

Explanatory Memorandum

Freedom Specialty Insurance Company

Responses for question #: 2a.

Nationwide's Management Liability and Specialty Underwriting Division ("MLS") expects an increase in claim activity due to the COVID-19 pandemic. The current volatility in the financial markets is causing exposure base increases in a variety of the MLS lines of business. Public Company D&O, Fiduciary Liability, and all Financial Institutions D&O and E&O lines will all see additional exposure and claims frequency increase.

The increase in unemployment rates and business closures due to mandatory shelter in place orders will have a negative impact on the Private Company D&O and EPL business.

There has been an increase in Ransomware and Data Privacy exposures due to the increase in people working from home during the pandemic which is causing additional exposures in the MLS Cyber Liability book.

MLS provides professional liability insurance for lawyers, architects and engineers, and insurance agents. The COVID-19 pandemic is likely to cause an increase in claim activity across all of these lines of business.

To date, there have been no premium refunds, credits or reductions. In accordance to the CA State RADS notices and bulletins, we have allowed premium deferrals upon request.