Exhibit 16
State National Insurance Company, Inc (NAIC # 12831)
Technology Growth Package – BOP
(Program administered by Vouch Insurance Services, LLC)
New Program Filing – Rates, Rules, and Forms - California

Explanatory Memorandum

On behalf of State National Insurance Company, Inc. ("SNIC" or "the Company"), we are submitting this filing to introduce its new "Technology Growth Package". This is a Businessowners ("BOP") program targeting small and mid-size technology companies. This new program has not yet been written in any state by the insurer or an affiliated company. Hence, there is no impact of current policyholders. State National does not have loss experience for this program to independently develop rates. State National will utilize Insurance Services Office ("ISO") forms, rules and loss costs. Rule Filing 18-766 (BP-2018-RRU1) and Loss Cost filing 19-409 (BP-2019-RLA1) are to be adopted.

Enclosed is authorization for Perr & Knight to submit this filing on behalf of the Company. All correspondence related to this filing should be directed to Perr & Knight.

See the accompanying list of California approved ISO BOP Rules, Loss Costs and Forms.

State National is filing material deviations from ISO's program, including deviations in Increased Limit Factors, classification code structure, the liability exposure base and the adoption of Employee Benefit Liability premiums. The material deviations include:

- An LCM of 1.55 for Liability and 1.53 for Property, with an overall LCM of 1.540
- Minimum written premiums of $300 for the Standard program and $200 for the incubator program
- No minimum earned premium
- Extension of the Liability ILF curve to higher limits
- Custom class codes to better reflect State National's tech-focused target market
- Liability exposure to be Occupant Liability Gross Sales
- Extension of the Employee Liability coverage to higher limits
- Affinity Partner Discounts
- Discount for use of Risk Mitigation and Assessment tools

Loss Cost Multiplier (LCM) - Overall

Commissions	17.0%
Other Acquisition Expenses	2.0%
General Expenses	8.0%
Taxes, Licenses and Fees	3.0%
Underwriting Profit and Contingencies	5.0%
Total	**35.0%**
Expected Loss Ratio (ELR = 100% - Total)	65.0%
Loss Cost Multiplier (LCM = 1 / ELR)	**1.54**

Liability ILF Extension

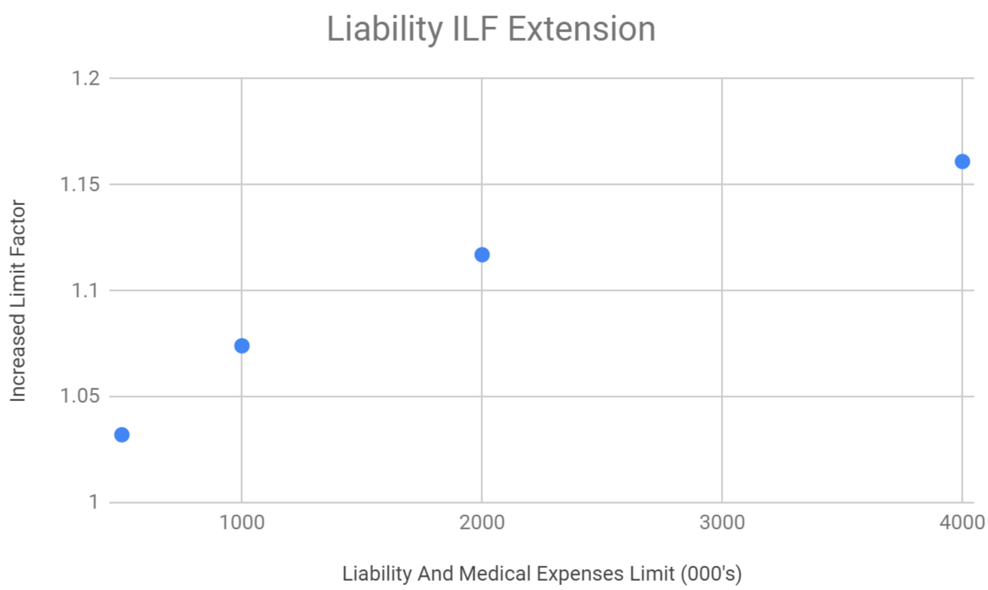
The Liability ILF curve has been extended beyond that in the default ISO BOP program, with a Liability and Medical Expenses Limit level of $4,000,000 being added. The ILF table is shown below, with the original ISO values depicted in black and the extended values depicted in blue and italicized.

Liability And Medical Expenses Limit (000's)	Aggregate Limit For Products/Completed Operations (000's)	Aggregate Limit For Liability And Medical Expenses (000's)	Increased Limit Factor
300	600	600	1
300	900	600	1.001
500	1,000	1,000	1.032
500	1,500	1,000	1.033
1,000	2,000	2,000	1.074
1,000	3,000	2,000	1.076
2,000	4,000	4,000	1.117
2,000	6,000	4,000	1.118
4,000	*8,000*	*8,000*	*1.161*
4,000	*12,000*	*8,000*	*1.162*

The ISO BOP Liability ILF curve follows the following pattern:

- Doubling of the Liability And Medical Expenses Limit from $500,000 to $1,000,000 involves an increase in the ILF of 0.42 (=1.074-1). The Aggregate Limit is always double the Liability And Medical Expenses Limit
- The Aggregate Limit For Products/Completed Operations is offered at values of both double and triple that of the Liability And Medical Expenses Limit
- The option where Aggregate Limit For Products/Completed Operations is triple that of the Liability And Medical Expenses Limit is 0.01 higher than the option where it is double

The extension imposed on the Liability And Medical Expenses Limit to $4,000,000 followed this same pattern. The chart below demonstrates that the ILF at this level is a natural extension of the existing curve.



The ILFs attached to the added higher limit options are not excessive, inadequate, or unfairly discriminatory.

Custom Class Codes

State National's target market consists of nine tech-focused classes. The table below illustrates the ISO BOP class codes to which State National's nine class codes would map. In all but one case they map to ISO BOP class codes with both property and liability relativities of 1.0.

State National Class Group	ISO BOP Class Code	ISO BOP Class	ISO BOP Property Class Group	ISO BOP Liability Class Group	ISO BOP Building Relativity	ISO BOP BPP Relativity	ISO BOP Liability Relativity	ISO BOP Liab. Exp. Base
Consumer commerce (Posting physical goods)	59999	Mail Order Houses – Retail Only	9	8	1.467	1.788	5.343	LOI
Consumer commerce (Not posting physical goods)	65171	Offices - Not Otherwise Classified	1	1	1.0	1.0	1.0	LOI
Education	65171	Offices - Not Otherwise Classified	1	1	1.0	1.0	1.0	LOI
Digital Content, Media, Software and Advertising	63651	Offices - Advertising and Related Services	1	1	1.0	1.0	1.0	LOI
	64011	Offices - Payroll Accounting Services	1	1	1.0	1.0	1.0	LOI
	65171	Offices - Not Otherwise Classified	1	1	1.0	1.0	1.0	LOI
Consumer Software Involving Human Activity	65171	Offices - Not Otherwise Classified	1	1	1.0	1.0	1.0	LOI
FinTech	63851	Offices - Insurance Agents	1	1	1.0	1.0	1.0	LOI
	64061	Offices - Real Estate Agents	1	1	1.0	1.0	1.0	LOI
	65171	Offices - Not Otherwise Classified	1	1	1.0	1.0	1.0	LOI
Hardware Manufacturer	No equivalent class code							
Business Hardware (Non-manufacturing)	65171	Offices - Not Otherwise Classified	1	1	1.0	1.0	1.0	LOI
Consumer Hardware (Non-manufacturing)	65171	Offices - Not Otherwise Classified	1	1	1.0	1.0	1.0	LOI

Given the lack of tech-specific class codes in the ISO BOP program, instead of the ISO BOP class codes and associated class groups, State National will adopt the property and liability relativities displayed in the table below for each of their nine tech-focused class codes. The adopted relativities for these nine class codes are not excessive, inadequate or unfairly discriminatory.

State National Class Group	**State National Building and BPP Relativity**	**State National Liability Relativity**	**State National Liab. Exp. Base**
Consumer commerce (Posting physical goods)	1.7	1.75	SALES
Consumer commerce (Not posting physical goods)	1.0	1.25	SALES
Education	1.0	0.75	SALES
Digital Content, Media, Software and Advertising	1.0	1.00	SALES
Consumer Software Involving Human Activity	1.0	1.00	SALES
FinTech	1.0	0.50	SALES
Hardware Manufacturer	2.0	2.00	SALES
Business Hardware (Non-manufacturing)	2.0	1.00	SALES
Consumer Hardware (Non-manufacturing)	2.0	1.25	SALES

Liability Exposure Base Deviation

As discussed above, under the default ISO program, most tech startups would be classified under the "Offices (Not Otherwise Classified)" class code and, for an Occupant insured, the Liability exposure base is the BPP limit (divided by $100). The Liability loss cost is computed by multiplying the Liability rate by this exposure base.

For most tech startups the true liability exposure scales closer to Gross Sales rather than BPP. As such, State National's Liability premium will use the "Occupant Liability Per $1,000 Of Annual Gross Sales" loss cost value in the ISO BOP State Loss Costs manual, rather than the "Occupant Liability Per $100 Of Limit Of Ins." Furthermore, given the relatively low capital investment of most tech startups compared to traditional "brick and mortar" businesses, in order to arrive at a loss cost that is comparable with what the default ISO program would have been, the loss costs will be treated as if they were "Occupant Liability Per $10,000 Of Annual Gross Sales", rather than "Occupant Liability Per $1,000 of Annual Gross Sales".

A few worked examples will illustrate. Consider an insured risk in Territory 13 in California (in which San Francisco sits). The following table shows the default ISO loss costs applicable to this territory.

	PROPERTY		**LIABILITY**			
	Building Per $100 of Limit of Ins.	**Business Personal Property Per $100 of Limit of Ins.**	**Occupant Liability Per $100 of Limit of Ins.**	**Occupant Liability Per $1,000 of Annual Gross Sales**	**Occupant Liability Per $1,000 of Annual Payroll**	**Lessors Liability Per $100 of Limit of Ins.**
13	0.145	0.408	**0.116**	**2.127**	14.507	0.016

For simplicity, consider the Liability ILF to be 1.0, with the BPP limit being $185,000 in each example and revenue varying in each case.

Example 1 (low revenue relative to BPP):

Business Personal Property: **$185,000**

Gross Sales: **$750,000**

Under the traditional ISO exposure calculation for an Offices (Not Otherwise Classified) risk, the Liability Loss Cost would be $185,000/100 * $0.116 = **$214.60**

Under State National's approach the Liability Loss Cost would be: $750,000/10,000 * $2.127 = **$159.53**

Example 2 (medium revenue relative to BPP):

Business Personal Property: **$185,000**

Gross Sales: **$1,000,000**

Under the traditional ISO exposure calculation for an Offices (Not Otherwise Classified) risk, the Liability Loss Cost would be $185,000/100 * $0.116 = **$214.60**

Under State National's approach the Liability Loss Cost would be: $1,000,000/10,000 * $2.127 = **$212.70**

Example 3 (high revenue relative to BPP):

Business Personal Property: **$185,000**

Gross Sales: **$1,500,000**

Under the traditional ISO exposure calculation for an Offices (Not Otherwise Classified) risk, the Liability Loss Cost would be $185,000/100 * $0.116 = **$214.60**

Under State National's approach the Liability Loss Cost would be: $1,500,000/10,000 * $2.127 = **$319.05**

In each case, the default ISO Liability Loss Cost would have been $214.60. The State National Liability Loss Cost is anchored to the ISO Loss Cost while still scaling with Gross Sales.

Switching the Liability exposure from the BPP limit divided by 100 to Sales divided by 10,000 better reflects the underlying liability risk of a tech startup and results in loss costs that are not excessive, inadequate, or unfairly discriminatory.

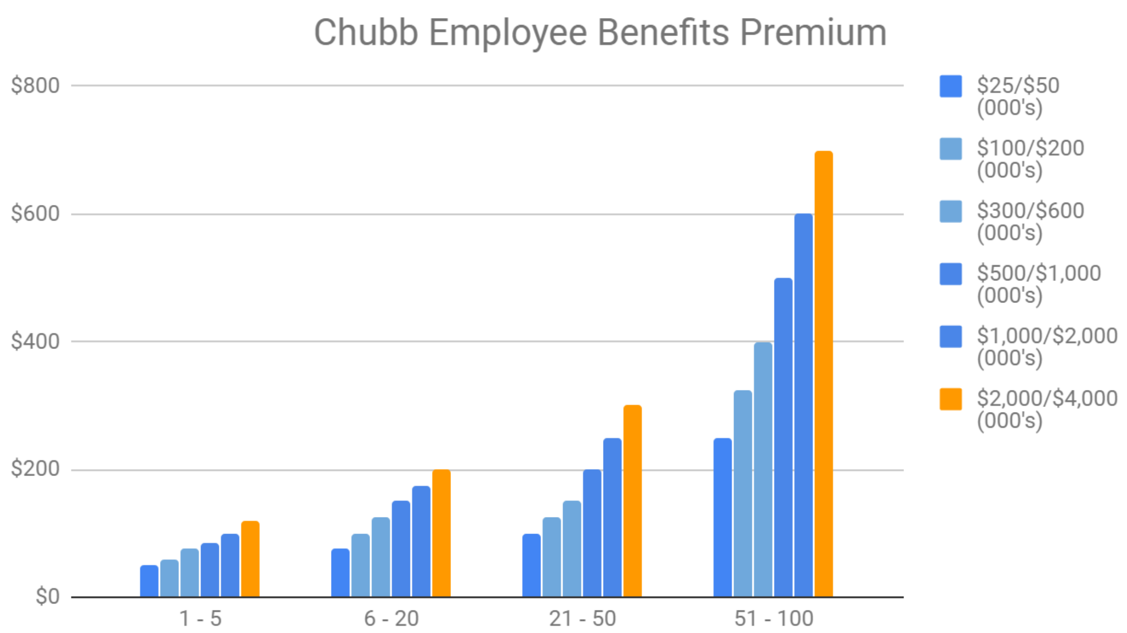
Employee Benefits Liability Loss Costs

The ISO BOP program requires "Refer to Company" for Employee Benefit Liability loss costs. Loss costs adopted by Chubb in their BOP program (SERFF Tracking: ACEH-131579243) will be used. The premiums (inclusive of LCM) in Chubb's program are depicted in black text in the table below.

Employee Benefits Liability Premiums						
	Liability Limits (Occurrence/Aggregate)					
Employee Count	$25/$50 (000's)	$100/$200 (000's)	$300/$600 (000's)	$500/$1,000 (000's)	$1,000/$2,000 (000's)	$2,000/$4,000 (000's)
1 - 5	$50	$60	$75	$85	$100	$120
6 - 20	$75	$100	$125	$150	$175	$200
21 - 50	$100	$125	$150	$200	$250	$300
51 - 100	$250	$325	$400	$500	$600	$700

Two adjustments were made to these premiums before being adopted by State National.

- The maximum occurrence/aggregate limit in Chubb's program was $1M/$2M, so this was extended to $2M/$4M (depicted in blue text in the above table). The chart below, shows that the premiums associated with the extension to this higher limit are consistent with the premium pattern at lower limits.
- The Chubb premiums include a Loss Cost Multiplier at a target loss ratio 54.3%. To convert these premiums to an equivalent loss cost we multiply by 0.543



After making these two adjustments, the adopted loss costs for the Employee Benefits Liability coverage are shown below. These loss costs are not excessive, inadequate, or unfairly discriminatory.

Employee Benefits Liability Adopted Loss Costs						
	Liability Limits (Occurrence/Aggregate)					
Employee Count	$25/$50 (000's)	$100/$200 (000's)	$300/$600 (000's)	$500/$1,000 (000's)	$1,000/$2,000 (000's)	$2,000/$4,000 (000's)
1 - 5	$27	$33	$41	$46	$54	$65
6 - 20	$41	$54	$68	$81	$95	$109
21 - 50	$54	$68	$81	$109	$136	$163
51 - 100	$136	$176	$217	$272	$326	$380

Discount for Affinity-Driven Partnerships

State National insureds rely on their investors, advisors, service providers, and other founders for advice. State National is partnering with leaders in each category to provide better solutions.

A 5% discount would apply when a company has entered into an agreement with State National and have indicated that they are affiliated with a partner entity. This discount is applicable for affinity-driven partnerships such as founder communities, investors, and service providers that allow State National to reduce acquisition costs based on the channel of their customers to State National.

A 10% discount would apply when a company has entered into a formal channel and data sharing or data facilitation agreement with State National. This discount is applicable for affinity-driven partnerships such as founder communities, investors and service providers that allow State National to reduce acquisition costs based on the channel of their customers to State National as well as providing data that can improve underwriting.

Discount for Use of Risk Mitigation and Assessment Tools

A tiered discount of up to 15% will be applied for the use of up to four risk mitigation and assessment tools. This serves as an incentive to encourage positive risk mitigation behavior by insureds of State National. State National insureds will be given opportunities to reduce risk, and discounts will incentivize them for doing so. The percentage discount applied will be based on the number of tools and actions leveraged by an insured as per the table below

Risk Mitigation Tools	**Factor**
None	0%
One tool	-5%
Two tools	-10%
Three tools	-12%
Four tools	-15%

Risk mitigation may include tools such as taking a formal risk assessment, subscription to approved risk management services, validated use of approved tools and services, educational training utilization, and other delivery methods of risk mitigation practices. All risk mitigation will be developed with the goal of reducing loss related to bodily injury, property damage, commercial auto liability, or product liability.