number of claims, Markel segments factors by occupancy type (Owner, Seasonal, Rental, Vacant – Schedule, Vacant – No Schedule, and Tenant).

The proposed program simplifies the Markel segmentation by applying one set of factors regardless of occupancy type.

## **Exhibit 17 – Proposed Prior Lapse Factors**

Exhibit 17 develops the proposed prior lapse factors. Proposed factors are selected based on Markel's approved factors, with factors applied uniformly across Coverages A, B, and C. Factors are set as 1.000 for Coverage D regardless of policy term and days uninsured.

## **Exhibit 18 – Proposed Short Term Rental Factors**

Exhibit 18 develops the proposed short term rental (STR) factors. Proposed factors are selected based on Markel's approved factors, with factors applied uniformly across Coverages A, B, and C. Factors are set as 1.000 for Coverage D regardless of short term rental status.

## **Exhibit 19 – Proposed Unusual Risk Factors**

Exhibit 19 develops the proposed unusual risk factors. Proposed factors are selected based on Markel's approved factors, with Coverage D factors set as 1.000 regardless of unusual risk type.

## **Exhibit 20 – Coverage Enhancements**

Exhibit 20 develops rates and factors for various coverage enhancements available in the proposed program. Most of these coverage enhancements are available at the option of the insured. The remainder are policy fees or factors that apply based on property characteristics. Rates and factors are selected based on the rates and factors filed by Markel, with occasional updates to segmentation. Selection methodology is documented within each exhibit.

The following sub-exhibits detail the respective factor and rate development for each coverage enhancement:

- Exhibit 20A – Proposed Builder's Risk Factor

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- Exhibit 20B – Proposed Water Damage Premium Factors
  - Proposed Water Damage Scaling Factor
  - Proposed Water Damage Reduced Limit
- Exhibit 20C – Proposed Cosmetic Hail Damage Factor
- Exhibit 20D – Proposed Occasional Rental Factor
- Exhibit 20E – Proposed Scheduled Personal Property Rates
- Exhibit 20F – Proposed Unscheduled Personal Property Coverage
- Exhibit 20G – Proposed Windstorm or Hail Exclusion Factors
- Exhibit 20H – Proposed Vandalism or Malicious Mischief (VMM) Rates
- Exhibit 20I – Proposed Water Backup and Sump Overflow Rates
- Exhibit 20J – Proposed Premises Liability Rates
- Exhibit 20K – Proposed Attractive Nuisance Factor
  - Markel defines separate factors for diving board liability and trampoline liability. The proposed program condenses these into a single attractive nuisance factor with three proposed levels.
- Exhibit 20L – Proposed Personal Liability Rates
- Exhibit 20M – Proposed Animal Liability Rates
- Exhibit 20N – Proposed Landlord Personal Injury Rates
- Exhibit 20O – Proposed Medical Payments Rates
- Exhibit 20P – Proposed Golf Cart Coverage
- Exhibit 20Q – Proposed Hobby Farming Coverage
- Exhibit 20R – Proposed Identity Fraud Expense Coverage
- Exhibit 20S – Proposed Limited Bed Bug Coverage
- Exhibit 20T – Proposed Pet Damage Coverage
- Exhibit 20U – Proposed Trip Collision Coverage
- Exhibit 20V – Proposed Equipment Breakdown Rates
- Exhibit 20W – Proposed Fire Department Service Charge Rate
- Exhibit 20X – Proposed Loss Assessment Coverage

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- Exhibit 20Y – Proposed Debris Removal Coverage
- Exhibit 20Z – Proposed Inspection Fee Rate
  - Market segments rates for Aerial, Interior, Exterior, and Self inspections. The proposed program condenses this segmentation to a Yes/No variable.
- Exhibit 20AA – Proposed Policy Fee
- Exhibit 20AB – Proposed Paperless Discount

## **Filing Authorization Letter**

A signed filing authorization letter from Obsidian is included, authorizing SafeLease to prepare and submit this filing on the company's behalf.