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MEMO

TO: XXXXXXXXX

FROM: Peggy Brinkmann

RE: **Black Knight Data Reconciliation**

We have prepared this report to document the contents of the data files received from your client and the resulting analysis file that will be used for predictive modeling. Please review this with your clients to ensure that the data is correct before we begin the analyses.

DATA FROM CLIENT

Milliman received data from XXXXX for their Homeowners policies written from 2004 to November 30, 2012. The following data tables were transmitted to Milliman:

Table 1 – Record counts

File Name	Date Transmitted	Record Count
TargetVariableFile.txt	12/12/2012	1,355,137
PredictiveVariableFile.txt	12/12/2012	1,355,232
ClaimFile.txt	12/12/2012	2,255,417

The following (Table 2) represents the financial metrics of the data sent to Milliman.

Table 2 – Raw data financial metrics

Policy Effective Year	Policy Count	Total Written Premium	Total Claim Count	Total Incurred Loss	Ex-Wind Claim Count	Ex-Wind Incurred Loss
2004	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2005	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2006	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2007	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2008	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2009	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2010	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2011	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2012	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Total	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX

DATA ADJUSTMENTS

To create the target variable for the predictive modeling, we calculated earned exposures and on-level written premiums for each policy term, and then calculated earned premiums at current rate level. We also attached the Ex-Wind incurred claim amount associated with each policy for the policy year. This section documents these calculations.

- **Policy Year** represents the year of coverage, from Effective Date.
- **Earned Exposure** was calculated as the proportion of the policy year with active coverage, based on effective date, cancellation date, and evaluation date of 11/30/2012.
- **Ex-Wind Earned Premium** was calculated by taking the on-level written premium Excluding Wind and applying the earned exposure.
- **Ex-Wind Claim Count** is the number of Ex-Wind claims with positive amount matched to policy records for the policy year.
- **Ex-Wind Incurred Loss** is the sum of paid loss, paid loss adjustment expense, and the outstanding claim reserve as of 11/30/2012.
- **Loss Ratio** is the incurred loss divided by the earned premium.

Claims that could not be matched to a policy record were dropped from the analysis file. A list of the claims can be provided on request.

Table 3 – Claims omitted

Accident Year	Claims not matched	Incurred Loss Omitted	Claims with zero or negative loss	Incurred Loss Omitted
2004	XXXX	XXXX	XXXX	XXXX
2005	XXXX	XXXX	XXXX	XXXX
2006	XXXX	XXXX	XXXX	XXXX
2007	XXXX	XXXX	XXXX	XXXX
2008	XXXX	XXXX	XXXX	XXXX
2009	XXXX	XXXX	XXXX	XXXX
2010	XXXX	XXXX	XXXX	XXXX
2011	XXXX	XXXX	XXXX	XXXX
2012	XXXX	XXXX	XXXX	XXXX
Total	XXXX	XXXX	XXXX	XXXX

FINAL DATASET

Based on the initial dataset and the exclusions from Table 3, Table 4 below represents the metrics of the final prepped dataset that will be available for analysis.

Table 4 – Final dataset

Policy Year	Earned Exposure	Ex-Wind Earned Premium	Ex-Wind Claim Count	Ex-Wind Incurred Loss	Ex-Wind Loss Ratio
2004	XXXX	XXXX	XXXX	XXXX	XXXX
2005	XXXX	XXXX	XXXX	XXXX	XXXX
2006	XXXX	XXXX	XXXX	XXXX	XXXX
2007	XXXX	XXXX	XXXX	XXXX	XXXX
2008	XXXX	XXXX	XXXX	XXXX	XXXX
2009	XXXX	XXXX	XXXX	XXXX	XXXX
2010	XXXX	XXXX	XXXX	XXXX	XXXX
2011	XXXX	XXXX	XXXX	XXXX	XXXX

2012	XXXX	XXXX	XXXX	XXXX	XXXX
Total	XXXX	XXXX	XXXX	XXXX	XXXX

For the most accurate analysis, we regard the balancing of the data provided to the data used to model with utmost importance. If you would like more detailed information regarding the data included in the "prepped" dataset, or if you have any other questions at all, please feel free to contact me.

Regards,

Peggy Brinkmann
Actuary
Milliman