



## EXHIBIT 1

PORTION OF COMPANY'S POLICIES TO BE AUDITED  
FOR A GIVEN ERROR RATE

BASED ON 6 QUARTERS OF DATA

WEIGHTED ERROR RATE*	25% OR more	24%	23%	22%	21%	20%	19%	18%	17%	16%	15%	14%	13%	12%	11%	10%	9%	8%	7%	6% OR less
<b>PREMIUM SIZE</b>	<b>PORTION OF COMPANY'S POLICIES TO BE AUDITED</b>																			
< 2500	1.4%	1.3%	1.3%	1.2%	1.2%	1.1%	1.1%	1.0%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.3%
2,501–10,000	5.4%	5.2%	5.1%	4.9%	4.8%	3.2%	3.1%	2.9%	2.8%	2.7%	2.5%	2.4%	2.2%	2.1%	1.9%	1.8%	1.6%	1.4%	1.3%	1.1%
10,001–100,000	5.0%	4.9%	4.8%	4.6%	4.5%	3.0%	2.9%	2.8%	2.7%	2.6%	2.5%	2.3%	2.2%	2.0%	1.9%	1.8%	1.5%	1.4%	1.3%	1.1%
100,001–500,000	5.6%	5.5%	5.4%	5.3%	5.2%	3.6%	3.5%	3.4%	3.3%	3.2%	3.1%	3.0%	2.9%	2.7%	2.6%	2.5%	2.3%	2.1%	2.0%	1.8%

\*Weighted Error Rate: The weighted error rate is calculated as the sum of 50% of the statewide 6 quarter error rate and 50% of the insurer's 6 quarter error rate, rounded to the nearest percent.

# EXHIBIT 1

## PORTION OF COMPANY'S POLICIES TO BE AUDITED

**CONFIDENCE LEVEL**  
**97.5%**  
**WITH ERROR OF:** -  
**0.02**

FOR A GIVEN ERROR RATE

BASED ON 6 QUARTERS OF DATA

CREDIBILITY WEIGHTED ERROR RATE*	25% OR more	24%	23%	22%	21%	20%	19%	18%	17%	16%	15%	14%	13%	12%	11%	10%	9%	8%	7%	6% OR less
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### PREMIUM SIZE

### PORTION OF COMPANY'S POLICIES TO BE AUDITED

< 2500	1.4%	1.3%	1.3%	1.2%	1.2%	1.1%	1.1%	1.0%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.3%
2,501–105,000	5.4%	5.2%	5.1%	4.9%	4.8%	3.24.6%	3.14.4%	2.94.2%	2.84.0%	2.73.8%	2.53.6%	2.43.4%	2.23.2%	2.13.0%	1.92.7%	1.82.5%	1.62.3%	1.42.0%	1.31.8%	1.11.5%
5,001–10,000	6.7%	6.5%	6.3%	6.1%	5.9%	5.7%	5.5%	5.3%	5.0%	4.8%	4.5%	4.3%	4.0%	3.7%	3.5%	3.2%	2.9%	2.6%	2.3%	2.0%
10,001–10025,000	5.0%	4.9%	4.8%	4.6%	4.5%	3.04.3%	2.94.2%	2.84.0%	2.73.8%	2.63.7%	2.53.5%	2.33.3%	2.23.1%	2.02.9%	1.92.7%	1.82.5%	1.52.2%	1.42.0%	1.31.8%	1.11.5%
25,001–50,000	6.2%	6.0%	5.9%	5.8%	5.6%	5.5%	5.3%	5.1%	4.9%	4.7%	4.5%	4.3%	4.1%	3.9%	3.6%	3.4%	3.1%	2.8%	2.5%	2.2%
50,001–100,000	6.1%	6.0%	5.9%	5.7%	5.6%	5.5%	5.3%	5.2%	5.0%	4.9%	4.7%	4.5%	4.3%	4.1%	3.9%	3.6%	3.4%	3.1%	2.8%	2.5%
100,001–500250,000	5.6%	5.5%	5.4%	5.3%	5.2%	3.65.1%	3.55.0%	3.44.9%	3.34.7%	3.34.6%	3.14.4%	3.04.3%	2.94.1%	2.73.9%	2.63.7%	2.53.5%	2.33.3%	2.13.0%	2.02.8%	1.82.5%
250,001–500,000	5.8%	5.8%	5.7%	5.6%	5.5%	5.4%	5.3%	5.2%	5.1%	5.0%	4.9%	4.7%	4.6%	4.4%	4.2%	4.0%	3.8%	3.6%	3.4%	3.1%
500,001–750,000	5.8%	5.8%	5.7%	5.6%	5.6%	5.5%	5.4%	5.3%	5.3%	5.2%	5.1%	5.0%	4.8%	4.7%	4.6%	4.4%	4.3%	4.1%	3.9%	3.7%
750,001–1 mil	5.4%	5.4%	5.3%	5.3%	5.2%	5.2%	5.1%	5.0%	5.0%	4.9%	4.8%	4.7%	4.6%	4.5%	4.4%	4.3%	4.3%	4.0%	3.9%	3.7%
>1mil	4.3%	4.3%	4.2%	4.2%	4.1%	4.1%	4.0%	3.9%	3.9%	3.8%	3.7%	3.6%	3.5%	3.4%	3.3%	3.2%	3.0%	2.9%	2.7%	2.5%
Total**	3.2%	3.1%	3.0%	2.9%	2.8%	2.7%	2.6%	2.5%	2.4%	2.3%	2.2%	2.1%	1.9%	1.8%	1.7%	1.5%	1.4%	1.3%	1.1%	1.0%

\*Weighted Error Rate: The weighted error rate is calculated as the sum of 50% of the statewide 6 quarter error rate and 50% of the insurer's 6 quarter error rate, rounded to the nearest percent.

\*Credibility-Weighted Error Rate: This number represents the appropriate portion of a company's policies with errors. In calculating this, first a credibility factor is applied to the company's actual error rate found in previous audits. The credibility factor is equivalent to  $N/(N+100)$ , where N is the number of policies audited for that particular company. Remaining credibility is then applied to the overall statewide error rate.

\*\* Total: This is a rough approximation assuming that the company's distribution of policy premium size is similar to the industry's.

Rounding Instructions: If multiplying the appropriate percentage in this table times the number of policies written by an insurer in a premium range produces a number with a decimal fraction of .2 or greater, round the result to the next higher whole number.