

SERFF Tracking Number: ARKS-125373582 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #99818 \$250
Company Tracking Number:
TOI: 19.0 Personal Auto Sub-TOI: 19.0001 Private Passenger Auto (PPA)
Product Name: Personal Auto
Project Name/Number: /

Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: Personal Auto	SERFF Tr Num: ARKS-125373582	State: Arkansas
TOI: 19.0 Personal Auto	SERFF Status: Closed	State Tr Num: #99818 \$250
Sub-TOI: 19.0001 Private Passenger Auto (PPA)	Co Tr Num:	State Status: Fees verified and received
Filing Type: Rate	Co Status:	Reviewer(s): Alexa Grissom, Betty Montesi, Brittany Yielding
	Author:	Disposition Date: 12/11/2007
	Date Submitted: 11/30/2007	Disposition Status: Filed
Effective Date Requested (New):		Effective Date (New): 05/01/2008
Effective Date Requested (Renewal):		Effective Date (Renewal):

State Filing Description:

General Information

Project Name:	Status of Filing in Domicile:
Project Number:	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 12/11/2007	
State Status Changed: 12/11/2007	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	

Company and Contact

Filing Contact Information

NA NA,	NA@NA.com
NA	(123) 555-4567 [Phone]
NA, AR 00000	

SERFF Tracking Number: ARKS-125373582 State: Arkansas
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Product Name: Personal Auto
Project Name/Number: /

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas
INC.
No Address Group Code:
City, AR 99999 Group Name: Company Type:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999 State ID Number:

SERFF Tracking Number: ARKS-125373582 State: Arkansas
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Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:
Per Company: No

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Alexa Grissom	12/11/2007	12/11/2007

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Product Name: Personal Auto
Project Name/Number: /

Disposition

Disposition Date: 12/11/2007

Effective Date (New): 05/01/2008

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125373582 State: Arkansas
 Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #99818 \$250
 Company Tracking Number:
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 Product Name: Personal Auto
 Project Name/Number: /

Item Type	Item Name	Item Status	Public Access
Supporting Document	APCS-Auto Premium Comparison Survey	Filed	No
Supporting Document	NAIC loss cost data entry document	Filed	No
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	No
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	No
Supporting Document	ARKS-125373582		No

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Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125373582 State: Arkansas
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Company Tracking Number:
TOI: 19.0 Personal Auto Sub-TOI: 19.0001 Private Passenger Auto (PPA)
Product Name: Personal Auto
Project Name/Number: /

Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125373582

12/12/2007

Comments:

Attachments:

ARKS-125373582 1.pdf
ARKS-125373582 2.pdf
ARKS-125373582 3.pdf
ARKS-125373582 4.pdf
ARKS-125373582 5.pdf
ARKS-125373582 6.pdf
ARKS-125373582 7.pdf
ARKS-125373582 8.pdf
ARKS-125373582 9.pdf
ARKS-125373582 10.pdf
ARKS-125373582 11.pdf
ARKS-125373582 12.pdf
ARKS-125373582 13.pdf
ARKS-125373582 14.pdf
ARKS-125373582 15.pdf



2828 EAST TRINITY MILLS ROAD SUITE 150 CARROLLTON, TX 75006
TEL: (214) 390-1825 FAX: (214) 390-1975

CK#: 99818 ARKS-125373582

November 26, 2007

\$ 250

RECEIVED

NOV 30 2007

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

Attention: William R. Lacy, Director
Property and Casualty Division

RE: Insurance Services Office, Inc. — *120006*
PP 2007-BRLA2
Personal Auto Advisory Prospective Loss Cost Revision
REFERENCE FILING
State of Arkansas

Dear Mr. Lacy:

We hereby file the enclosed advisory reference document.

We propose this revision become effective in accordance with the following rule of application:

These changes are applicable to all policies written on or after May 1, 2008.

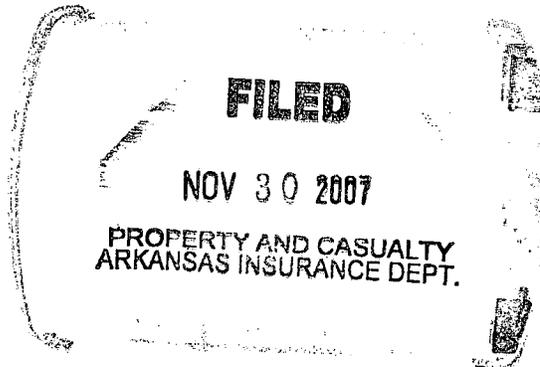
In accordance with your loss cost procedures, this effective date applies only to those insurers who have filed their Personal Auto loss cost multipliers to be automatically applicable to future ISO loss cost revisions. Any other ISO participating insurer may adopt ISO loss costs by filing its loss cost multipliers and selecting an effective date.

Please return an acknowledged copy of this cover letter for our records. An addressed, stamped envelope is enclosed for your convenience. We have also included an additional copy of this letter and envelope; we request that you return it now with a "received" stamp to confirm that you have received the filing.

Very truly yours,

Donald J. Beckel, CPCU, ARM
Assistant Regional Manager

DJB:dlb
Encl.



AL

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only

2. Insurance Department Use only

a. Date the filing is received:

b. Analyst:

c. Disposition: **RECEIVED**

d. Date of disposition of the filing:

e. Effective date of filing: **NOV 30 2007**

New Business	
Renewal Business	

f. State Filing #: **PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT**

g. SERFF Filing #:

h. Subject Codes

3. Group Name	Group NAIC #

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #

5. Company Tracking Number	PP 2007-BRLA1
-----------------------------------	----------------------

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
Donald J. Beckel Insurance Services Office, Inc. 2828 Trinity Mills Rd., Ste. 150 Carrollton, TX 75006	Assistant Regional Manager	214-390-1825 ext. 224	214-390-1975	dbeckel@iso.com
7. Signature of authorized filer				
8. Please print name of authorized filer	Donald J. Beckel			

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	19.0 Personal Auto
10. Sub-Type of Insurance (Sub-TOI)	19.0001 Private Passenger Auto
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	Personal Auto Program
13. Filing Type	<input checked="" type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14. Effective Date(s) Requested	New: 5/1/2008 Renewal: 5/1/2008
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	Not Applicable
17. Reference Organization # & Title	Not Applicable
18. Company's Date of Filing	11/26/07
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	PP-2007-BRLA2
----	--	---------------

2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	N/A
----	---	-----

Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	File and Use
----	--	--------------

4a. Rate Change by Company (As Proposed)

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Insurance Services Office, Inc.	0.0%	0.0%	N/A	N/A	N/A	+ 5.2%	- 3.7%

4b. Rate Change by Company (As Accepted) For State Use Only

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5. Overall Rate Information (Complete for Multiple Company Filings only)

		COMPANY USE	STATE USE
5a.	Overall percentage rate indication (when applicable)	N/A	
5b.	Overall percentage rate impact for this filing	N/A	
5c.	Effect of Rate Filing – Written premium change for this program	N/A	
5d.	Effect of Rate Filing – Number of policyholders affected	N/A	

6.	Overall percentage of last rate revision	+ 4.0%
----	--	--------

7.	Effective Date of last rate revision	7/1/2007
----	--------------------------------------	----------

8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File and Use
----	---	--------------

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Personal Auto Advisory Perspective Loss Cost Revision	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

ARKANSAS
PERSONAL AUTO INSURANCE

LOSS COST LEVEL REVISION

EXECUTIVE SUMMARY

PURPOSE

This document:

- revises advisory prospective loss costs. These loss costs represent a 0.0% statewide change from the present loss cost provisions.
- provides the analyses used to derive these advisory loss costs.

DEFINITION OF
ISO ADVISORY
PROSPECTIVE
LOSS COSTS

Advisory prospective loss costs in this document are that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit, and are based on historical aggregate losses and loss adjustment expenses adjusted through development to their ultimate value and projected through trending to a future point in time.

HISTORICAL
SOURCE DATA

The data used in this review is based on voluntary market experience through 12/31/2006 of ISO reporting companies. For the liability coverages, losses are evaluated as of 3/31/2007.

LOSS COST
LEVEL CHANGES

The statewide advisory loss cost level changes are:

	<u>Indicated</u>	<u>Filed</u>
Single Limit Liability*	+ 0.4%	+ 0.4%
Bodily Injury	- 7.4%	- 7.4%
Property Damage	+ 13.6%	+ 13.6%
Medical Payments	- 3.3%	- 3.3%
Uninsured Motorists (Bodily Injury)	+ 4.0%	+ 4.0%
Uninsured Motorists (Property Damage)	+ 20.5%	+ 11.0%
Underinsured Motorists (Bodily Injury)	- 5.2%	- 5.2%
Liability Sub-Total	+ 1.0%	+ 0.7%
Comprehensive	+ 19.5%	+ 10.0%
Collision	- 5.2%	- 5.2%
Physical Damage Sub-Total	+ 1.8%	- 0.9%
Total	+ 1.3%	0.0%

Indicated and filed loss cost level changes are changes from the present loss cost provisions. Present loss cost provisions are based on staff developed loss costs contained in Filing PP-2007-BRLA1.

ARKANSAS
PERSONAL AUTO INSURANCE

LOSS COST LEVEL REVISION

EXECUTIVE SUMMARY

LOSS COST
LEVEL CHANGES
(Cont'd)

Loss cost level changes are calculated on a basic limits basis for Liability, Medical Payments and Personal Injury Protection coverages, on a total limits basis for Uninsured and Underinsured Motorists coverages, and on an all deductibles combined basis for Comprehensive and Collision coverages.

* The Single Limit Liability loss cost level change is based on the Bodily Injury and Property Damage changes.

EXPLANATION
OF INDICATED
CHANGES

The +13.6% indication for Property Damage is due mainly to increases in the annual loss trend from 0.0% to +2.1% , which led to a cumulative effect of about +6%, and a worsening of the experience of around +6%.

The +20.5% indication for Uninsured Motorists Property Damage is due mainly to increases in the annual loss trend from 0.0% to +2.1% , which led to a cumulative effect of about +9%, and a worsening of the experience of around +10%.

The +19.5% indication for Comprehensive is mainly due to the worsening of experience of around +28%. This positive effect is partially offset by decreases in the annual loss trend from +2.1% to 1.6%, which had a cumulative effect of about -2%. Also, additional revenue generated by the model year and symbol rating program (which is caused by changes in age and symbol distributions, and model year and symbol trend) led to an effect of about -5%.

INDICATED
VS. FILED

Indicated changes are based on standard ISO methodology. A statewide change of +11.0% was made for basic limits Uninsured Motorists Property Damage and is the result of tempering indications due the implementation of territory grouping. A selection of +10.0% was made for Comprehensive to temper the indication.

IMPLEMENTATION OF
UM PD LOSS COSTS BY
TERRITORY GROUPS

ISO Staff has reviewed data by territory and decided to implement UM Property Damage loss costs by territory group. The territory grouping used for UM Property Damage are the same as that of UM/UIM Bodily Injury, which was introduced in PP-2007-BRLA1.

DETERMINATION
OF UNINSURED AND
UNDERINSURED
MOTORISTS
LOSS COSTS

Loss costs for basic and higher limits for Uninsured Motorists (UM) and Underinsured Motorists (UIM) Coverages are developed using the current full pricing procedures as utilized in PP-2007-BRLA1. The full pricing procedures and calculations are detailed in Section D of this filing.

ARKANSAS
PERSONAL AUTO INSURANCE

LOSS COST LEVEL REVISION

EXECUTIVE SUMMARY

TREND AND
OTHER
ADJUSTMENTS

Loss Trend

The loss costs developed in this document will be used in a future period. For the historical loss costs to be valid for use in a future period, they must be multiplied by trend factors. A trend factor is a number based on the changes in claim cost and claim frequency that are expected to occur between Date X (the historical data period) and Date Y (the future period for which the loss costs will be in effect).

The historical trend factors are determined from:

- Claim cost trend is determined from the fitted claim cost curve for the latest 12 quarterly year-ended experience periods (12-point trend) through the first quarter of 2007.
- Claim frequency trend is selected based on an analysis of the claim frequency data for the latest 24 quarterly year-ended experience periods, taking into consideration the frequency fits for the latest 6, 12 and 24 points.
- Regional claim cost trends are used as the complement of credibility to the state claim cost trends where appropriate.
- The trend procedure for the Physical Damage coverages uses Collision claim cost data for \$100, \$200, \$250 and \$500 deductibles adjusted to a \$500 deductible level for claim cost trend for both Comprehensive and Collision. An adjustment to the Comprehensive trend factor is applied to produce a trend factor applicable to experience losses at a lower base deductible, which is used in the review of loss experience.
- ISO has also imposed judgment in some cases based upon discussions of external influences to support final loss trend selections. The trend factors that were evaluated are discussed in Section C.

ARKANSAS
PERSONAL AUTO INSURANCE

LOSS COST LEVEL REVISION

EXECUTIVE SUMMARY

TREND AND
OTHER
ADJUSTMENTS (Cont'd)

The annual loss trends by coverage are:

<u>Coverage</u>	<u>Trend Factor</u>
25/50 Bodily Injury	3.8%
Property Damage	2.1%
Medical Payments	1.0%
25/50 Uninsured Motorists Bodily Injury	3.8%
Uninsured Motorists Property Damage	2.1%
Comprehensive	1.6%
Collision	1.8%

Premium Trend

A variety of economic factors affect the cost of physical damage automobile insurance. As time goes by, the average price of new cars purchased and the cost of repairing/replacing all cars driven both tend to rise. The ISO physical damage rating structure is designed to reflect these dynamics.

As a result, premium revenue increases as newer model year cars are purchased and as the average price of new cars increases. In order to reflect the increase in revenue, ISO uses a premium trend procedure, the effect of which is to reduce the indicated loss costs for physical damage coverages.

Premium trend is applied in two ways:

Model Year Trend

The costs of repair, replacement, etc. are rising from year to year, even for vehicles whose cost new does not change with a newer model year. As a result of this phenomenon, the ISO model year rating program applies higher relativities to newer model year cars. The higher relativities increase revenue, which should be reflected in the ratemaking process. Our procedures incorporate this reflection through the application of model year premium trend factors of 1.079 and 1.104 for comprehensive and collision coverages, respectively, which on an annual basis are:

Comprehensive	4.9%
Collision	6.4%

ARKANSAS
PERSONAL AUTO INSURANCE

LOSS COST LEVEL REVISION

EXECUTIVE SUMMARY

TREND AND
OTHER
ADJUSTMENTS (Cont'd)

Symbol Trend

Overall, the average price of new cars purchased is rising each year. Under the ISO rating structure, higher relativities apply for higher valued cars. The higher relativities also increase revenue, which should be reflected in the ratemaking process. Our procedures incorporate this reflection through the application of symbol trend factors of 1.121 and 1.073 for comprehensive and collision, respectively, for year ended 12/31/2005; and 1.085 and 1.053 for comprehensive and collision, respectively, for year ended 12/31/2006. These symbol trends on an annual basis are:

Comprehensive	2.9%
Collision	1.8%

Other Adjustments

Standard actuarial procedures have been used in calculating the loss costs, including adjusting the liability losses to ultimate settlement level and, for all coverages, reflecting all loss adjustment expenses.

SIZE OF ISO
DATABASE

The market share of all insurers included in the ISO database in this state as measured by Annual Statement Statutory Page 14 written premium for the year ending 12/31/2006 is:

Liability (ASLOB 19.2)	Physical Damage (ASLOB 21.1)
20.1%	19.8%

TEN LARGEST
COMPANIES IN
ISO DATABASE

LIABILITY

1. Nationwide Group
2. Hartford Insurance Group
3. USAA Group
4. Safeco Insurance Companies
5. Travelers Insurance Company
6. GEICO
7. Great Plains Mutual
8. State Auto Insurance Companies
9. American International Group
10. Liberty Mutual Insurance Companies

PHYSICAL DAMAGE

1. Nationwide Group
2. USAA Group
3. Hartford Insurance Group
4. Safeco Insurance Companies
5. Travelers Insurance Company
6. GEICO
7. State Auto Insurance Companies
8. Great Plains Mutual
9. Liberty Mutual Insurance Companies
10. American International Group

Insurers are listed in descending order based on the percent of statewide earned exposures in the ISO database for the year ending 12/31/2006.

ARKANSAS
PERSONAL AUTO INSURANCE

LOSS COST LEVEL REVISION

EXECUTIVE SUMMARY

PRIOR ISO
REVISIONS

The latest loss cost revisions in the state of Arkansas are:

<u>Filing Designation</u>	PP-2007-BRLA1	PP-2006-BRLA1	PP-2005-BRLA1
<u>Dates</u>			
Filed	01/23/2007	01/31/2006	02/04/2005
Effective	07/01/2007	08/01/2006	08/01/2005
<u>Implemented Changes</u>			
S/L Liability	+10.2%	- 2.6%	- 1.8%
Bodily Injury	+15.0%	- 1.2%	- 2.4%
Property Damage	- 8.3%	- 4.3%	- 1.0%
Medical Payments	- 12.5%	+ 9.7%	- 3.0%
UM BI	+14.4%	+ 3.2%	+ 4.5%
UM PD	- 7.1%	+ 7.8%	+ 7.4%
UIM BI	+49.9%	- 2.4%	- 3.6%
Sub-Total	+ 7.2%	- 1.4%	- 1.4%
Comprehensive	+ 2.6%	- 14.2%	- 13.2%
Collision	- 1.8%	- 10.9%	- 5.9%
Sub-Total	- 0.6%	- 11.9%	- 8.2%
Total	+ 4.0%	- 6.0%	- 4.4%

ARKANSAS
PERSONAL AUTO INSURANCE

LOSS COST LEVEL REVISION

EXECUTIVE SUMMARY

INSURER
DECISION

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by Insurance Services Office, Inc. (ISO) in developing the loss costs contained herein are appropriate for its use. We have included within this document the information upon which ISO relied in order to enable companies to make such independent judgments.

The data underlying the enclosed material comes from companies reporting to Insurance Services Office, Inc. Therefore, the ISO experience permits the establishment of a much broader statistical ratemaking base than could be employed by using any individual insurer's data. A broader data base enhances the validity of ratemaking analysis derived therefrom. At the same time, however, an individual company may benefit from a comparison of its own experience to the aggregate ISO experience, and may reach valid conclusions with respect to the manner in which its own costs can be expected to differ from ISO's projections based on the aggregate data.

Some calculations included in this document involve areas of ISO staff judgment. Each insurer should carefully review and evaluate its own experience in order to determine whether the ISO selected loss costs are appropriate for its use.

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ARKANSAS
PERSONAL AUTO INSURANCE

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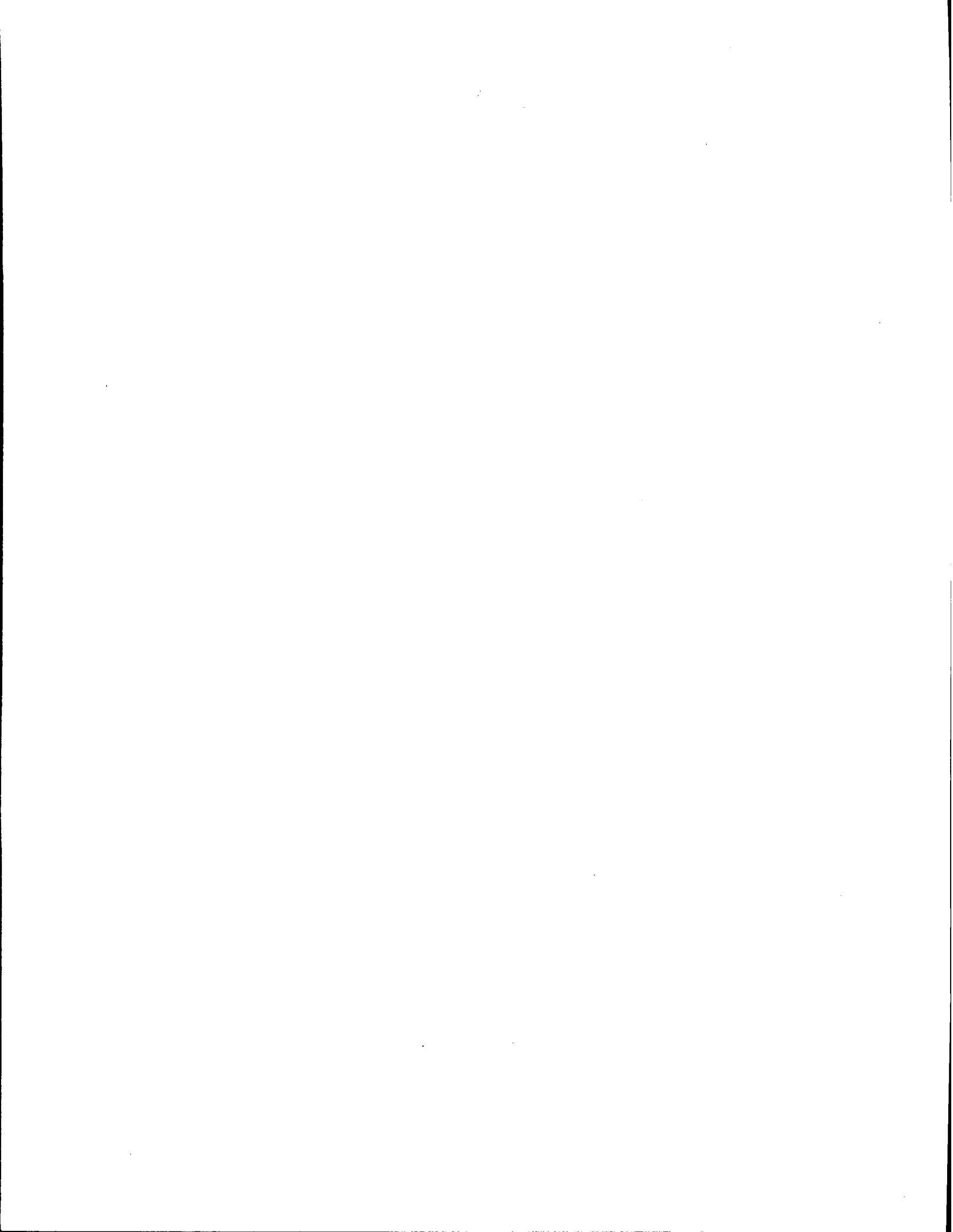
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ARKANSAS
PERSONAL AUTO INSURANCE

SECTION A – SCOPE OF REVISION

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ARKANSAS
PERSONAL AUTO INSURANCE

TABLE A1

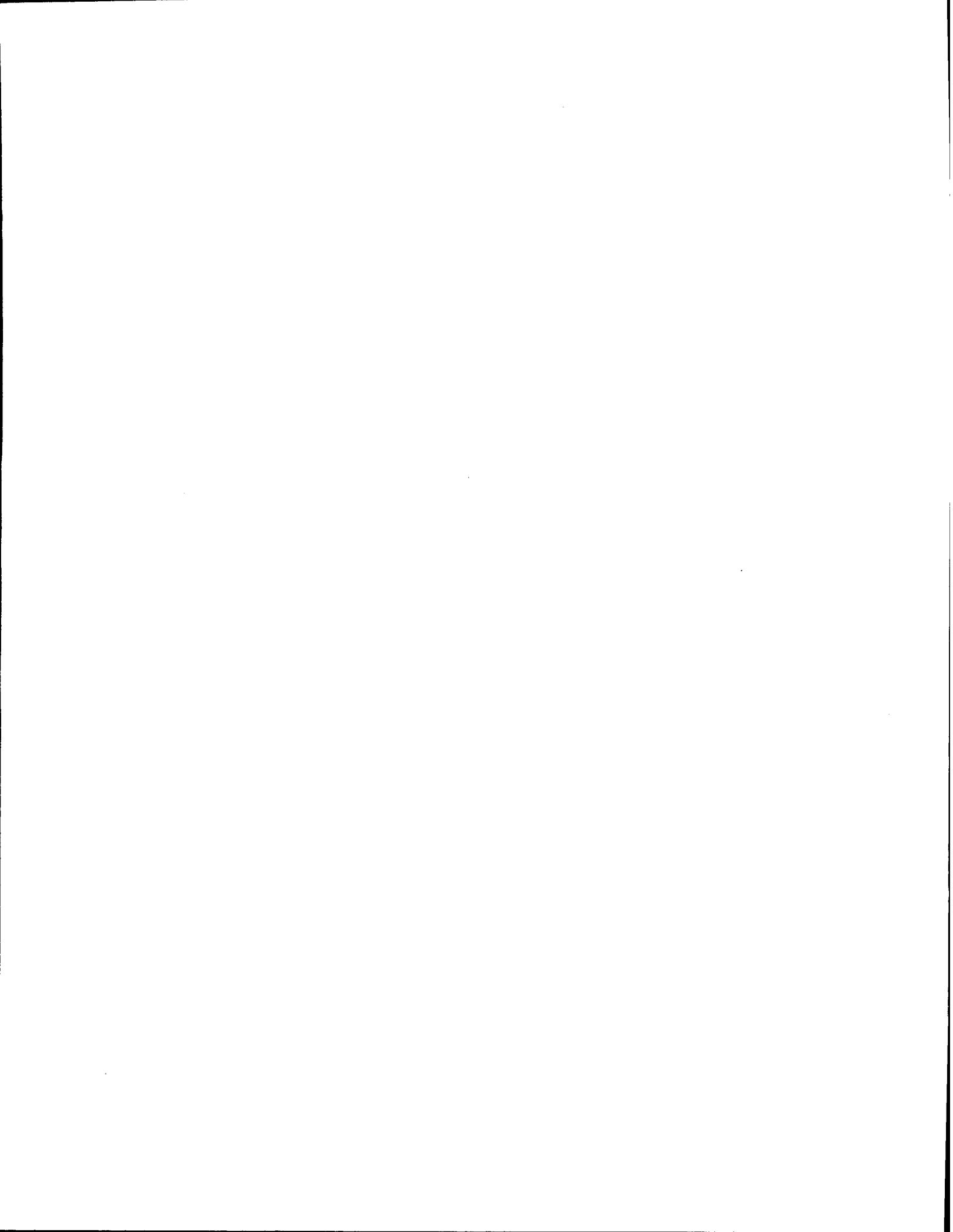
STATEWIDE LOSS COST LEVEL CHANGES (A)

Coverages	Aggregate Loss Costs at Current Level (B)	Loss Cost Level Changes (C)
<u>PERSONAL AUTO POLICY</u>		
<u>Liability:</u>		
Single Limit Liability	\$ 4,570,149	+ 0.4%
Bodily Injury	46,327,200	- 7.4%
Property Damage	31,768,585	+ 13.6%
Medical Payments	4,786,803	- 3.3%
Uninsured Motorists (Bodily Injury)	4,762,914	+ 4.0%
Uninsured Motorists (Property Damage)	2,909,435	+ 11.0%
Underinsured Motorists (Bodily Injury)	9,883,923	- 5.2%
Sub-Total	\$105,009,009	+ 0.7%
<u>Physical Damage:</u>		
Comprehensive	\$ 20,426,224	+ 10.0%
Collision	52,011,943	- 5.2%
Sub-Total	\$ 72,438,167	- 0.9%
GRAND TOTAL	\$177,447,176	0.0%

(A) The trend effective date is 5/1/2008.

(B) Year ended 12/31/2006 Aggregate Loss Costs at ISO staff developed loss costs contained in Filing PP-2007-BRLA1.

(C) Loss cost level changes are calculated on a total limits basis for Liability, Medical Payments, and Uninsured and Underinsured Motorists coverages, and on an all deductibles combined basis for Comprehensive and Collision coverages.



ARKANSAS
PERSONAL AUTO INSURANCE
TABLE A2-1
TERRITORY LOSS COST LEVEL CHANGES

Territory Code	Liability			Physical Damage		
	Single Limit	B.I.	P.D.	Med Pay	Comprehensive	Collision
21	- 1.5%	- 8.9%	+14.6%	0.0%	+ 2.5%	- 2.0%
22	+ 3.9%	- 3.7%	+15.1%	0.0%	+15.2%	- 2.5%
23	- 2.7%	-12.9%	+12.7%	0.0%	+25.1%	- 5.3%
24	+ 0.6%	- 7.1%	+14.4%	0.0%	+ 8.9%	- 6.1%
25	+ 0.3%	- 5.0%	+12.6%	0.0%	+15.5%	- 1.4%
26	+ 0.4%	- 7.5%	+14.6%	0.0%	+18.7%	- 4.8%
27	- 3.7%	-10.5%	+ 8.9%	0.0%	+ 3.8%	- 3.5%
28	+ 1.9%	- 3.9%	+12.2%	0.0%	+ 0.1%	- 5.0%
29	- 0.9%	- 8.8%	+12.9%	0.0%	+11.7%	- 6.2%
30	+ 2.2%	- 5.6%	+13.4%	0.0%	+ 2.2%	- 6.0%
31	+ 2.1%	- 5.8%	+12.4%	- 7.1%	+ 9.4%	- 6.9%
32	+ 2.9%	- 6.0%	+20.0%	- 7.1%	+12.5%	+ 0.7%
33	+ 1.1%	- 6.2%	+14.0%	- 7.7%	+ 9.6%	- 2.8%
Statewide	+ 0.4%	- 7.4%	+13.6%	- 3.3%	+10.0%	- 5.2%

NOTE: Loss cost level changes are calculated on a total limits basis for Liability and on an all deductibles combined basis for Physical Damage.

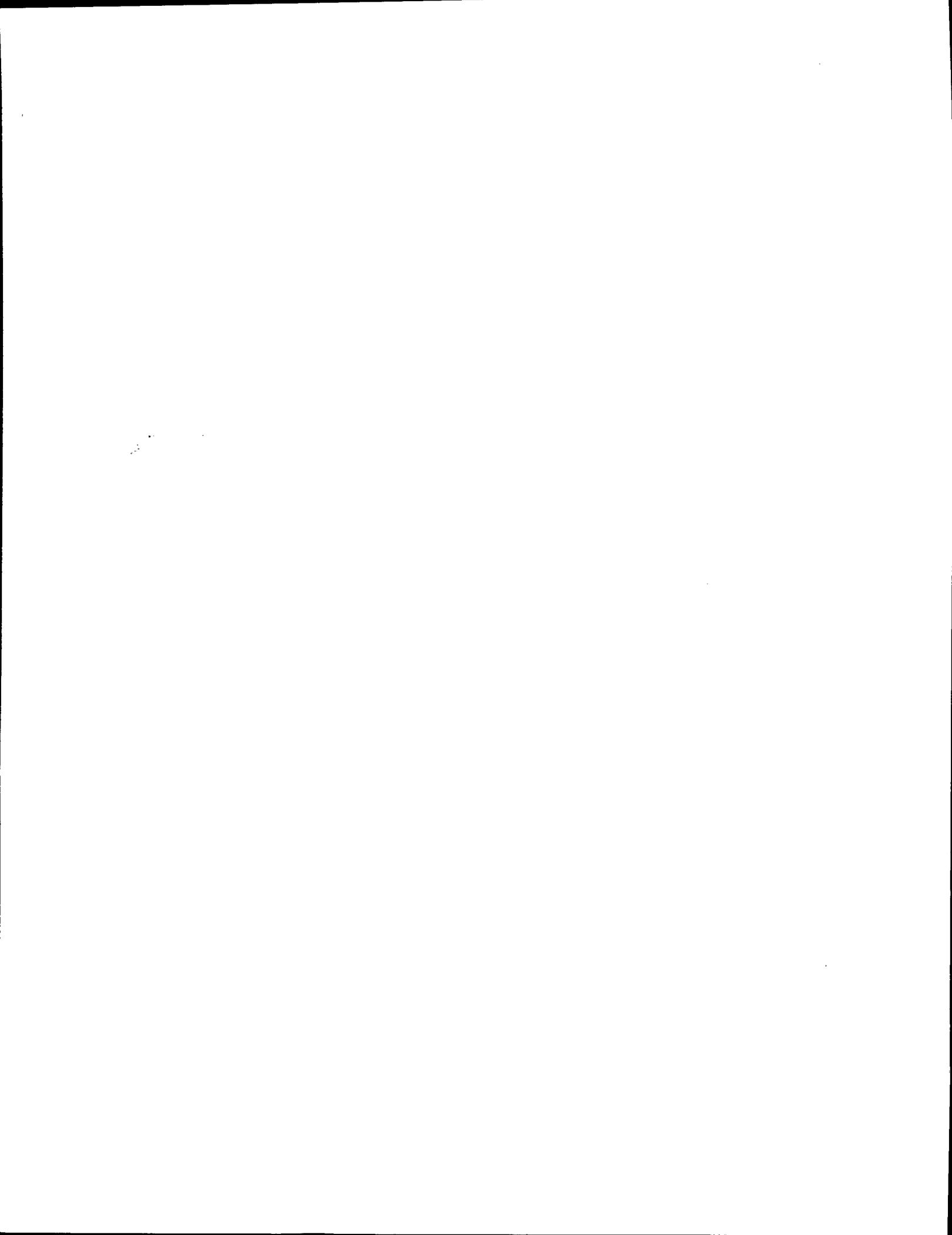
ARKANSAS
PERSONAL AUTO INSURANCE

TABLE A2-2

TERRITORY LOSS COST LEVEL CHANGES

<u>Territory</u>		<u>Uninsured Motorists</u>		<u>Underinsured Motorists</u>
<u>Tier</u>	<u>Territory</u>	<u>Bodily Injury</u>	<u>Property Damage</u>	<u>Bodily Injury</u>
1	21	+38.4%	+50.0%	-10.7%
2	22, 23, 24, and 25	+11.7%	+25.0%	- 6.6%
3	26, 27, 28, 29, 30, 31, 32, and 33	- 2.5%	+2.85%	- 4.0%
Statewide		+4.0%	+11.0%	- 5.2%

NOTE: Loss cost level changes are calculated on a total limits basis for Uninsured and Underinsured Motorists Bodily Injury. Uninsured Motorists Property Damage loss cost level changes are calculated on a basic limits basis.



ARKANSAS
PERSONAL AUTO INSURANCE

TABLE A3

STATEWIDE LOSS COST LEVEL CHANGES BY DEDUCTIBLE

Coverage	(1) Aggregate Loss Costs at Current Level for Weighing	(2) Present Relativity	(3) Loss Cost Level Change
Full Cov. Comprehensive	\$ 488,488	1.67	+ 10.0%
\$50 Ded. Comprehensive	1,219,327	1.58	+ 10.0%
\$100 Ded. Comprehensive	4,753,286	1.49	+ 10.0%
\$200 Ded. Comprehensive	434,335	1.33	+ 10.0%
\$250 Ded. Comprehensive	5,004,198	1.26	+ 10.0%
\$500 Ded. Comprehensive	7,610,469	1.00	+ 10.0%
\$1,000 Ded. Comprehensive	916,121	0.74	+ 10.0%
Sub-total	\$ 20,426,224		+ 10.0%
\$100 Ded. Collision	\$ 1,387,640	1.18	- 5.2%
\$200 Ded. Collision	2,295,548	1.13	- 5.2%
\$250 Ded. Collision	9,553,899	1.11	- 5.2%
\$500 Ded. Collision	33,423,453	1.00	- 5.2%
\$1,000 Ded. Collision	5,351,403	0.83	- 5.2%
Sub-total	\$ 52,011,943		- 5.2%
Physical Damage Total	\$ 72,438,167		- 0.9%

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PERSONAL AUTO INSURANCE

TABLE A4-1

PRESENT AND FILED BASE CLASS LOSS COSTS BY TERRITORY

Territory Code	LIABILITY							
	PRESENT				FILED			
	\$75,000 Single Limit	25/50 B.I.	\$25,000 P.D.	\$1,000 Med. Pay.	\$75,000 Single Limit (A)	25/50 B.I.	\$25,000 P.D.	\$1,000 Med. Pay.
21	\$412	\$213	\$130	\$25	\$406	\$194	\$149	\$25
22	358	161	146	16	372	155	168	16
23	328	147	134	12	319	128	151	12
24	322	154	118	14	324	143	135	14
25	350	180	111	17	351	171	125	17
26	273	134	96	13	274	124	110	13
27	241	114	90	12	232	102	98	12
28	259	128	90	12	264	123	101	12
29	220	102	85	11	218	93	96	11
30	278	126	112	11	284	119	127	11
31	280	121	121	14	286	114	136	13
32	240	117	85	14	247	110	102	13
33	269	128	100	13	272	120	114	12

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE A4-2

PRESENT AND FILED BASE CLASS LOSS COSTS BY TERRITORY

Territory Code	PHYSICAL DAMAGE (A)			
	PRESENT		FILED	
	\$500 Ded. Comprehensive	\$500 Ded. Collision	\$500 Ded. Comprehensive	\$500 Ded. Collision
21	\$83	\$312	\$85	\$310
22	53	260	61	257
23	36	225	45	216
24	57	251	62	239
25	78	261	90	261
26	70	231	83	223
27	107	232	111	227
28	91	245	91	236
29	69	226	77	215
30	47	212	48	202
31	54	234	59	221
32	81	238	91	243
33	63	205	69	202

(A) Model Year 2008, Symbol 8.

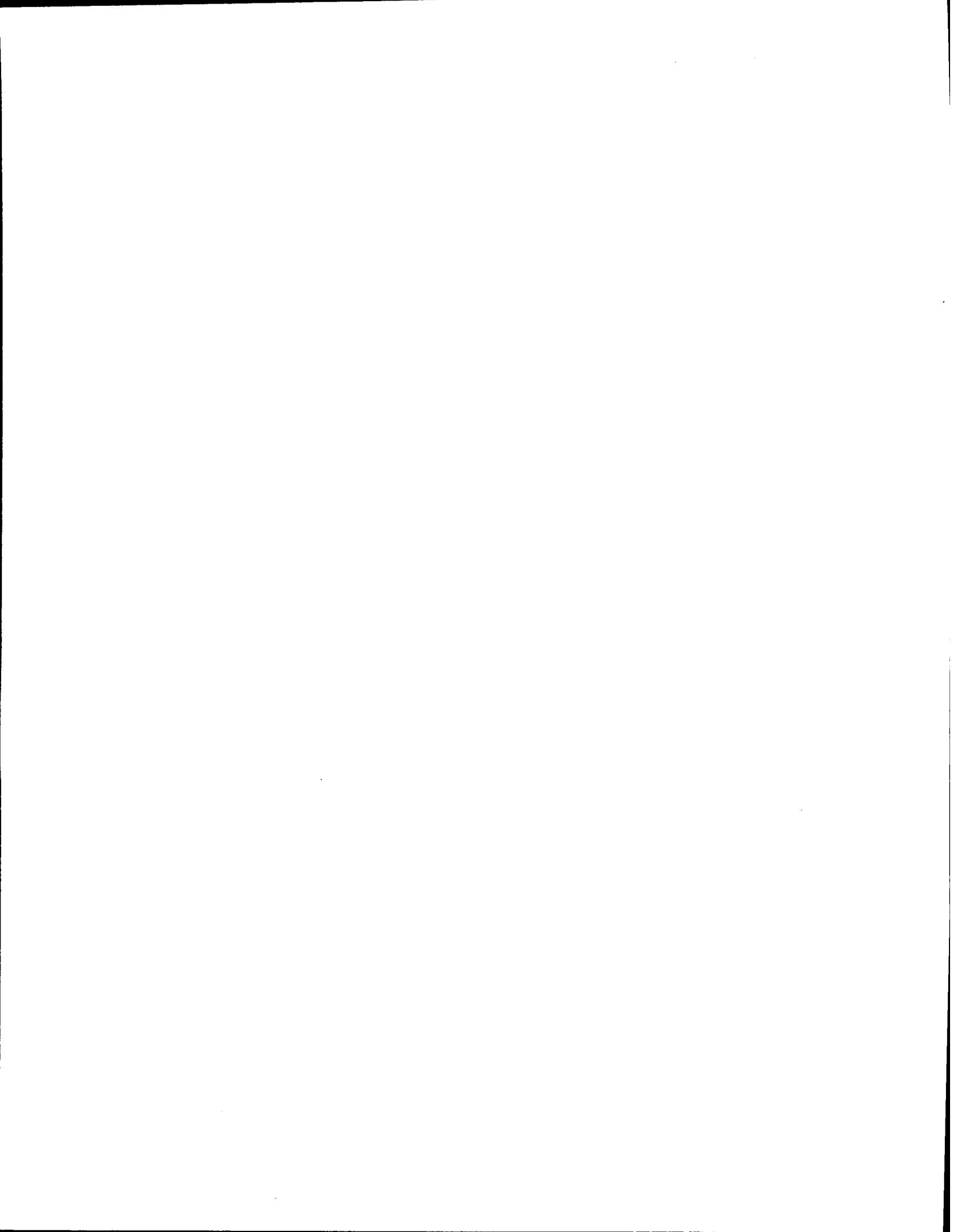
ARKANSAS
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TABLE A4-3

SAMPLE DISPLAY OF MODEL YEAR LOSS COSTS FOR TERRITORY 21

<u>Model Year</u>	<u>\$500 Deductible Comprehensive (A)</u>	<u>\$500 Deductible Collision (A)</u>
2010	\$ 94	\$341
2009	89	326
2008	85	310
2007	81	291
2006	77	273
2005	73	257
2004	69	236
2003	65	217
2002	63	205
2001	60	192
2000	56	180
1999	54	171
1998	51	158
1990 - 1997	48	149

(A) Loss costs are for base Symbol 8. (See Tables C14-1 and C14-2 for model year and symbol relativities to determine loss costs for 1989 and prior.) The above loss costs reflect a shift in the base model year from 2007 to 2008. Tables C14-1 and C14-2 display the model year and symbol relativity factors for a model year 2008, Symbol 8 base loss cost.



ARKANSAS
PERSONAL AUTO INSURANCE
PRESENT AND FILED UNINSURED AND UNDERINSURED MOTORISTS LOSS COSTS

PVM Rule 14.A. Uninsured Motorists Coverage

BI ONLY UM COVERAGE - SPLIT LIMITS

BASIC LIMITS - Charge the loss costs per registered auto displayed below depending on whether the risk is a Single Car or a Multi-Car risk. For Multi-Car risks, apply the loss cost to each car including the first car.

	<u>Territories</u>	<u>PRESENT</u>		<u>FILED</u>	
		<u>Single Car</u>	<u>Multi-Car Per Car</u>	<u>Single Car</u>	<u>Multi-Car Per Car</u>
\$25,000/50,000 BI	21	\$18.62	\$14.90	\$25.78	\$20.62
	22, 23, 24, and 25	15.51	12.41	17.31	13.85
	All Remaining	12.41	9.93	12.10	9.68

INCREASED LIMITS - Add the additional loss cost increments shown below to the basic limit loss costs.

	<u>Terr: 21</u>				<u>Terr: 22, 23, 24, and 25</u>				<u>Terr: All Remaining</u>			
	<u>Single Car</u>		<u>Multi-Car Per Car</u>		<u>Single Car</u>		<u>Multi-Car Per Car</u>		<u>Single Car</u>		<u>Multi-Car Per Car</u>	
	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>
\$ 50/100	\$ 5.96	\$ 8.25	\$ 4.76	\$ 6.60	\$ 4.96	\$ 5.54	\$ 3.97	\$ 4.43	\$ 3.97	\$ 3.87	\$ 3.17	\$ 3.10
100/200	12.85	17.79	10.28	14.24	10.70	11.94	8.56	9.55	8.56	8.35	6.85	6.68
100/300	13.03	18.05	10.42	14.44	10.86	12.12	8.69	9.69	8.69	8.47	6.95	6.78
250/500	21.79	30.16	17.43	24.13	18.15	20.25	14.52	16.20	14.52	14.16	11.61	11.33
300/300	23.09	31.97	18.47	25.58	19.23	21.46	15.38	17.17	15.39	15.00	12.31	12.00
500/500	27.37	37.90	21.89	30.32	22.80	25.45	18.24	20.36	18.24	17.79	14.59	14.23
500/1,000	27.56	38.15	22.04	30.52	22.95	25.62	18.36	20.49	18.37	17.91	14.69	14.33
1,000/1,000	31.84	44.08	25.47	35.27	26.52	29.60	21.21	23.68	21.22	20.69	16.97	16.55

ARKANSAS
PERSONAL AUTO INSURANCE
PRESENT AND FILED UNINSURED AND UNDERINSURED MOTORISTS LOSS COSTS

PVM Rule 14.A. Uninsured Motorists Coverage

BI ONLY UM COVERAGE - SINGLE LIMIT

BASIC LIMITS - Charge the loss costs per registered auto displayed below depending on whether the risk is a Single Car or a Multi-Car risk. For Multi-Car risks, apply the loss cost to each car including the first car.

\$50,000 UM	Territories	PRESENT		FILED	
		Single Car	Multi-Car Per Car	Single Car	Multi-Car Per Car
	21	\$23.46	\$18.77	\$32.48	\$25.98
	22, 23, 24, and 25	19.54	15.63	21.81	17.45
	All Remaining	15.64	12.51	15.25	12.20

INCREASED LIMITS - Add the additional loss cost increments shown below to the basic limit loss costs.

	Terr: 21				Terr: 22, 23, 24, and 25				Terr: All Remaining			
	Single Car		Multi-Car Per Car		Single Car		Multi-Car Per Car		Single Car		Multi-Car Per Car	
	Pres	Filed	Pres	Filed	Pres	Filed	Pres	Filed	Pres	Filed	Pres	Filed
\$ 75,000	\$ 4.10	\$ 5.67	\$ 3.28	\$ 4.54	\$ 3.41	\$ 3.81	\$ 2.73	\$ 3.05	\$ 2.73	\$ 2.66	\$ 2.19	\$ 2.13
100,000	7.26	10.06	5.81	8.05	6.05	6.75	4.84	5.40	4.84	4.72	3.87	3.78
200,000	14.34	19.85	11.47	15.88	11.95	13.33	9.56	10.66	9.55	9.31	7.64	7.45
300,000	18.25	25.27	14.60	20.22	15.20	16.96	12.16	13.57	12.16	11.85	9.73	9.48
500,000	22.53	31.20	18.02	24.96	18.77	20.95	15.02	16.76	15.01	14.64	12.01	11.71
1,000,000	27.00	37.38	21.60	29.91	22.49	25.10	17.99	20.08	17.99	17.54	14.39	14.03

ARKANSAS
PERSONAL AUTO INSURANCE
PRESENT AND FILED UNINSURED AND UNDERINSURED MOTORISTS LOSS COSTS

PVM Rule 14.A. Uninsured Motorists Coverage

BI & PD UM COMBINED - SPLIT LIMITS

BASIC LIMITS - Charge the loss costs per registered auto displayed below depending on whether the risk is a Single Car or a Multi-Car risk. For Multi-Car risks, apply the loss cost to each car including the first car.

	Territories	PRESENT		FILED	
		Single Car	Multi-Car Per Car	Single Car	Multi-Car Per Car
\$25,000/50,000/ 25,000 BI & PD*	21	\$31.96	\$25.57	\$45.79	\$36.63
	22, 23, 24, and 25	28.85	23.08	33.99	27.19
	All Remaining	25.75	20.60	25.82	20.66

* Property Damage Uninsured Motorists Coverage is subject to a \$200 deductible.

INCREASED LIMITS - BI UM - Add the additional loss cost increments shown below to the basic limit loss costs.

Bodily Injury	Terr: 21				Terr: 22, 23, 24, and 25				Terr: All Remaining			
	Single Car		Multi-Car Per Car		Single Car		Multi-Car Per Car		Single Car		Multi-Car Per Car	
	Present	Filed	Present	Filed	Present	Filed	Present	Filed	Present	Filed	Present	Filed
\$ 50/100	\$ 5.96	\$ 8.25	\$ 4.76	\$ 6.60	\$ 4.96	\$ 5.54	\$ 3.97	\$ 4.43	\$ 3.97	\$ 3.87	\$ 3.17	\$ 3.10
100/200	12.85	17.79	10.28	14.24	10.70	11.94	8.56	9.55	8.56	8.35	6.85	6.68
100/300	13.03	18.05	10.42	14.44	10.86	12.12	8.69	9.69	8.69	8.47	6.95	6.78
250/500	21.79	30.16	17.43	24.13	18.15	20.25	14.52	16.20	14.52	14.16	11.61	11.33
300/300	23.09	31.97	18.47	25.58	19.23	21.46	15.38	17.17	15.39	15.00	12.31	12.00
500/500	27.37	37.90	21.89	30.32	22.80	25.45	18.24	20.36	18.24	17.79	14.59	14.23
500/1,000	27.56	38.15	22.04	30.52	22.95	25.62	18.36	20.49	18.37	17.91	14.69	14.33
1,000/1,000	31.84	44.08	25.47	35.27	26.52	29.60	21.21	23.68	21.22	20.69	16.97	16.55

INCREASED LIMITS - PD UM - Add the additional loss cost increments shown below to the basic limit loss costs

Property Damage	ALL TERRITORIES			
	Single Car		Multi-Car Per Car	
	Present	Filed	Present	Filed
50,000	\$ 0.75	\$ 0.75	\$ 0.60	\$ 0.60
100,000	1.52	1.52	1.22	1.22
200,000	2.28	2.28	1.82	1.82
300,000	3.04	3.04	2.43	2.43
500,000	3.80	3.80	3.04	3.04
1,000,000	4.57	4.57	3.66	3.66

ARKANSAS
PERSONAL AUTO INSURANCE
PRESENT AND FILED UNINSURED AND UNDERINSURED MOTORISTS LOSS COSTS

PVM Rule 14.A. Uninsured Motorists Coverage

BI & PD UM COMBINED - SINGLE LIMIT

BASIC LIMITS - Charge the loss costs per registered auto displayed below depending on whether the risk is a Single Car or a Multi-Car risk. For Multi-Car risks, apply the loss cost to each car including the first car.

	<u>Territories</u>	<u>PRESENT</u>		<u>FILED</u>	
		<u>Single Car</u>	<u>Multi-Car Per Car</u>	<u>Single Car</u>	<u>Multi-Car Per Car</u>
\$75,000 BI & PD*	21	\$41.01	\$32.81	\$57.63	\$46.10
	22, 23, 24, and 25	36.40	29.12	42.09	33.67
	All Remaining	31.82	25.46	31.70	25.36

* Property Damage Uninsured Motorists Coverage is subject to a \$200 deductible.

INCREASED LIMITS - Add the additional loss cost increments shown below to the basic limit loss costs.

	<u>Terr: 21</u>				<u>Terr: 22, 23, 24, and 25</u>				<u>Terr: All Remaining</u>			
	<u>Single Car</u>		<u>Multi-Car Per Car</u>		<u>Single Car</u>		<u>Multi-Car Per Car</u>		<u>Single Car</u>		<u>Multi-Car Per Car</u>	
	<u>Present</u>	<u>Filed</u>	<u>Present</u>	<u>Filed</u>	<u>Present</u>	<u>Filed</u>	<u>Present</u>	<u>Filed</u>	<u>Present</u>	<u>Filed</u>	<u>Present</u>	<u>Filed</u>
\$ 100,000	\$ 3.23	\$ 4.50	\$ 2.58	\$ 3.60	\$ 2.71	\$ 3.03	\$ 2.17	\$ 2.43	\$ 2.18	\$ 2.14	\$ 1.74	\$ 1.71
200,000	10.31	14.29	8.25	11.44	8.61	9.61	6.89	7.69	6.89	6.73	5.51	5.38
300,000	14.22	19.71	11.37	15.77	11.86	13.24	9.49	10.59	9.50	9.27	7.60	7.42
500,000	18.50	25.64	14.80	20.52	15.43	17.23	12.34	13.79	12.35	12.06	9.88	9.65
1,000,000	22.97	31.82	18.37	25.46	19.15	21.38	15.32	17.11	15.33	14.96	12.26	11.97

ARKANSAS
PERSONAL AUTO INSURANCE
PRESENT AND FILED UNINSURED AND UNDERINSURED MOTORISTS LOSS COSTS

PVM Rule 14.B. Underinsured Motorists Coverage

SPLIT LIMITS - The following loss costs apply for each auto depending on whether the risk is a single car or a multi-car risk. For Multi-Car risks, apply the loss cost to each car including the first car.

	Terr: 21				Terr: 22, 23, 24, and 25				Terr: All Remaining			
	Single Car		Multi-Car Per Car		Single Car		Multi-Car Per Car		Single Car		Multi-Car Per Car	
	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>
\$ 25/50	\$28.70	\$25.70	\$22.96	\$20.56	\$28.18	\$26.38	\$22.54	\$21.10	\$21.25	\$20.45	\$17.00	\$16.36
50/100	48.82	43.63	39.06	34.90	47.93	44.80	38.34	35.84	36.16	34.74	28.93	27.79
100/200	77.09	68.73	61.67	54.98	75.70	70.58	60.56	56.46	57.10	54.72	45.68	43.78
100/300	77.63	69.50	62.10	55.60	76.23	71.38	60.98	57.10	57.49	55.35	45.99	44.28
250/500	121.72	108.20	97.38	86.56	119.54	111.12	95.63	88.90	90.15	86.15	72.12	68.92
300/300	129.39	114.91	103.51	91.93	127.07	118.00	101.66	94.40	95.84	91.51	76.67	73.21
500/500	153.78	136.42	123.02	109.14	151.02	140.09	120.82	112.07	113.91	108.62	91.13	86.90
500/1,000	154.64	137.19	123.71	109.75	151.87	140.88	121.50	112.70	114.54	109.23	91.63	87.38
1,000/1,000	181.04	160.37	144.83	128.30	177.80	164.69	142.24	131.75	134.10	127.68	107.28	102.14

SINGLE LIMIT - The following loss costs apply for each auto depending on whether the risk is a single car or a multi-car risk. For Multi-Car risks, apply the loss cost to each car including the first car.

	Terr: 21				Terr: 22, 23, 24, and 25				Terr: All Remaining			
	Single Car		Multi-Car Per Car		Single Car		Multi-Car Per Car		Single Car		Multi-Car Per Car	
	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>	<u>Pres</u>	<u>Filed</u>
\$ 50,000	\$47.91	\$42.81	\$38.33	\$34.25	\$47.05	\$43.97	\$37.64	\$35.18	\$35.50	\$34.09	\$28.40	\$27.27
75,000	63.11	56.30	50.49	45.04	61.98	57.81	49.58	46.25	46.74	44.83	37.39	35.86
100,000	76.10	67.84	60.88	54.27	74.73	69.68	59.78	55.74	56.37	54.01	45.10	43.21
200,000	108.92	96.86	87.14	77.49	106.97	99.47	85.58	79.58	80.68	77.13	64.54	61.70
300,000	129.39	114.91	103.51	91.93	127.07	118.00	101.66	94.40	95.84	91.51	76.67	73.21
500,000	153.78	136.42	123.02	109.14	151.02	140.09	120.82	112.07	113.91	108.62	91.13	86.90
1,000,000	181.04	160.37	144.83	128.30	177.80	164.69	142.24	131.75	134.10	127.68	107.28	102.14

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SECTION B – CALCULATION OF CHANGES

Overview of ISO Actuarial Procedures	B-2
Calculation of Statewide Loss Cost Level Changes	B-3-11
Calculation of Filed Loss Costs by Territory	B-12-19

ARKANSAS
PERSONAL AUTO INSURANCE

OVERVIEW OF ISO ACTUARIAL PROCEDURES FOR LIABILITY AND
PHYSICAL DAMAGE COVERAGES

INTRODUCTION

Personal Auto filed loss costs are determined by evaluating the adequacy of the present loss cost provisions to pay for our best estimate of losses and all loss adjustment expenses that will be incurred in the prospective (or future) period. This evaluation is done separately by coverage.

STEP 1:
DETERMINATION
OF STATEWIDE
LOSS COST
INDICATION

The first step in this process is the determination of the statewide loss cost indication. In other words, what percentage changes on average must be made to the present ISO loss costs in order to achieve adequacy for the prospective conditions? The percentage changes are presented on the exhibits labeled "Calculation of Statewide Loss Cost Level Changes."

STEP 2:
DISTRIBUTION TO
TERRITORIES

ISO then distributes the statewide loss cost indication to the individual territorial loss costs by comparing the relative loss experience by territory to the statewide average.

STEP 3:
APPLICATION OF
PERCENTAGE
CHANGES

The last step is the calculation of the ISO filed loss costs. This is achieved by applying the territory indicated changes to the present ISO loss costs. For liability, the percentage change is applied at the basic limit; for physical damage, it is applied at the base model year and symbol and base deductible. The resulting base class loss costs are displayed in Section A.

Loss costs for higher policy limits for liability are then generated using the applicable increased limits factors, which are the result of a separate actuarial analysis. Similarly, loss costs for physical damage by model year, symbol and deductible are generated by the applicable factors contained in Section C.

ARKANSAS
PERSONAL AUTO INSURANCE

OVERVIEW OF CALCULATION OF STATEWIDE LOSS COST LEVEL
CHANGES FOR LIABILITY AND PHYSICAL DAMAGE COVERAGES

OBJECTIVE

The objective of this procedure is to determine the indicated statewide loss cost level changes for Liability and Physical Damage coverages. This procedure answers the question: what percentage changes must be made on average to the present loss costs in order for them to be adequate to cover our best estimate of indemnity losses and all loss adjustment expenses that will be incurred in the prospective period in which the filed loss costs will be used?

DESCRIPTION

This procedure compares the weighted projected loss cost to the present loss cost provision. For Liability, the projected loss cost is the developed and trended incurred losses and loss adjustment expenses per earned exposure. For Physical Damage, the projected loss cost is the trended incurred losses and loss adjustment expenses per earned exposure. The weighted projected loss cost is the weighted average of the projected loss costs of the two years of experience. It is the trended incurred losses and loss adjustment expense per earned exposure after credibility weighting each year's projected loss cost with the trended present loss cost provision. Credibility is applied to minimize the impact of random variation in the observed losses. The weights applied to the two years of experience are determined as a function of the volume of claim experience. For Physical Damage, the present loss cost provision used in this procedure reflects both model year and symbol trend.

**EXPERIENCE
BASE**

The experience used in this review is the latest available as reported under the ISO Personal Automobile Statistical Plan. The data is aggregated on an accident year basis for Liability and on a calendar year basis for Physical Damage.

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TABLE B1

CALCULATION OF STATEWIDE LOSS COST LEVEL CHANGES
FOR LIABILITY COVERAGES (A)

Coverage	(1) Accident Years Ended	(2) Earned Exposures	(3) Incurred Losses & Loss Adjustment Expenses (B)	(4) Average Annual Change In Losses (Trend)	(5) Credibility
Bodily Injury	12/31/2005	342,362	\$32,817,603	+ 3.8%	1.00
	12/31/2006	352,016	32,806,589	+ 3.8%	1.00
Property Damage	12/31/2005	342,362	\$32,808,385	+ 2.1%	1.00
	12/31/2006	352,016	34,136,518	+ 2.1%	1.00
Medical Payments	12/31/2005	194,897	\$1,662,745	+ 1.0%	1.00
	12/31/2006	197,949	1,582,977	+ 1.0%	1.00

Coverage	(6) Projected Loss Cost	(7) Year Weights	(8) Weighted Projected Loss Cost	(9) Present Loss Cost Provision	(10) Indicated Change	(11) Filed Change
Bodily Injury	\$110.62	0%				
	103.54	100%	\$103.54	\$111.78	- 7.4%	- 7.4%
Property Damage	\$103.78	0%				
	102.89	100%	\$102.89	\$90.58	+ 13.6%	+ 13.6%
Medical Payments	\$8.86	50%				
	8.23	50%	\$8.55	\$8.84	- 3.3%	- 3.3%

Coverage	(12) Single Limit Indicated	(13) Loss Cost Filed Change
Single Limit Liability	+ 0.4%	+ 0.4%

(A) Experience includes 25/50 Bodily Injury, \$25,000 Property Damage, and \$1,000 Medical Payments.

(B) Incurred losses have been adjusted by the following factors:

1. Loss Development Factors:

Year Ended	B.I.	P.D.	Med Pay
12/31/2005	1.032	1.005	0.976
12/31/2006	1.095	1.037	0.880

2. Unallocated Loss Adjustment

Expense Factors:	1.105	1.125	1.105
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TABLE B2

CALCULATION OF STATEWIDE LOSS COST LEVEL CHANGES
FOR PHYSICAL DAMAGE COVERAGES (A)

Coverage	(1)	(2)	(3)	(4)	(5)
	Calendar Years Ended	Earned Exposures	Incurred Losses & Loss Adjustment Expenses (B)	Average Annual Change In Losses (Trend)	Credi- bility
Comprehensive	12/31/2005	256,563	\$23,933,177	+ 1.6%	1.00
	12/31/2006	262,732	29,615,497	+ 1.6%	1.00
Collision	12/31/2005	246,015	\$46,058,233	+ 1.8%	1.00
	12/31/2006	251,903	46,553,494	+ 1.8%	1.00

Coverage	(6)	(7)	(8)	(9)	(10)	(11)
	Projected Loss Cost	Year Weights	Weighted Projected Loss Cost	Present Loss Cost Provision	Indicated Change	Filed Change
Comprehensive	\$99.16	0%	\$117.91	\$98.68	+ 19.5%	+ 10.0%
	117.91	100%				
Collision	\$200.51	0%	\$194.42	\$205.18	- 5.2%	- 5.2%
	194.42	100%				

(A) Experience includes Full Coverage, \$50 Deductible, \$100 Deductible, \$200 Deductible, \$250 Deductible, \$500 Deductible, and \$1,000 Deductible Comprehensive adjusted to a \$100 Deductible level, and \$100 Deductible, \$200 Deductible, \$250 Deductible, \$500 Deductible, and \$1,000 Deductible Collision adjusted to a \$500 Deductible level.

(B) Losses are adjusted from a paid to incurred basis and to include all loss adjustment expenses by a factor of 1.170.

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EXPLANATORY NOTES TO TABLES B1 AND B2

INTRODUCTION

The explanations that follow clarify Tables B1 and B2, Calculation of Statewide Loss Cost Level Changes for Liability and Physical Damage Coverages.

For Liability, the experience for the latest two available accident years ending 12/31/2005 and 12/31/2006 with losses evaluated as of 3/31/2007 is displayed. For Physical Damage, the experience for the latest two available calendar years ending 12/31/2005 and 12/31/2006 are displayed.

COLUMN (2)

EARNED EXPOSURES

The exposures for liability and physical damage coverages are those exposures that have been earned during the latest two available accident years ending 12/31/2005 and 12/31/2006.

COLUMN (3)

INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

LIABILITY
COVERAGES
(TABLE B1)

For Liability, the incurred losses displayed are basic limit losses including all loss adjustment expenses and developed to an ultimate settlement basis.

Incurred Losses

The indemnity losses used in this review are limited to the Financial Responsibility Limits for Bodily Injury, Property Damage, and to Basic Limits for Medical Payments losses.

Allocated Loss Adjustment Expenses

Incurred indemnity losses are combined with allocated loss adjustment expenses, which are the expenses incurred by a carrier in connection with claim settlements that can be directly allocated to a particular claim.

Unallocated Loss Adjustment Expense Factors

Unallocated loss adjustment expenses, those expenses that cannot be allocated to any one claim, are included by applying appropriate factors to the incurred losses and allocated loss adjustment expenses. The factors used in this review are based on three years of countrywide experience as shown in Tables C1-1 and C1-2.

Loss Development Factors

The incurred losses and loss adjustment expenses are developed to an ultimate settlement basis by applying loss development factors.

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EXPLANATORY NOTES TO TABLES B1 AND B2 (Cont'd)

COLUMN (3)
(Cont'd)

Application of Loss Development Factors

The loss development factors used in this review are based on statewide experience for Bodily Injury, Property Damage Liability and Medical Payments as shown in Tables C2-1 to C2-3.

For Physical Damage, the reported paid losses are adjusted to an incurred basis and to include all loss adjustment expenses. The factor used in this review is based on three years of countrywide experience as shown in Table C1-3.

PHYSICAL DAMAGE
COVERAGES
(TABLE B2)

All Physical Damage loss and claim experience is adjusted to a common deductible basis.

The data for Comprehensive coverage includes Full Coverage, \$50 Deductible, \$100 Deductible, \$200 Deductible, \$250 Deductible, \$500 Deductible and \$1000 Deductible Comprehensive paid losses adjusted to a \$100 level. Comprehensive paid losses for each deductible are adjusted to a \$100 deductible level separately for each Comprehensive type of loss category using factors determined separately for each Comprehensive type of loss. Since the state-specific type of loss distribution determines the overall adjustment factors, overall factors to adjust losses to a common level vary by state and year for Comprehensive coverages.

The data for Collision coverage includes \$100 Deductible, \$200 Deductible, \$250 Deductible, \$500 Deductible and \$1000 Deductible Collision paid losses adjusted to a \$500 Deductible level.

Excess Wind and Water Procedure (Comprehensive only)

To ensure stability of indicated loss costs while maintaining adequacy in the event of large, unexpected losses, an excess wind and water procedure is used in the development of Personal Auto loss costs. This procedure excludes all catastrophic losses from the experience period and employs a long-term factor to account for these losses. Hence, violent shifts in loss costs (both upward and downward), which might result from reflecting large, unexpected losses only in the year in which they occur, will be avoided.

This procedure involves first subtracting the actual excess wind and water losses from the total losses for the experience period. Then an Excess Wind and Water Factor is applied to each year of the experience period. The derivations of the Excess Wind and Water Factor and the adjusted Comprehensive losses are shown in Tables C6-1 and C6-2.

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EXPLANATORY NOTES TO TABLES B1 AND B2 (Cont'd)

COLUMN (4)

AVERAGE ANNUAL CHANGE IN LOSSES (LOSS TREND)

LIABILITY
COVERAGES
(TABLE B1)

The historic average annual change (trend) in liability losses is calculated by coverage. For Bodily Injury, Property Damage, and Medical Payments coverages, the selected average annual changes in losses are based upon the latest available average paid claim cost and paid claim frequency data. The claim cost data represents the inflationary trend in the cost of claims. The claim frequency data is used as a measure of the trend in claim occurrence. The statewide claim cost data is credibility weighted with comparable regional data utilizing the credibility standards shown in Table C10. Credibility is based on the number of claims underlying the latest year's experience appearing in the trend exhibit shown in Table C3-2. For all coverages, frequencies were selected based on more recent trend patterns. Overall average annual change in losses (trend) is then determined by coverage.

PHYSICAL
DAMAGE
COVERAGES
(TABLE B2)

The average annual change (trend) in physical damage losses is selected by coverage. For Collision, the selected average annual change in losses is based upon the latest available average paid claim cost data and paid claim frequency data for Collision. For Collision, frequencies were selected based on more recent trend patterns. For Comprehensive, the average annual change in losses is based upon the latest available average paid claim cost data for Collision. For Comprehensive, frequency trend is unpredictable over time due to catastrophes; a Comprehensive claim frequency trend of 0.0% is selected in the absence of any other information. The claim cost data represents the inflationary trend in the cost of claims. The claim frequency selection is used as a measure of the trend in claim occurrence. The statewide claim cost data is credibility weighted with comparable regional data utilizing the credibility standards shown in Table C10. Credibility is based on the number of claims underlying the latest year's experience appearing in the trend exhibit shown in Table C4-1. Overall average annual changes in losses (trend) are then determined by coverage. The Comprehensive overall annual change is then adjusted by multiplying by the trend leveraging effect set forth in Table C5.

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EXPLANATORY NOTES TO TABLES B1 AND B2 (Cont'd)

COLUMN (5)

CREDIBILITY

Coverage credibility is based on each coverage's latest two-year number of claims (see Table C10).

COLUMN (6)

PROJECTED LOSS COSTS

The projected loss cost is calculated as follows:

$$[\{(3) \times (1.0 + (4))^n\} \div (2)] \times (5) + [(9) \times (1.0 + (4))^N \times (1.0 - (5))]$$

where (4) is calculated in the last line of the trend summary exhibit (Table C3-1) and

n = the number of years of projection from the average date of accident to one year past the assumed effective date of this review. For the earlier year, n is equal to 3.83 and the average date of accident is 7/1/2005. For the later year, n is equal to 2.83 and the average date of accident is 7/1/2006. For both years, the assumed effective date of this review is 5/1/2008.

N = the number of years from one year past the assumed effective date of the latest revision to one year past the assumed effective date of this review. For both years, N is equal to 0.83, the assumed effective date of the latest revision is 7/1/2007, and the assumed effective date of this review is 5/1/2008.

Bodily Injury: $[\{(\$32,806,589 \times (1.038)^{2.83}) \div 352,016\} \times 1.00] + (12/31/2006) \quad [\$111.78 \times (1.038)^{0.83} \times (1.0 - 1.00)] = \103.54

Note that trend factors raised to exponential factors are rounded to three decimal places in the above calculations.

COLUMN (7)

YEAR WEIGHTS

Year weights are based on each coverage's average number of claims for the latest two years (see Table C10). Note that in the case of 0-100% weights, experience for the earlier year is displayed for informational purposes only.

COLUMN (8)

WEIGHTED PROJECTED LOSS COST

The projected loss costs are combined using the year weights displayed.

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EXPLANATORY NOTES TO TABLES B1 AND B2 (Cont'd)

COLUMN (9)

PRESENT LOSS COST PROVISION

The present loss cost provision is based on the loss costs set forth in Arkansas Personal Auto Filing, PP-2007-BRLA1.

For Physical Damage only, the present loss cost provision also reflects the following:

Effect of Model Year Rating

Due to Model Year Rating, the loss costs used to develop the statewide indicated changes are adjusted to reflect the increased revenue which will be generated by the introduction of the newer model year vehicles during the period in which the revised loss costs will be effective. This adjustment factor is called Model Year Trend. The calculation of Model Year Trend is shown in Table C8-1.

Effect of Symbol Rating

Due to reasonably anticipated changes in the average symbols, the loss costs used to develop the indicated changes are adjusted to reflect the increased revenue which will be generated by the higher average symbol relativity resulting from the introduction of higher valued, newer model year cars during the period in which loss costs will be effective. This adjustment factor is called Symbol Trend. The calculation of Symbol Trend is shown in Tables C7-1 to C7-4.

COLUMN (10)

INDICATED CHANGE

The loss cost level change is the weighted projected loss cost, Column (8), divided by the present loss cost provision, Column (9).

COLUMN (11)

FILED CHANGE

The filed changes equal the indicated changes for Single Limit Liability, Bodily Injury, Property Damage, Medical Payments, and Collision. A selection of +10.0% was made for Comprehensive to temper the indication.

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EXPLANATORY NOTES TO TABLES B1 AND B2 (Cont'd)

COLUMNS (12), (13)

SINGLE LIMIT LOSS COST LEVEL CHANGE

LIABILITY
COVERAGES
ONLY
(TABLE B1)

The Single Limit Liability change is calculated by increasing the Bodily Injury and Property Damage basic limit average loss cost provisions to the single limit level and discounting the lower of the two.

The present single limit average loss cost provision is calculated by increasing the 25/50 Bodily Injury and \$25,000 Property Damage basic limit average loss cost provisions for year ended 12/31/2006 to the \$75,000 single limit level and discounting the lower of the two average loss costs. The discount factor (.905) is necessary because a \$75,000 Single Limit policy affords less coverage than a combined \$75,000/\$75,000 Bodily Injury and \$75,000 Property Damage policy. Such a combined policy affords up to \$150,000 total coverage.

The filed single limit average loss cost provision is calculated by first multiplying the 25/50 BI and \$25,000 PD basic limit average loss cost provisions by the filed changes for BI and PD, respectively. Then, these filed loss cost provisions are increased to the \$75,000 single limit level by multiplying by the increased limits factors, and the lower of the two average loss costs is discounted. The Single Limit filed change is the filed Single Limit average loss cost provision divided by the present Single Limit average loss cost provision.

Present Single Limit Average Loss Cost Provision:

BI	\$111.78 x 1.340 = \$149.79;	\$149.79 x 1.000 =	\$149.79
PD	\$ 90.58 x 1.080 = \$ 97.83;	\$ 97.83 x 0.905 =	\$ 88.54
			\$238.33

Filed Single Limit Average Loss Cost Provision:

BI	\$111.78 x 0.926 = \$103.51;	\$103.51 x 1.340 = \$138.70;	\$138.70 x 1.000 =	\$138.70
PD	\$ 90.58 x 1.136 = \$102.90;	\$102.90 x 1.080 = \$111.13;	\$111.13 x 0.905 =	\$100.57
				\$239.27

Single Limit Loss Cost Level Change:

$\$239.27 \div \$238.33 = 1.004$ or +0.4%

ARKANSAS
PERSONAL AUTO INSURANCE

OVERVIEW OF CALCULATION OF FILED LOSS COSTS BY TERRITORY FOR
LIABILITY AND PHYSICAL DAMAGE COVERAGES

OBJECTIVE

The objective of this procedure is to distribute the statewide loss cost indication by territory. In other words, what percentage changes by territory should be made in order to equitably achieve an adequate statewide prospective loss cost level? The percentage changes by territory are then applied to present base class loss costs to produce filed base class loss costs.

OVERVIEW OF
PROCEDURE

This procedure compares the individual territory experience ratios to the statewide average experience ratio. The territory experience ratio is calculated for the latest 3 years and a statewide weighted average experience ratio for the same period is calculated based on the earned car years. The territory experience ratio is then credibility weighted with the statewide average experience ratio to produce a credibility-weighted ratio. To determine the territory index to state, the credibility-weighted ratio is compared to the statewide credibility weighted average experience ratio. This index multiplied by the statewide filed change produces the filed percentage change for the individual territories and is applied to the present territory base class loss cost to produce the filed base class loss cost by territory. Filed base class loss costs by territory have been offset to reflect the change in base model year. The offsets for the change in base model year are shown on Tables C12-1 and C12-2.

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TABLE B3-1

BODILY INJURY INSURANCE LOSS COSTS

CALCULATION OF FILED LOSS COSTS BY TERRITORY

Terr.	(1) Earned Car Years Yr. Ended 12/31/2006	(2) Pres. Avg. Loss Cost Prov.	(3) 25/50 Loss Cost 3 Yrs. Ended 12/31/2006	(4) Exper- ience Ratio	(5) Cred	(6) Cred. Wtd. Ratio	(7) Index (6) To State	(8) 25/50 Base Class Loss Cost Pres.	(9) Filed
21	9,342	\$180.58	\$146.71	0.812	0.4	0.834	0.985	\$213	\$194
22	5,106	142.32	136.73	0.961	0.3	0.882	1.041	161	155
23	19,284	128.85	96.29	0.747	0.5	0.798	0.942	147	128
24	73,447	133.15	113.13	0.850	1.0	0.850	1.004	154	143
25	6,027	149.47	137.91	0.923	0.3	0.871	1.028	180	171
26	28,455	111.85	95.07	0.850	0.5	0.849	1.002	134	124
27	18,931	94.19	73.52	0.781	0.4	0.821	0.969	114	102
28	14,438	106.93	98.95	0.925	0.4	0.879	1.038	128	123
29	61,954	82.42	67.65	0.821	0.6	0.832	0.982	102	93
30	17,181	107.48	94.67	0.881	0.4	0.861	1.017	126	119
31	53,071	107.05	92.30	0.862	0.7	0.858	1.013	121	114
32	16,622	96.01	84.48	0.880	0.3	0.858	1.013	117	110
33	28,158	107.56	93.70	0.871	0.5	0.860	1.015	128	120
State- Wide	352,016	111.78	94.74	0.848		0.847			

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TABLE B3-2

PROPERTY DAMAGE INSURANCE LOSS COSTS

CALCULATION OF FILED LOSS COSTS BY TERRITORY

Terr.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Earned Car Years Yr. Ended 12/31/2006	Pres. Avg. Loss Cost Prov.	\$25,000 Loss Cost 3 Yrs. Ended 12/31/2006	Exper- ience Ratio	Cred	Cred. Wtd. Ratio	Index (6) To State	\$25,000 Base Class Loss Cost Pres.	Filed
21	9,342	\$110.24	\$119.83	1.087	0.6	1.083	1.006	\$130	\$149
22	5,106	129.04	143.03	1.108	0.4	1.089	1.011	146	168
23	19,284	117.48	125.21	1.066	0.9	1.067	0.991	134	151
24	73,447	102.06	111.03	1.088	1.0	1.088	1.010	118	135
25	6,027	92.21	98.04	1.063	0.4	1.071	0.994	111	125
26	28,455	80.14	86.94	1.085	0.8	1.083	1.006	96	110
27	18,931	74.38	74.81	1.006	0.6	1.034	0.960	90	98
28	14,438	75.22	79.79	1.061	0.6	1.067	0.991	90	101
29	61,954	68.70	73.40	1.068	1.0	1.068	0.992	85	96
30	17,181	95.56	103.17	1.080	0.7	1.079	1.002	112	127
31	53,071	107.05	114.23	1.067	1.0	1.067	0.991	121	136
32	16,622	69.76	81.66	1.171	0.6	1.133	1.052	85	102
33	28,158	84.04	90.93	1.082	0.9	1.082	1.005	100	114
State- Wide	352,016	90.58	97.59	1.077		1.077			

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TABLE B3-3

MEDICAL PAYMENTS INSURANCE LOSS COSTS

CALCULATION OF FILED LOSS COSTS BY TERRITORY

Terr.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Earned Car Years Yr. Ended 12/31/2006	Pres. Avg. Loss Cost Prov.	\$1,000 Loss Cost 3 Yrs. Ended 12/31/2006	Exper- ience Ratio	Cred	Cred. Wtd. Ratio	Index (6) To State	\$1,000 Base Class Loss Cost Pres.	Filed
21	5,402	\$ 16.20	\$ 17.83	1.101	0.3	1.020	1.037	\$ 25	\$ 25
22	3,106	10.63	10.75	1.011	0.1	0.988	1.004	16	16
23	13,020	7.82	7.53	0.963	0.3	0.978	0.994	12	12
24	43,709	9.28	9.30	1.002	0.6	0.995	1.011	14	14
25	3,139	10.95	11.20	1.023	0.1	0.989	1.005	17	17
26	15,379	8.41	8.51	1.012	0.4	0.996	1.012	13	13
27	9,442	7.77	8.23	1.059	0.2	1.000	1.016	12	12
28	7,671	7.86	7.44	0.947	0.2	0.977	0.993	12	12
29	30,198	7.03	7.18	1.021	0.5	1.003	1.019	11	11
30	11,210	7.29	7.32	1.004	0.3	0.991	1.007	11	11
31	31,228	9.48	8.48	0.895	0.5	0.940	0.955	14	13
32	8,287	9.04	8.52	0.942	0.2	0.976	0.992	14	13
33	16,158	8.45	8.13	0.962	0.3	0.978	0.994	13	12
State- Wide	197,949	8.72	8.59	0.985		0.984			

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TABLE B3-4

\$500 DEDUCTIBLE COMPREHENSIVE INSURANCE LOSS COSTS

CALCULATION OF FILED LOSS COSTS BY TERRITORY

Terr.	(1) Earned Car Years Yr. Ended 12/31/2006	(2) Pres. Avg. Loss Cost Prov.	(3) \$100 Ded. Loss Cost 3 Yrs. Ended 12/31/2006	(4) Exper- ience Ratio	(5) Cred Cred	(6) Cred. Wtd. Ratio	(7) Index (6) To State	(8) \$500 Ded. 2008 Symbol 8 Base Class Loss Cost Pres.	(9) 8 Class Cost Filed
21	6,803	\$126.66	\$113.59	0.897	0.6	0.942	0.933	\$ 83	\$ 85
22	4,271	88.93	96.69	1.087	0.6	1.056	1.046	53	61
23	17,137	61.42	70.86	1.154	0.9	1.140	1.129	36	45
24	57,134	92.02	91.68	0.996	1.0	0.996	0.986	57	62
25	4,748	117.01	128.66	1.100	0.5	1.055	1.045	78	90
26	20,156	104.85	113.69	1.084	1.0	1.084	1.073	70	83
27	13,751	154.73	147.97	0.956	1.0	0.956	0.947	107	111
28	10,703	135.52	125.04	0.923	1.0	0.923	0.914	91	91
29	42,164	98.40	101.39	1.030	1.0	1.030	1.020	69	77
30	13,170	73.30	67.69	0.923	0.8	0.940	0.931	47	48
31	41,714	90.57	91.32	1.008	1.0	1.008	0.998	54	59
32	11,101	116.89	121.23	1.037	0.9	1.034	1.024	81	91
33	19,880	97.54	98.68	1.012	1.0	1.012	1.002	63	69
State- Wide	262,732	98.68	99.71	1.010		1.010			

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TABLE B3-5

\$500 DEDUCTIBLE COLLISION INSURANCE LOSS COSTS

CALCULATION OF FILED LOSS COSTS BY TERRITORY

Terr.	(1) Earned Car Years Yr. Ended 12/31/2006	(2) Pres. Avg. Loss Cost Prov.	(3) \$500 Ded. Loss Cost 3 Yrs. Ended 12/31/2006	(4) Exper- ience Ratio	(5) Cred Cred	(6) Cred. Wtd. Ratio	(7) Index (6) To State	(8) \$500 Ded. 2008 Symbol 8 Base Class Loss Cost Pres.	(9) Filed
21	6,631	\$267.32	\$251.08	0.939	0.7	0.928	1.032	\$312	\$310
22	4,127	240.76	228.02	0.947	0.5	0.925	1.029	260	257
23	16,693	212.27	190.63	0.898	0.9	0.898	0.999	225	216
24	55,195	226.93	201.83	0.889	1.0	0.889	0.989	251	239
25	4,591	220.40	212.89	0.966	0.5	0.934	1.039	261	261
26	18,930	192.42	173.94	0.904	0.9	0.904	1.006	231	223
27	12,752	188.20	173.57	0.922	0.7	0.916	1.019	232	227
28	10,074	202.39	182.80	0.903	0.7	0.903	1.004	245	236
29	40,053	179.36	159.57	0.890	1.0	0.890	0.990	226	215
30	12,707	182.91	162.07	0.886	0.7	0.891	0.991	212	202
31	40,671	218.03	192.79	0.884	1.0	0.884	0.983	234	221
32	10,428	193.40	188.82	0.976	0.7	0.954	1.061	238	243
33	19,051	176.59	163.06	0.923	0.9	0.921	1.024	205	202
State- Wide	251,903	205.18	185.07	0.902		0.899			

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EXPLANATORY NOTES TO TABLES B3-1 TO B3-5

INTRODUCTION The explanations that follow clarify Tables B3-1 to B3-5, Calculation of Filed Loss Costs by Territory for Liability, Medical Payments and Physical Damage coverages.

COLUMN (2) PRESENT AVERAGE LOSS COST PROVISION

For liability and physical damage, the average loss cost is based on the accident year ending 12/31/2006 exposure distribution and reflects the base class loss costs as set forth in PP-2007-BRLA1.

COLUMN (3) LOSS COST 3 YEARS ENDED 12/31/2006

The experience loss cost (losses ÷ exposures) is based on three years of experience for purposes of stability.

LIABILITY COVERAGES (TABLES B3-1 TO B3-3) For Bodily Injury, Property Damage and Medical Payments, this is based on the three accident years ended 12/31/2006, which have been developed to an ultimate settlement basis and include all loss adjustment expenses.

PHYSICAL DAMAGE COVERAGES (TABLES B3-4 AND B3-5) If a territory's wind and water loss percentage for a given year measurably exceeds its historical normal wind and water percentage, an adjustment to the wind and water losses is necessary. The loss costs for Comprehensive are adjusted by territory by replacing actual wind and water losses incurred in the latest three years by a long-term territory wind and water provision. For Comprehensive and Collision, the loss costs are based on the three calendar years ended 12/31/2006 and include all loss adjustment expenses.

COLUMN (4) EXPERIENCE RATIO

For each coverage, a ratio by territory is derived by dividing the three-year experience loss cost, Column (3), by the present average loss cost provision, Column (2).

COLUMN (5) CREDIBILITY

The ratio thus calculated is assigned a credibility value on the basis of the number of claims underlying the three-year loss cost. The complement of the credibility is assigned to the statewide ratio appearing in Column (4). The number of claims for each territory is displayed in Table C9.

COLUMN (6) CREDIBILITY-WEIGHTED RATIO

The credibility-weighted ratio is a weighted average of the territory ratio and the statewide ratio. The formula is as follows:

$$[\text{Terr. Col. (4)} \times \text{Terr. Col. (5)}] + [\text{SW Col. (4)} \times (1.0 - \text{Terr. Col. (5)})]$$

ARKANSAS
PERSONAL AUTO INSURANCE

EXPLANATORY NOTES TO TABLES B3-1 TO B3-5 (Cont'd)

COLUMN (7)

INDEX TO STATE

Territory indices to state are calculated by dividing the territory's credibility weighted ratio (Column (6)) by the statewide ratio. To avoid extreme fluctuations in territory loss costs, the territory loss costs are limited by bounding the territory index to state above by 1.250 and below by .800, if applicable, such that no additional overall change in loss cost level results.

[Territory Column (6) ÷ SW Column (6)]

COLUMN (8)

PRESENT BASE CLASS LOSS COST

For Liability, the present base class loss costs are the loss costs set forth in Arkansas Personal Auto Filing PP-2007-BRLA1.

For Physical Damage, the present loss costs are based on the loss costs set forth in Arkansas Personal Auto Filing PP-2007-BRLA1 for Model Year 2008, Symbol 8 vehicles.

COLUMN (9)

FILED BASE CLASS LOSS COST

LIABILITY
COVERAGES
(TABLES B3-1 TO B3-3)

For each Liability coverage, the filed base class loss cost for a particular territory was calculated by multiplying the present base class loss cost by the statewide filed change from Table B1 and the territory index to state. Filed base class loss costs are calculated at the state's financial responsibility limit.

Bodily Injury Territory 21: $\$213 \times 0.926 \times 0.985 = \194

PHYSICAL DAMAGE
COVERAGES
(TABLES B3-4 AND B3-5)

For Physical Damage, the filed loss costs in Column (9) are Model Year 2008, Symbol 8.

They have been offset to reflect the change in base model year from 2007 to 2008. The offset factors applied are 0.999 and 1.014 for Comprehensive and Collision, respectively. (See Tables C12-1 and C12-2.)

For each Physical Damage coverage, the filed base class loss cost for a particular territory was calculated by multiplying the present base class loss cost by the statewide filed change from Table B2, the territory index to state, and the offset necessary to introduce the change in base model year on a revenue neutral basis. The resulting filed base class loss costs appear in Column (9).

Comprehensive Territory 21: $\$83 \times 1.100 \times 0.933 \times 0.999 = \85

Collision Territory 21: $\$312 \times 0.948 \times 1.032 \times 1.014 = \310

ARKANSAS
PERSONAL AUTO INSURANCE

SECTION C – SUPPORTING MATERIAL

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ARKANSAS
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LOSS ADJUSTMENT EXPENSE FACTORS AND INCURRED TO PAID LOSS FACTORS

OBJECTIVE	The reported indemnity losses must be loaded for any loss adjustment expenses (LAE) that are not reported in statistical detail to ISO and, for the physical damage coverages, must be adjusted to an incurred basis.
LIABILITY COVERAGES	For the liability coverages, allocated loss adjustment expenses are reported in detail to ISO under the Personal Automobile Statistical Plan. Unallocated loss adjustment expenses must be loaded into the losses. A factor representing the ratio of the sum of the incurred indemnity losses plus all LAE to the sum of the incurred indemnity losses plus allocated LAE was selected based on countrywide financial data for ISO members and subscribers (see Tables C1-1 and C1-2).
PHYSICAL DAMAGE COVERAGES	<p>For the physical damage coverages, only the paid indemnity losses are reported. All loss adjustment expenses must be loaded in and the paid losses must be adjusted to an incurred basis.</p> <p>A factor representing the ratio of incurred losses plus all LAE to paid losses was selected based on countrywide financial data for industrywide agency and direct writers combined and on countrywide loss data for all Best's reporting companies. (See Table C1-3.)</p>

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C1-1

LIABILITY

COUNTRYWIDE EXPERIENCE FOR UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTORS

Bodily Injury Liability

	<u>2003</u>	<u>2004</u>	<u>2005</u>
(1) Losses Incurred (A)	\$12,042,769,000	\$12,145,914,000	\$11,914,771,000
(2) Loss Adjustment Expense Incurred (A)	2,374,361,000	2,534,967,000	2,287,811,000
(3) Allocated Loss Adjustment Expense Incurred (A)	1,042,101,000	1,106,270,000	737,708,000
(4) Unallocated Loss Adjustment Expense Incurred (A)	1,332,260,000	1,428,697,000	1,550,103,000
(5) Losses + Allocated Expense (1) + (3)	13,084,870,000	13,252,184,000	12,652,479,000
(6) Unallocated Percentage (4) ÷ (5) x 100%	10.18%	10.78%	12.25%
(7) Three Year Average	11.1%		
(8) Selected Provision	10.5%		

(A) Based on the Insurance Expense Exhibits and supplements to the Insurance Expense Exhibits for companies that are members or subscribers of ISO for Personal Auto.

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C1-2

LIABILITY

COUNTRYWIDE EXPERIENCE FOR UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTORS

	<u>Property Damage Liability</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
(1) Losses Incurred (A)	\$4,487,917,000	\$4,706,827,000	\$5,065,024,000
(2) Loss Adjustment Expense Incurred (A)	671,966,000	687,261,000	820,242,000
(3) Allocated Loss Adjustment Expense Incurred (A)	72,051,000	76,953,000	159,853,000
(4) Unallocated Loss Adjustment Expense Incurred (A)	599,915,000	610,308,000	660,389,000
(5) Losses + Allocated Expense (1) + (3)	4,559,968,000	4,783,780,000	5,224,877,000
(6) Unallocated Percentage (4) ÷ (5) x 100%	13.16%	12.76%	12.64%
(7) Three Year Average	12.9%		
(8) Selected Provision	12.5%		

(A) Based on the Insurance Expense Exhibits and supplements to the Insurance Expense Exhibits for companies that are members or subscribers of ISO for Personal Auto.

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C1-3

PHYSICAL DAMAGE

COUNTRYWIDE EXPERIENCE FOR FACTORS TO ADJUST PAID LOSSES

	2003	2004	2005
(1) Losses Incurred (A)	\$37,004,986,000	\$35,117,528,000	\$37,853,532,000
(2) Loss Adjustment Expense Incurred (A)	5,962,997,000	6,154,631,000	6,485,200,000
(3) Losses Incurred + Loss Adjustment Expense Incurred (1) + (2)	42,967,983,000	41,272,159,000	44,338,732,000
(4) Losses and Loss Adjustment Expense Incurred as Ratio to Losses Incurred (3) ÷ (1)	1.1611	1.1753	1.1713
(5) Losses Incurred (B)	36,689,756,000	34,833,069,000	37,448,182,000
(6) Losses Paid (B)	36,565,798,000	34,889,088,000	37,359,269,000
(7) Ratio of Losses Incurred to Losses Paid (5) ÷ (6)	1.0034	0.9984	1.0024
(8) Factor to Adjust Paid Losses to Incurred Basis (Including Loss Adjustment Expenses)(4) x (7)	1.1651	1.1734	1.1741
(9) Three Year Average ([Average (8) - 1.0] x 100%)	17.1%		
(10) Selected Provision	17.0%		

(A) Based on the industrywide Insurance Expense Exhibits for agency and direct writers combined.

(B) Based on Page 14 reports of all Best's reporting companies for Personal Automobile.

ARKANSAS
PERSONAL AUTO INSURANCE

LOSS DEVELOPMENT

IMPORTANCE OF
APPLICATION

The application of loss development factors recognizes the important ratemaking concept that all of the losses for a particular accident year have not been finally determined at the time the experience is compiled.

APPLICATION
OF LOSS
DEVELOPMENT
FACTORS

The incurred losses and loss adjustment expenses underlying the statewide loss cost level indications are for accident years ended December 31, 2005 and December 31, 2006 and were evaluated as of March 31, 2007.

Accident year ended December 31, 2006 includes all losses and loss adjustment expenses paid on accidents occurring from January 1, 2006 to December 31, 2006 and all losses and loss adjustment expenses outstanding on those accidents as of March 31, 2007, 15 months after the inception of the accident year.

Similarly, accident year ended December 31, 2005 includes all losses paid and outstanding as of 27 months after the inception of the accident year.

Thus, the immature experience reported as of 15 or 27 months must be adjusted to an ultimate settlement basis. This adjustment is accomplished through the use of a loss development factor.

ISO's latest analysis has determined that 87 months subsequent to the beginning of the accident year for Bodily Injury Liability and 39 months subsequent to the beginning of the accident year for Property Damage and Medical Payments Liability are sufficiently close to an ultimate settlement basis. The ultimate settlement basis is 87 months subsequent to the beginning of the accident year for Uninsured Motorists Bodily Injury and 39 months subsequent to the beginning of the accident year for Uninsured Motorists Property Damage.

The loss development factors used in this revision are based on statewide experience for Bodily Injury Liability, Property Damage Liability and Medical Payments. Statewide Property Damage Liability loss development factors are used for Uninsured Motorists Property Damage.

Statewide experience is credibility weighted with multistate experience (60%-40%) for Uninsured Motorists Bodily Injury.

The initial loss development factors displayed in Tables C2-1 to C2-5 are calculated from the loss experience shown on each table. The final loss development factors are adjusted to reflect the loss development experience of an additional insurer included in the ISO database for the determination of ISO advisory loss costs in this document. The loss experience shown in each table does not include the experience for the additional insurer.

Arkansas
Personal Auto Insurance
Loss Development
Bodily Injury
Table C2-1

Basic Limit Amount: 25,000/50,000
All Companies Reporting (A)

Voluntary Only
Non-Miscellaneous Classes

BASIC INCURRED WITH ALAE

ACCIDENT YEAR END	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS	75 MONTHS	87 MONTHS
199612	17,129,776	17,901,266	18,164,068	18,319,202	18,338,369	18,255,915	18,224,397
199712	17,658,457	17,859,360	18,004,723	18,312,684	18,324,290	18,264,277	18,322,759
199812	17,738,922	18,531,988	18,425,031	18,474,348	18,805,218	18,649,066	18,606,181
199912	18,072,148	17,594,222	18,102,459	18,821,386	18,835,837	18,763,787	18,744,545
200012	19,326,083	21,772,643	22,635,937	22,817,472	22,875,692	22,801,251	22,770,081
200112	21,094,114	23,681,064	24,303,300	24,537,210	24,683,417	24,620,636	
200212	21,262,822	22,805,419	23,389,088	23,749,864	23,603,916		
200312	22,247,953	24,021,004	24,909,596	24,450,629			
200412	24,069,104	25,711,630	25,808,672				
200512	25,677,006	25,889,416					
200612	24,751,332						

LINK RATIOS

ACCIDENT YEAR END	27:15	39:27	51:39	63:51	75:63	87:75
199612	1.045	1.015	1.009	1.001	0.996	0.998
199712	1.011	1.008	1.017	1.001	0.997	1.003
199812	1.045	0.994	1.003	1.018	0.992	0.998
199912	0.974	1.029	1.040	1.001	0.996	0.999
200012	1.127	1.040	1.008	1.003	0.997	0.999
200112	1.123	1.026	1.010	1.006	0.997	
200212	1.073	1.026	1.015	0.994		
200312	1.080	1.037	0.982			
200412	1.068	1.004				
200512	1.008					

05 RPT TERM AVG	27:15	39:27	51:39	63:51	75:63	87:75
	1.070	1.027	1.011	1.004	0.996	0.999

INITIAL LOSSDEV FACTOR	15: 87	27: 87	39: 87	51: 87	63: 87	75: 87
	1.110	1.037	1.010	0.999	0.995	0.999

FINAL LOSSDEV FACTOR (B)	15: 87	27: 87	39: 87	51: 87	63: 87	75: 87
	1.095	1.032	1.008	0.999	0.995	0.999

(A) The loss experience shown does not include the experience for an additional insurer included in the determination of the ISO advisory loss costs in this document.
(B) Final loss development factors reflect the loss development experience of an additional insurer included in the ISO database.

Arkansas
 Personal Auto Insurance
 Loss Development
 Property Damage
 Table C2-2

Voluntary Only
 Non-Miscellaneous Classes

Basic Limit Amount: 25,000
 All Companies Reporting (A)

BASIC INCURRED WITH ALAE

ACCIDENT YEAR END	15 MONTHS	27 MONTHS	39 MONTHS
200012	24,377,064	24,768,388	24,830,017
200112	25,574,028	26,158,573	26,270,636
200212	24,806,631	25,695,259	25,855,793
200312	24,464,510	25,223,968	25,363,794
200412	25,847,368	26,659,392	26,815,837
200512	25,090,707	26,445,829	
200612	26,691,955		

LINK RATIOS

ACCIDENT YEAR END	27:15	39:27
200012	1.016	1.002
200112	1.023	1.004
200212	1.036	1.006
200312	1.031	1.006
200412	1.031	1.006
200512	1.054	

05 RPT TERM AVG	27:15	39:27
	1.035	1.005

INITIAL LOSSDEV FACTOR	15: 39	27: 39
	1.040	1.005

FINAL LOSSDEV FACTOR (B)	15: 39	27: 39
	1.037	1.005

(A) The loss experience shown does not include the experience for an additional insurer included in the determination of the ISO advisory loss costs in this document.
 (B) Final loss development factors reflect the loss development experience of an additional insurer included in the ISO database.

Arkansas
Personal Auto Insurance
Loss Development
Medical Payment
Table C2-3

Basic Limit Amount: 1,000
All Companies Reporting (A)

BASIC INCURRED WITH ALAE

ACCIDENT YEAR END	15 MONTHS	27 MONTHS	39 MONTHS
200012	1,471,521	1,356,528	1,328,094
200112	1,523,473	1,372,479	1,333,375
200212	1,501,936	1,354,727	1,302,201
200312	1,613,051	1,442,168	1,415,737
200412	1,654,735	1,459,483	1,419,533
200512	1,515,263	1,359,648	
200612	1,438,325		

Voluntary Only
Non-Miscellaneous Classes

LINK RATIOS

ACCIDENT YEAR END	27:15	39:27
200012	0.922	0.979
200112	0.901	0.972
200212	0.902	0.961
200312	0.894	0.982
200412	0.882	0.973
200512	0.897	

05 RPT TERM AVG	27:15	39:27
	0.895	0.973

INITIAL LOSSDEV FACTOR	15: 39	27: 39
	0.871	0.973

FINAL LOSSDEV FACTOR (B)	15: 39	27: 39
	0.880	0.976

(A) The loss experience shown does not include the experience for an additional insurer included in the determination of the ISO advisory loss costs in this document.
(B) Final loss development factors reflect the loss development experience of an additional insurer included in the ISO database.

INSURANCE SERVICES OFFICE, INC.

Arkansas
Personal Auto Insurance
Loss Development
Uninsured Motorist Bodily Injury
Table C2-4

Basic Limit Amount: 25,000/50,000
All Companies Reporting (A)

ACCIDENT YEAR END	BASIC INCURRED WITH ALAE							Voluntary Only Non-Miscellaneous Classes	
	15 MONTHS	27 MONTHS	39 MONTHS	51 MONTHS	63 MONTHS	75 MONTHS	87 MONTHS	75 MONTHS	87 MONTHS
199612	1,588,071	1,841,686	1,951,617	1,849,735	1,871,785	1,859,445	1,797,855		
199712	1,493,090	1,632,931	1,609,978	1,628,598	1,650,649	1,643,292	1,647,963		
199812	1,346,163	1,548,259	1,622,322	1,571,133	1,556,102	1,599,954	1,606,427		
199912	1,679,479	1,583,063	1,660,996	1,672,465	1,683,654	1,650,426	1,650,371		
200012	1,582,440	1,834,380	1,778,271	1,867,523	1,861,818	1,904,286	1,875,846		
200112	1,554,886	1,731,695	1,785,248	1,790,803	1,764,506	1,764,534			
200212	1,787,967	1,844,241	1,951,584	1,950,220	1,913,712				
200312	2,047,360	2,183,561	2,302,891	2,296,547					
200412	2,485,442	2,551,336	2,578,260						
200512	2,471,359	2,660,419							
200612	2,234,408								

LINK RATIOS

ACCIDENT YEAR END	27:15	39:27	51:39	63:51	75:63	87:75
199612	1.160	1.060	0.948	1.012	0.993	0.967
199712	1.094	0.986	1.012	1.014	0.996	1.003
199812	1.150	1.048	0.968	0.990	1.028	1.004
199912	0.943	1.049	1.007	1.007	0.980	1.000
200012	1.159	0.969	1.050	0.997	1.023	0.985
200112	1.114	1.031	1.003	0.985	1.000	
200212	1.031	1.058	0.999	0.981		
200312	1.067	1.055	0.997			
200412	1.027	1.011				
200512	1.077					

05 RPT TERM AVG	27:15	39:27	51:39	63:51	75:63	87:75
	1.063	1.025	1.011	0.992	1.005	0.992
INITIAL LOSSDEV FACTOR	15: 87	27: 87	39: 87	51: 87	63: 87	75: 87
	1.089	1.025	1.000	0.989	0.997	0.992
FINAL LOSSDEV FACTOR (B)	15: 87	27: 87	39: 87	51: 87	63: 87	75: 87
	1.070	1.026	1.001	0.989	0.997	0.992

(A) The loss experience shown does not include the experience for an additional insurer included in the determination of the ISO advisory loss costs in this document.
(B) Final loss development factors reflect the loss development experience of an additional insurer included in the ISO database.

Arkansas
Multistate (A)
Personal Auto Insurance
Loss Development
Uninsured Motorist Bodily Injury
Table C2-5

Basic Limit Amount: 25,000/50,000
All Companies Reporting (B)

Accident Year Ended	Incurred Losses Including ALAE as of:								Voluntary Only Non-Miscellaneous Classes	
	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months			
199812	53,093,859	61,552,128	64,643,911	64,898,997	64,737,749	64,775,422	64,757,502			
199912	51,873,759	60,086,397	63,845,667	64,925,142	64,946,004	65,168,254	65,319,391			
200012	54,871,548	63,513,438	66,057,769	67,405,759	67,099,846	66,918,419	66,651,832			
200112	60,514,905	67,846,657	70,327,470	71,406,813	71,376,185	71,342,251				
200212	62,330,957	69,189,603	71,972,603	73,197,499	73,301,383					
200312	62,315,696	67,984,366	70,825,086	70,986,020						
200412	65,941,733	69,583,163	72,067,911							
200512	66,861,408	70,593,406								
200612	69,282,373									

Link Ratios

Accident Year Ended	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
199812	1.159	1.050	1.004	0.998	1.001	1.000
199912	1.158	1.063	1.017	1.000	1.003	1.002
200012	1.157	1.040	1.020	0.995	0.997	0.996
200112	1.121	1.037	1.015	1.000	1.000	
200212	1.110	1.040	1.017	1.001		
200312	1.091	1.042	1.002			
200412	1.055	1.036				
200512	1.056					
3 Year Average	1.067	1.039	1.011	0.999	1.000	0.999
Initial Loss Development Factors	1.119	1.048	1.009	0.998	0.999	0.999
Final Loss Development Factors (C)	1.117	1.048	1.009	0.998	0.999	0.999

(A) Includes AK, AR, DC, GA, ID, IN, ME, MO, MT, NC, NE, NH, NM, RI, SD, TN, VA, VT, WI and WY.
 (B) The loss experience shown does not include the experience for an additional insurer included in the determination of the ISO advisory loss costs in this document.
 (C) Final loss development factors reflect the loss development experience of an additional insurer included in the ISO database.

ARKANSAS
PERSONAL AUTO INSURANCE

AVERAGE ANNUAL CHANGE IN LOSSES (LOSS TREND)

IMPORTANCE OF
APPLICATION

The application of average annual change in losses to historical data recognizes two important ratemaking concepts. First, loss costs are being made for use in a future period based on historical experience. Second, due to economic and social factors, cost and frequency levels continue to change from those underlying the historical data.

LOSS TREND
ANALYSIS

Trend Determination. The method of trend determination utilized by ISO in this revision makes use of the Least Squares Method fitted to the reported time series data; specifically, an exponential curve represented by the equation $Y = Ae^{Bx}$ is fitted to the claim cost and claim frequency data. The parameters A and B are calculated constants; x is the unit of time; e is the natural logarithm base with a numerical value of 2.7182818...; and Y is the fitted value on the curve.

ISO uses the latest twelve-point claim cost fit in coming up with the claim cost trend factor used in the overall pure premium trend factor. However, exceptions to this procedure have been applied in some cases where the short-term experience deviates drastically from the longer-term experience. In such cases, ISO has imposed actuarial judgment to make selections on the final claim cost or pure premium trend factor used. The fitted claim frequency curves are determined from the latest 6, 12, and 24 quarterly year-ended experience periods (6, 12, and 24-point trends).

The trend projection period is the number of years from the average date of loss of the experience period to the average date of loss underlying the prospective loss costs.

Average Dates of Loss. The average date of loss of the experience period is the midpoint of each year of data. This is 7/1/2005 for accident year ending 12/31/2005 and 7/1/2006 for accident year ending 12/31/2006.

The average date of loss underlying the projected loss costs is the midpoint of the two-year period (5/1/2008 to 5/1/2010) during which a loss could occur on a policy written during the year following the assumed effective date (5/1/2008). This assumes that there will be annual revisions, that policies are written for a period of one year, and that the writing of policies is evenly distributed throughout the year. The average date of loss is thus one year past the assumed effective date, or 5/1/2009.

ARKANSAS
PERSONAL AUTO INSURANCE

AVERAGE ANNUAL CHANGE IN LOSSES (LOSS TREND) (Cont'd)

LOSS TREND
ANALYSIS
(Cont'd)

Historical Data. The historical data are shown in Tables C3-2 to C3-3 for Liability and Tables C4-1 to C4-2 for Physical Damage. The statewide claim cost trend is weighted with the comparable regional data, utilizing credibility standards based on the number of claims underlying the latest year's experience. The credibility table used is found in Table C10. The result of weighting the data is the average annual change in claim costs for each coverage. Regional data are used because analysis has shown significant variation in claim cost and frequency trends in different areas of the country. The regional data are displayed on Table C3-3 for Liability coverages and Table C4-2 for Collision.

Paid Claim Frequency Data. The paid claim frequency data over the latest 24 quarterly year-ended points often does not adequately capture the most recent changes in claims activity. The 24-point period reflects factors such as the growth of vehicles equipped with air bags, increase in seat belt usage, heightened awareness of the dangers of drinking and driving, increases in speed limits, the introduction of anti-fraud initiatives, unusual weather influences, and changes in economic conditions, which have all affected the general personal automobile insurance environment. Therefore, to better account for the recent changes in claims activity, we are relying more heavily on the fits covering more recent periods in determining the claim frequency selections.

The average annual changes in paid claim frequency are selected based on an analysis of the latest 6, 12, and 24-point fits of state and regional data, as appropriate, so as to reflect the trend of the claims activity more accurately. Other relevant information such as changes in the nature of a coverage or specific state requirements are also considered.

ARKANSAS
PERSONAL AUTO INSURANCE

AVERAGE ANNUAL CHANGE IN LOSSES (LOSS TREND) (Cont'd)

LOSS TREND
ANALYSIS
(Cont'd)

The average annual changes in claim costs, as determined by the procedure described above, are consolidated with the selected average annual changes in claim frequency to obtain the average annual changes in losses as calculated in Table C3-1.

Physical Damage. The ISO procedure for Physical Damage trend is to use Collision claim cost data for \$100, \$200, \$250, and \$500 deductibles adjusted to a \$500 deductible level for claim cost trend for both Comprehensive and Collision. Collision claim cost trend is used for Comprehensive claim cost trend because Collision trend data is unaffected by catastrophes and, like Comprehensive coverage, Collision coverage compensates insureds for damages to their vehicles.

Paid claim frequency trend for Collision is selected based on Collision claim frequency data using the procedure outlined above. A 0% trend continues to be selected for Comprehensive claim frequency.

Adjustment to Physical Damage Trend Factors for Leveraging Effect. An adjustment to trend factors based on trend data from all major deductibles adjusted to a \$500 deductible level is applied to produce trend factors applicable to experience losses at lower base deductibles, which are used in the review of loss cost experience. Table C5 includes a detailed explanation of the trend leveraging effect and an exhibit showing the derivation of the adjustment made in this filing to account for this effect.

Frequency and Pure Premium Selections. ISO continues to analyze the calculated annual pure premium trends in order to determine if they are appropriate to apply to the trend projection period. In situations where ISO determines that the historical trend data may not be fully indicative of future trends, ISO uses judgment and relies on analyses of external influences to support any final pure premium trend selections for individual states. The supplemental trend information section provides a detailed analysis.

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AVERAGE ANNUAL CHANGE IN LOSSES (LOSS TREND) (Cont'd)

FREQUENCY
SELECTIONS

Bodily Injury. Arkansas Bodily Injury claim frequency data, which is 50% credible, is decreasing over ten of the last eleven points. South Regional data shows a similar pattern. Based on this, a -1.0% claim frequency trend is selected.

Property Damage. Arkansas Property Damage claim frequency data, which is 90% credible, decreases over ten of the last twelve points. As a result, a -1.0% claim frequency trend is selected.

Medical Payments. Arkansas Medical Payments claim frequency data, which is 35% credible, fluctuates, with a negative short-term fit and negative middle and long-term fits. South Regional data is somewhat cyclical, fluctuating over the long term. Based on this, a 0.0% claim frequency trend is selected.

Comprehensive. Comprehensive claim frequency trend is unpredictable over time, due to catastrophes. A Comprehensive claim frequency trend of 0.0% is selected in the absence of any other information.

Collision. Arkansas Collision claim frequency data, which is 95% credible, fluctuates over the last twelve points. Due to this, a 0.0% claim frequency trend is selected.

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TABLE C3-1

TREND SUMMARY

	25/50 <u>B.I.</u>	T/L <u>P.D.</u>	<u>M.P.</u>	Comp. <u>(b)</u>	<u>Coll.</u>
<u>CLAIM COSTS</u>					
Average Annual Change in Paid Claim Costs (a)					
1) State (12 point fit)	+ 4.3%	+ 3.1%	+ 3.3%	+ 1.8%	+ 1.8%
2) Selected	+ 4.3%	+ 3.1%	+ 3.3%	+ 1.8%	+ 1.8%
3) Regional (12 point fit) (c)	+ 5.2%	+ 3.3%	- 2.4%	+ 2.0%	+ 2.0%
4) Credibility (State)	0.50	0.90	0.35	0.95	0.95
5) Credibility (Region)	1.00	1.00	1.00	1.00	1.00
6) Weighted Average [(2) x (4) + (3) x ((5) - (4))]	+ 4.8%	+ 3.1%	- 0.4%	+ 1.8%	+ 1.8%
<u>CLAIM FREQUENCIES</u>					
Average Annual Change in Paid Claim Frequencies					
7) Selected	- 1.0%	- 1.0%	0.0%	0.0%	0.0%
<u>LOSSES</u>					
Average Annual Change in Losses					
8) [(1.0 + (6)) x (1.0 + (7))] - 1.0	+ 3.8%	+ 2.1%	+ 1.0%	+ 1.8%	+ 1.8%
9) Trend Leveraging Factor [(8) x 0.90] (d)	N/A	N/A	N/A	+ 1.6%	N/A
10) Final Selected	+ 3.8%	+ 2.1%	+ 1.0% (e)	+ 1.6%	+ 1.8%

Notes

- (a) Based on an exponential curve of best fit for trend data through 1st quarter 2007.
- (b) The Collision average annual change in paid claim costs is used for Comprehensive.
- (c) States included in the Regional data are listed in Tables C3-3 and C4-2.
- (d) The trend leveraging factor of .90 applies only to Comprehensive coverage.
- (e) A +1.0% claim cost selection was made for Medical Payments to reflect the positive short-term fit and increases in the CPI.

ARKANSAS
PERSONAL AUTOMOBILE LIABILITY TREND DATA
TABLE C3-2

AVERAGE PAID CLAIM COST

Year Ended	\$ 25,000 Bodily Injury	Total Limits Bodily Injury	Total Limits Property Damage	Total Limits Medical Payments
06/30/2004	6,332	8,048	2,466	2,502
09/30/2004	6,225	7,946	2,442	2,599
12/31/2004	6,304	7,978	2,423	2,799
03/31/2005	6,421	8,296	2,460	2,679
06/30/2005	6,378	8,184	2,466	2,660
09/30/2005	6,566	8,573	2,483	2,531
12/31/2005	6,832	8,887	2,482	2,372
03/31/2006	6,914	8,820	2,502	2,531
06/30/2006	7,024	8,740	2,511	2,639
09/30/2006	6,996	8,342	2,591	2,821
12/31/2006	6,948	8,418	2,668	2,897
03/31/2007	6,653	7,942	2,651	2,895
03/31/2007 Claims	2,976	2,976	8,743	1,661
Average Annual 6 PT:	-1.4%	-8.2%	+6.5%	+18.3%
Change 12 PT:	+4.3%	+1.7%	+3.1%	+3.3%

AVERAGE PAID CLAIM FREQUENCY
(Claim Frequency Per 100 Cars)

Year Ended	Bodily Injury	Property Damage	Medical Payments
06/30/2001	1.1944	3.7082	0.5432
09/30/2001	1.2196	3.7299	0.5433
12/31/2001	1.2165	3.7528	0.5435
03/31/2002	1.2131	3.7204	0.5106
06/30/2002	1.2121	3.7501	0.4916
09/30/2002	1.1827	3.7745	0.5054
12/31/2002	1.1598	3.7901	0.5099
03/31/2003	1.1671	3.7131	0.5154
06/30/2003	1.1588	3.6620	0.5156
09/30/2003	1.1872	3.6001	0.5018
12/31/2003	1.2164	3.5572	0.5188
03/31/2004	1.2433	3.5872	0.5358
06/30/2004	1.2462	3.5597	0.5486
09/30/2004	1.2453	3.5352	0.5601
12/31/2004	1.2431	3.5075	0.5730
03/31/2005	1.2063	3.4592	0.6146
06/30/2005	1.2047	3.4373	0.6698
09/30/2005	1.1893	3.3940	0.7108
12/31/2005	1.1592	3.3189	0.7251
03/31/2006	1.1403	3.2630	0.7094
06/30/2006	1.1243	3.2024	0.6866
09/30/2006	1.1179	3.1989	0.6550
12/31/2006	1.0965	3.2060	0.6203
03/31/2007	1.1008	3.2338	0.6144
03/31/2007 Claims	2,976	8,743	1,661
Average Annual 6 PT:	-4.3%	-2.1%	-13.6%
Change 12 PT:	-5.2%	-4.3%	+5.5%
24 PT:	-1.2%	-3.1%	+5.8%

The Personal Automobile liability share of all insurers included in the ISO trend database in Arkansas is 15.0%.

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PERSONAL AUTOMOBILE LIABILITY TREND DATA
TABLE C3-3

AVERAGE PAID CLAIM COST

Year Ended	\$ 10,000 Bodily Injury	\$ 15,000 Bodily Injury	\$ 20,000 Bodily Injury	\$ 25,000 Bodily Injury	\$ 50,000 Bodily Injury
06/30/2004	4,365	4,999	5,446	5,801	6,686
09/30/2004	4,376	5,014	5,464	5,823	6,723
12/31/2004	4,395	5,049	5,510	5,881	6,816
03/31/2005	4,427	5,095	5,566	5,945	6,900
06/30/2005	4,452	5,127	5,603	5,984	6,930
09/30/2005	4,517	5,204	5,683	6,063	7,000
12/31/2005	4,623	5,329	5,819	6,207	7,153
03/31/2006	4,686	5,411	5,915	6,310	7,273
06/30/2006	4,741	5,488	6,010	6,421	7,421
09/30/2006	4,759	5,520	6,056	6,480	7,519
12/31/2006	4,777	5,554	6,103	6,536	7,606
03/31/2007	4,769	5,549	6,100	6,537	7,625
03/31/2007 Claims	68,800	68,800	68,800	68,800	68,800
Average Annual 6 PT: Change 12 PT:	+2.5%	+3.3%	+3.9%	+4.4%	+5.5%
	+4.1%	+4.7%	+5.0%	+5.2%	+5.4%

AVERAGE PAID CLAIM COST

Year Ended	Total Limits Bodily Injury	Total Limits Property Damage	Total Limits Medical Payments
06/30/2004	7,849	2,400	2,107
09/30/2004	7,878	2,394	2,127
12/31/2004	8,009	2,387	2,128
03/31/2005	8,136	2,394	2,130
06/30/2005	8,064	2,407	2,121
09/30/2005	8,119	2,430	2,092
12/31/2005	8,256	2,467	2,097
03/31/2006	8,360	2,495	2,095
06/30/2006	8,578	2,523	2,066
09/30/2006	8,768	2,547	2,037
12/31/2006	8,931	2,569	2,000
03/31/2007	8,989	2,589	1,985
03/31/2007 Claims	68,800	307,577	34,319
Average Annual 6 PT: Change 12 PT:	+7.7%	+3.9%	-4.8%
	+5.2%	+3.3%	-2.4%

Bodily Injury includes Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.

Property Damage includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.

Medical Payments includes Alabama, Georgia, Louisiana, Mississippi, North Carolina, and Tennessee.

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PERSONAL AUTOMOBILE LIABILITY TREND DATA
TABLE C3-3(Cont'd)

AVERAGE PAID CLAIM FREQUENCY
(Claim Frequency Per 100 Cars)

Year Ended	Bodily Injury	Property Damage	Medical Payments
06/30/2001	1.2658	3.8212	0.7648
09/30/2001	1.2527	3.7819	0.7692
12/31/2001	1.2413	3.8202	0.7688
03/31/2002	1.2363	3.8248	0.7720
06/30/2002	1.2507	3.8436	0.7743
09/30/2002	1.2653	3.8825	0.7845
12/31/2002	1.2561	3.8601	0.7820
03/31/2003	1.2551	3.8149	0.7755
06/30/2003	1.2584	3.7776	0.7795
09/30/2003	1.2626	3.7867	0.7735
12/31/2003	1.2931	3.7884	0.7549
03/31/2004	1.3084	3.8027	0.7437
06/30/2004	1.3185	3.8110	0.7319
09/30/2004	1.3259	3.7758	0.7290
12/31/2004	1.3095	3.7551	0.7308
03/31/2005	1.2950	3.7506	0.7228
06/30/2005	1.2953	3.7570	0.7196
09/30/2005	1.2876	3.7306	0.7141
12/31/2005	1.2712	3.6679	0.7056
03/31/2006	1.2563	3.6255	0.7157
06/30/2006	1.2359	3.5586	0.7211
09/30/2006	1.2171	3.5272	0.7225
12/31/2006	1.2060	3.5510	0.7340
03/31/2007	1.2031	3.5440	0.7360
03/31/2007 Claims	68,800	307,577	34,319
Average Annual 6 PT:	-4.6%	-2.7%	+3.4%
Change 12 PT:	-3.7%	-3.0%	0.0%
24 PT:	-0.2%	-1.4%	-1.6%

Bodily Injury includes Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.

Property Damage includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.

Medical Payments includes Alabama, Georgia, Louisiana, Mississippi, North Carolina, and Tennessee.

PERSONAL AUTOMOBILE PHYSICAL DAMAGE TREND DATA
TABLE C4-1
AVERAGE PAID CLAIM COST

Year Ended	\$500 Deductible Collision
06/30/2004	2,986
09/30/2004	2,964
12/31/2004	2,965
03/31/2005	3,025
06/30/2005	3,032
09/30/2005	3,045
12/31/2005	3,058
03/31/2006	3,092
06/30/2006	3,081
09/30/2006	3,077
12/31/2006	3,126
03/31/2007	3,094
03/31/2007 Claims	10,080
Average Annual 6 PT: Change 12 PT:	+1.0% +1.8%

AVERAGE PAID CLAIM FREQUENCY
(Claim Frequency per 100 Cars)

Year Ended	\$500 Deductible Collision
06/30/2001	5.3548
09/30/2001	5.3871
12/31/2001	5.4221
03/31/2002	5.1471
06/30/2002	5.1061
09/30/2002	5.1743
12/31/2002	5.1772
03/31/2003	5.2550
06/30/2003	5.2379
09/30/2003	5.1869
12/31/2003	5.0916
03/31/2004	4.9716
06/30/2004	4.9686
09/30/2004	5.0245
12/31/2004	5.0953
03/31/2005	5.1722
06/30/2005	5.2144
09/30/2005	5.1673
12/31/2005	5.1315
03/31/2006	5.0503
06/30/2006	4.9962
09/30/2006	4.9345
12/31/2006	4.9511
03/31/2007	5.0811
03/31/2007 Claims	10,080
Average Annual 6 PT: Change 12 PT: 24 PT:	-1.4% -0.5% -1.0%

The trend experience reflects a mix of coverages adjusted to a common deductible level.

The market share of all insurers included in the ISO physical damage trend database in Arkansas is 16.6%

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PERSONAL AUTOMOBILE PHYSICAL DAMAGE TREND DATA
TABLE C4-2
AVERAGE PAID CLAIM COST

Year Ended	\$500 Deductible Collision
06/30/2004	2,790
09/30/2004	2,801
12/31/2004	2,820
03/31/2005	2,852
06/30/2005	2,870
09/30/2005	2,865
12/31/2005	2,890
03/31/2006	2,907
06/30/2006	2,924
09/30/2006	2,931
12/31/2006	2,936
03/31/2007	2,930
03/31/2007	
Claims	305,854
Average Annual 6 PT:	+1.2%
Change 12 PT:	+2.0%

AVERAGE PAID CLAIM FREQUENCY
(Claim Frequency per 100 Cars)

Year Ended	\$500 Deductible Collision
06/30/2001	4.9766
09/30/2001	4.9337
12/31/2001	4.9539
03/31/2002	4.9432
06/30/2002	4.9562
09/30/2002	5.0000
12/31/2002	4.9928
03/31/2003	4.9640
06/30/2003	4.9533
09/30/2003	4.9542
12/31/2003	4.9196
03/31/2004	4.9238
06/30/2004	4.9245
09/30/2004	4.8810
12/31/2004	4.8865
03/31/2005	4.8715
06/30/2005	4.8756
09/30/2005	4.8750
12/31/2005	4.8492
03/31/2006	4.8593
06/30/2006	4.8372
09/30/2006	4.8221
12/31/2006	4.8447
03/31/2007	4.8649
03/31/2007	
Claims	305,854
Average Annual 6 PT:	0.0%
Change 12 PT:	-0.5%
Change 24 PT:	-0.5%

The trend experience reflects a mix of coverages adjusted to a common deductible level.

South Region includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.

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ADJUSTMENT TO PHYSICAL DAMAGE TREND FACTORS FOR LEVERAGING EFFECT

This filing includes an adjustment for the "leveraging" effect on trend at excess layers. This refers to the phenomenon that, other factors being equal, the pure premium trends for claims excess of a higher deductible will be higher than trends for claims excess of a lower deductible, or "ground-up" claims.

The following typical examples illustrate this effect. Consider a Collision claim of \$100 net of a \$500 deductible. If claims excess of a \$500 deductible are, for this hypothetical example, assumed to trend at the annual rate of 5.0%, then the value of this claim will be \$105 one year later. This claim on a \$200 deductible policy however will be a \$400 claim today and a \$405 claim one year from today. On a \$200 deductible level, this claim will experience an annual trend of only 1.3%. ($= (405/400) - 1$). The effect of claims excess of higher deductibles experience higher rates of trend than claims at lower deductibles is termed the leveraging effect of the higher deductible. Another example shows that the effect varies greatly depending on the size of the claim. Consider a \$5000 Collision claim on a \$500 deductible policy, with a 5.0% annual loss trend on such claims, leading to a claim of \$5250 a year later. On a \$200 deductible policy, such a claim would be a \$5300 this year, and \$5550 a year later. Therefore on a \$200 deductible level, the annual loss trend is +4.7% ($= (5550/5300) - 1$). The method described below gauges the overall effect on the trend factors based on the distribution of Collision claims by size.

As described, our trend procedure estimates annual trend factors based on experience under Collision policies of various deductibles adjusted to a \$500 deductible level. In some states these trend factors are applied to Collision experience losses that have been adjusted to a \$200 deductible level for the review of statewide experience (Table B2). The leveraging effect and the resulting trend factor applicable to the \$200 deductible Collision losses have been estimated in the following manner.

For both countrywide data and for a sample of states, \$200 deductible Collision claim-size data was fit to a lognormal model. Pure premiums excess of \$200 and \$500 deductibles were calculated based on accepted actuarial formulas, for the model claim-size distribution both initially and after one year's inflation. Comparison of these pure premiums yields the relative annual trend at the \$200 and \$500 Collision deductible levels. Further details on model fits, formulas, and a sample worksheet are in the section "Technical Details on Estimation of Trend Leveraging Effects" and "Sample Determination of Trend Leveraging Effect" (Table C5).

The leveraging effect was very consistent across the countrywide and various state data sampled, and was very similar regardless of the initial trend selection. As in the countrywide example shown in Table C5, the model shows that the appropriate adjustment to the \$500 deductible trend factor is approximately 0.90. This same approach was applied to \$100 deductible Collision claim-size countrywide data, and very similar trend leveraging effects were observed. Finally, the effects were confirmed based on actual countrywide Collision trend data by comparing pure premium trend fits for (i) \$200 deductible trend data and (ii) \$200 deductible trend data adjusted to a \$500 deductible level. Leveraging effects close to those predicted by the claim-size model were observed.

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TECHNICAL DETAILS ON ESTIMATION OF TREND LEVERAGING EFFECT

ISO has examined \$200 deductible Collision claim size data for accident year-ended 12/31/2000 evaluated as of 3/31/2001. For a sample of states and multistate data, this claim size data was fit to a lognormal distribution by percentile matching. Countrywide claim size data and estimates for parameters of the lognormal model are shown in Table C5. In reviewing data by state, ISO found that Collision claim size distributions did not differ significantly among states sampled.

Assume there is a "true" average annual loss change of $r\%$ applicable to Collision claims at a \$200 deductible level; that is,

$$\frac{PP_{200}'}{PP_{200}} = 1 + r$$

where PP_{200} = pure premium on a \$200 deductible level, and PP_{200}' = pure premium on a \$200 deductible level one year later.

Losses excess of a \$300 deductible on the underlying \$200 deductible Collision claim size distribution are equivalent to Collision claims on a \$500 deductible level.

Pure premium excess of this additional \$300 deductible is given by:

$$p (E[X] - E[X;d]); \quad d = 300$$

which we denote PP_{500} (pure premium at \$500 deductible level).

Here: X = claim-size of underlying \$200 deductible distribution

$$E[X;d] = \text{limited expected value} = \int_0^d (1 - F(X))dX$$

$F(X)$ = cumulative claim frequency distribution

p = (ground-up) claim frequency

Then the pure premium excess of deductible $d = \$300$ after one year given underlying average annual loss change of $r\%$ is given by:

$$PP_{500}' = p (1 + r) (E[X] - E[X;d/(1 + r)])$$

(see Hogg, R.V. & Klugman, S.A. (1984). *Loss Distributions*, 190. Wiley, New York.)

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TECHNICAL DETAILS ON ESTIMATION OF TREND LEVERAGING EFFECT

The average annual loss trend for Collision claims excess of a \$500 deductible is then:

$$\frac{PP_{500}'}{PP_{500}} = \frac{(1+r)(E[X] - E[X;d/(1+r)])}{E[X] - E[X;d]} \quad \text{with } d = 300.$$

It can be shown that this ratio is always at least as large as 1 + r for positive r, which is the leveraging effect at layers excess of a deductible d.

Given annual trend at a \$500 deductible level, this formula is then used to determine the annual trend at a \$200 deductible level. Estimates for parameters are substituted using formulas for limited expected value of the lognormal distributions (see Hogg, R.V. & Klugman, S.A. (1984). *Loss Distributions*, 229-230). The annual trend factors at \$500 and \$200 deductible levels for Collision were estimated in this manner.

Results for states sampled and all initial \$500 deductible annual trends were very similar, as shown below (r₂₀₀ and r₅₀₀ are the annual trend factors at \$200 and \$500 deductible levels respectively).

State	Year = X			Year = X + 1		
	\$200 Ded.	\$500 Ded.	r ₂₀₀ /r ₅₀₀	\$200 Ded.	\$500 Ded.	r ₂₀₀ /r ₅₀₀
Countrywide	2.74%	3.00%	0.91	4.56%	5.00%	0.91
State A	2.62%	3.00%	0.87	4.45%	5.00%	0.89
State B	2.73%	3.00%	0.91	4.55%	5.00%	0.91
State C	2.62%	3.00%	0.87	4.33%	5.00%	0.87

The leveraging effect on trend factors from a \$500 deductible level to a \$200 deductible level was also estimated based on \$100 deductible Collision claim size data (instead of the \$200 deductible Collision claim size data used above). Using the same approach described above with suitable modifications to formulas, very similar leveraging effects were observed. This effect is analyzed based on \$100 deductible data because Comprehensive experience losses are adjusted to a \$100 deductible level for the statewide experience review (Table B2). Since Collision claim cost trends are being used for Comprehensive, the same leverage adjustment applicable to Collision was also deemed applicable to the trend factors used for Comprehensive.

Based on the above analysis, ISO has selected an adjustment factor of 0.90 to adjust \$500 deductible annual loss trends to the \$100 or \$200 deductible level used in statewide experience reviews. In states where Comprehensive or Collision experience review data is at a \$500 deductible level, no adjustment factor is applied.

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TABLE C5
SAMPLE DETERMINATION OF TREND LEVERAGING EFFECT

Collision \$200 Deductible

Accident Year-Ended 12/31/2000 Evaluated as of 3/31/2001 Countrywide Claim Data

(I) Claim Range*	(II) Cumulative Claim Count	(III) Cumulative Frequency Distribution**	(IV) Lognormal Fit of (III)#
100	2,664	0.013	0.007
200	7,624	0.038	0.035
300	15,091	0.074	0.074
400	23,147	0.114	0.117
500	32,125	0.158	0.162
700	49,702	0.245	0.248
900	65,987	0.325	0.325
1,000	75,376	0.372	0.360
1,100	79,612	0.393	0.393
1,300	91,603	0.452	0.452
1,500	102,149	0.504	0.504
2,000	122,632	0.605	0.606
3,000	149,458	0.737	0.738
4,000	165,280	0.815	0.815
5,000	175,557	0.866	0.864
Total Claims	202,806		

- * - Upper bound of claim size
- ** - (II) / Total Claims
- # - Fit is based on parameters μ and σ as shown in (1) and (2). Formula for Lognormal Distribution per Hogg & Klugman, *Loss Distributions*, page 229

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TABLE C5 (Cont'd)
SAMPLE DETERMINATION OF TREND LEVERAGING EFFECT

{1}	μ (Lognormal Parameter)		7.30325
{2}	σ (Lognormal Parameter)		1.10377
{3}	d (Excess Deductible[\$200 to \$500])	\$	300.00
{4}	$\sigma^2/2$		0.609
{5}	$E(X) = e^{(1) + (4)}$	##	\$ 2730.53
{6}	σ^2		1.218
{7}	$\ln d$		5.704
{8}	$\Phi^{-1}[(\ln d - \mu - \sigma^2)/\sigma]$		0.005
{9}	$\Phi^{-1}[(\ln d - \mu)/\sigma]$		0.074
{10}	{3} x (1.0 - {9})	\$	277.80
{11}	$E(X;d) = \{5\} \times \{8\} + \{10\}$	@	\$ 291.45 p
{12}	Pure Premium in Excess of \$500 before inflation @@ [{5} - {11}]		\$ 2439.08 p

{0'}	Annual trend at \$200 Deductible Level=r %		4.56%
{1'}	μ (Lognormal Parameter)		7.30325
{2'}	σ (Lognormal Parameter)		1.104
{3'}	$d' = d/(1+r)$ (Excess Deductible)	\$	286.92
{4'}	$\sigma^2/2$		0.609
{5'}	$E(X) = e^{(1') + (4')}$	##	\$ 2730.53
{6'}	σ^2		1.219
{7'}	$\ln d'$		5.659
{8'}	$\Phi^{-1}[(\ln d' - \mu - \sigma^2)/\sigma]$		0.005
{9'}	$\Phi^{-1}[(\ln d' - \mu)/\sigma]$		0.068
{10'}	{3'} x (1.0 - {9'})		267.41
{11'}	$E(X;d') = \{5'\} \times \{8'\} + \{10'\}$	@	\$ 281.06
{12'}	Pure Premium in Excess of \$500 after inflation @@ [{5'} - {11'}] x (1.0 + {0'})		\$ 2561.17 p
{13'}	Annual Trend at \$500 Deductible level [{12'}/{12}]		5.00%

The Final Trend Leveraging Effect is [{0'}/{13'}] 0.91

The Final Selected Leveraging Factor is 0.90

- The Expected Value of a \$200 Deductible Claim
@ - Limited Expected Value censored at deductible d or d'
@@ - p = "ground-up" claim frequency

ARKANSAS
PERSONAL AUTO INSURANCE

SUPPLEMENTAL TREND INFORMATION

OVERVIEW

As shown in Table C3-1, ISO selects trend factors to project losses to a prospective level corresponding to the future rating period. In addition to the evaluation of historical claim cost and claim frequency data, ISO uses judgment and relies on analyses of external influences to support any final pure premium trend selections for individual states.

PERSONAL AUTO
TREND ANALYSIS

Multistate ISO Claim Cost and Frequency Annual Percent Changes, 1st Quarter 2007

	12 pt. Claim Cost	12 pt. Frequency
Bodily Injury (25/50)	+2.8%	-4.8%
Property Damage (T/L)	+3.2%	-3.8%
Medical Payments (T/L)	+0.1%	-2.7%
\$500 Deductible Collision	+1.9%	-1.3%

Observed Trends in Claim Cost and Frequency

In the past few years several changes in the automobile insurance claims environment have affected claim cost and frequency trends.

The following factors have served to reduce the frequency and/or severity of claims:

- The requirement that passenger cars be equipped with front seat airbags
- Increased seat belt usage
- Stricter drunk driving laws
- Slowed growth in number of miles driven each year
- The introduction of graduated licensing programs

Figure 1. Percent, National Seat Belt Usage

1997	62%	2002	75%
1998	68%	2003	79%
1999	67%	2004	80%
2000	71%	2005	82%
2001	73%	2006	81%

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PERSONAL AUTO INSURANCE

SUPPLEMENTAL TREND INFORMATION

PERSONAL AUTO
TREND ANALYSIS (Cont'd)

Figure 2. Percent, Fatalities that are Alcohol Related

2001	41.2%
2002	40.7%
2003	39.9%
2004	39.2%
2005	39.0%

Figure 3. Annual Growth, Miles Driven

Sep-05	0.65%
Dec-05	0.10%
Mar-06	0.44%
Jun-06	0.30%
Sep-06	0.44%
Dec-06	1.05%
Mar-07	0.38%
Jun-07	-0.54%

The following factors have served to increase the frequency and/or severity of claims:

- Rise in medical costs and auto bodywork
- Increased cell phone usage while driving
- Increased deer population resulting in more collisions involving animals

Figure 4. Trends in Medical Care Costs and Auto Bodywork

	CPI – Medical Care Annual Rate of Change	CPI – Hospital & Other Related Services Annual Rate of Change	CPI - Auto Bodywork Annual Rate of Change
Jun-05	4.2%	5.0%	3.1%
Sep-05	3.9%	4.6%	4.0%
Dec-05	4.3%	5.1%	4.8%
Mar-06	4.1%	5.9%	5.8%
Jun-06	4.1%	6.8%	4.6%
Sep-06	4.2%	7.3%	3.8%
Dec-06	3.6%	6.1%	3.4%
Mar-07	4.0%	5.8%	3.4%

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PERSONAL AUTO INSURANCE

SUPPLEMENTAL TREND INFORMATION

PERSONAL AUTO
TREND ANALYSIS (Cont'd)

Figure 5. Percent, Annual Change in Sales

	Cars	Light Trucks
2004	-1.4%	3.7%
2005	2.2%	-0.9%
2006	1.4%	-6.0%
2007 P	-2.5%	1.1%
P - projection		

Figure 6. Percent, Collisions Involving Animals

2004	14.0%
2005	14.5%
2006	17.7%

The following factors may impact the frequency and/or severity of claims in the future:

- Growth of vehicles equipped with side airbags
- Growth of graduated licensing programs
- Increased use of red light and speeding cameras
- Advanced and widespread anti-theft technology
- Pay as you drive auto insurance programs

Growth of Vehicles Equipped with Side Airbags

The population of vehicles on the road equipped with driver-side airbags has increased substantially in recent years to over 73% in 2005. Additionally, over 64% of vehicles on the road in 2005 had passenger-side airbags. Side airbags were estimated to reduce deaths among drivers of passenger cars struck on the driver side by about 37% when the side airbag included head protection and by 26% when the side airbag was designed to protect only the torso. ISO believes that side airbags may further reduce the frequency and severity of injuries by providing better protection for passengers in vehicles equipped with these devices.

Growth of Graduated Driver Licensing (GDL) Programs

Having realized the dangers of teenage driving, many states have implemented GDL programs in the past few years. By restricting vehicle use of young drivers, many states have shown a reduction in crashes among 16 and 17 year-old drivers. ISO believes that as more states implement GDL programs and states with less restrictive GDL programs switch to more effective programs, the crash rate for teenagers will decrease, resulting in an overall decline in claim frequency.

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PERSONAL AUTO INSURANCE

SUPPLEMENTAL TREND INFORMATION

PERSONAL AUTO
TREND ANALYSIS (Cont'd)

Increased Use of Red Light and Speeding Cameras

Running red lights and excessive speeding are the two most frequent causes of accidents. In the past few years, at least 95 U.S. cities have installed red light cameras at busy intersections and streets where drivers are known to exceed the speed limit. Studies have shown that red light cameras reduced injury crashes 25% to 30% at these intersections. ISO believes that as more of these devices are installed, the result will be an overall decline in claim frequency.

CONCLUSION REGARDING
CLAIM COST AND CLAIM
FREQUENCY TRENDS

The increased use of airbags and seatbelts, stricter drunk driving laws and slowed growth in annual miles driven have all driven Bodily Injury claim costs and frequencies down in recent years. ISO believes that the benefit of some of these factors may level off in the near future. Furthermore, other variables have had the opposite effect. Increased cell phone usage while driving and the increased presence of DVD players and navigational aids increase driver distraction. These factors, along with an increased deer population have tempered the decline in claim costs and frequencies. Additionally, ISO believes that the increases in medical and hospital costs, as evidenced by the CPI data, will continue to have an impact on Bodily Injury claim costs in the near future. These increases are already being observed in the more recent Medical Payments trend experience. For Medical Payments, ISO believes that present trends are indicative, for the most part, of future trends because these types of claims settle much more quickly than Bodily Injury claims (since they are first party coverages). The Medical Care index and the Hospital & Other Related Services indices continue to increase at a high rate.

While certain factors such as increased awareness of the impact of drinking and driving, safer vehicles, safer roads and the slowed increase in the number of miles driven can serve to lower Property Damage and Collision claim costs and frequencies, other factors such as the rise in auto bodywork, increased cell phone usage and other driver distractions as well as an increase in collisions with animals have all increased claim costs and frequencies. In addition, the replacement of deployed airbags also serves to increase claim costs. As a result, ISO expects Property Damage and Collision costs to continue to increase.

ARKANSAS
PERSONAL AUTO INSURANCE

EXCESS WIND AND WATER PROCEDURE

OBJECTIVE

Because wind and water can cause large and unexpected losses, a "catastrophe" or excess wind and water procedure is incorporated in the development of Personal Auto loss costs. The purpose of this procedure is to avoid shifts in loss costs (both upward and downward) that will result from reflecting large, unexpected losses only in the year in which they occur.

DESCRIPTION OF
EXCESS WIND AND
WATER FACTOR
METHODOLOGY
(TABLE C6-1)

The excess wind and water procedure makes two adjustments to reported losses. First, it removes the excess wind and water or catastrophic losses that actually occurred in a given year. Then, it replaces these losses with an expected excess wind and water loss provision, by application of the statewide excess wind and water factor, calculated in Table C6-1. This statewide excess wind and water factor is based on the state's long-term history of excess wind and water losses and, therefore, is not subject to the type of yearly variation inherent in actual wind and water losses. The methodology for calculating the excess wind and water factor is described below.

Statewide excess wind and water losses by year are calculated by determining a "normal" wind and water to total minus wind and water ratio which represents the long-term expected non-catastrophic wind and water to total minus wind and water ratio for the state. All losses above the "normal" ratio are defined as excess wind and water losses.

The "normal" wind and water to total minus wind and water ratio (Table C6-1, line 11) is determined by first capping the wind and water to total minus wind and water ratios for extreme wind and water years at 5 times the state's median wind and water to total minus wind and water ratio*. The capped wind and water to total minus wind and water ratios are shown in Column (5) of Table C6-1.

An excess wind and water to total minus wind and water ratio for a given year is composed of two parts: (1) a capped excess wind and water to total minus wind and water ratio and (2) an "excess wind and water to total minus wind and water ratio above the cap".

The excess wind and water factor (Table C6-1, line 13) is calculated as follows:

$$\text{state excess factor} = 1.0 + \left[\frac{\text{average capped excess ratio} + \text{average excess ratio above the cap}}{1.0 + \text{normal ratio} - \text{average capped excess ratio}} \right]$$

For a description of the treatment of wind and water losses by territory, see Table C6-3.

* In the procedure above, minimum values apply to the median wind and water to total minus wind and water ratio, and the capped wind and water to total minus wind and water ratio. The median has a minimum of 0.050; the wind and water cap has a minimum of 5 x 0.050 (0.250). The values used for the median ratio and wind and water cap are shown on Table C6-1, line 12 (minimum values are shown, where applicable).

ARKANSAS
PERSONAL AUTO INSURANCE

EXCESS WIND AND WATER PROCEDURE

DEVELOPMENT
OF ADJUSTED
COMPREHENSIVE
LOSSES AND LOSS
ADJUSTMENT
EXPENSES
(TABLE C6-2)

Table B2 ("Calculation of Statewide Loss Cost Level Changes for Physical Damage Coverages") uses incurred comprehensive losses including all loss adjustment expenses adjusted to a common deductible level for the latest **two** years. The excess wind and water factor was developed using paid losses on a common deductible level. Table C6-2 calculates the losses used in Table B2. The paid excess wind and water losses for the latest two years, Column (1), are multiplied by the appropriate factor which puts them on an incurred basis and includes all loss adjustment expenses, Column (2). This same factor is applied to the total paid comprehensive losses for the latest two years, Column (3), and the results are shown in Column (4), the total incurred comprehensive losses including all loss adjustment expenses on a common deductible level. Column (5) is the difference between Columns (4) and (2) (the total incurred wind and water comprehensive losses, excluding the excess wind and water losses, including all loss adjustment expenses on a common deductible level) multiplied by the excess wind and water factor. This calculation removes the excess wind and water losses that occur in a given year and replaces them by the statewide expected wind and water provision. The result is the adjusted comprehensive losses including all loss adjustment expenses on a common deductible level, used in Table B2.

ARKANSAS
TABLE C6-1
PERSONAL AUTO INSURANCE
DERIVATION OF EXCESS WIND & WATER FACTOR

Year Ending	(1) Wind & Water Paid Losses (A)	(2) Total Paid Losses (A)	(3) Reported Total-Wind Losses (2)-(1)	(4) Wind to Non-Wind Ratio (1)/(3)	(5) Total Capped Wind Ratio <(5xMed)	(6) Capped Excess Wind Ratio (5)-Ave(5)	(7) Capped Excess Wind Losses (3)x(6)	(8) Excess Wind Ratio Above The Cap (4)-(5)	(9) Excess Losses Above The Cap (8)x(3)	(10) Total Excess Wind Losses (7)+(9)
12/1981	\$ 447,767	\$ 2,174,168	\$ 1,726,401	0.259	0.259	0.000	0	0.000	0	0
6/1983	527,819	2,478,459	1,950,640	0.271	0.271	0.000	0	0.000	0	0
6/1984	899,803	3,416,665	2,516,862	0.358	0.358	0.000	0	0.000	0	0
6/1985	556,230	3,580,155	3,023,925	0.184	0.184	0.000	0	0.000	0	0
6/1986	795,463	3,517,836	2,722,373	0.292	0.292	0.000	0	0.000	0	0
6/1987	221,115	2,766,502	2,545,387	0.087	0.087	0.000	0	0.000	0	0
6/1988	719,060	3,857,285	3,138,225	0.229	0.229	0.000	0	0.000	0	0
6/1989	2,499,092	5,426,051	2,926,959	0.854	0.854	0.488	1,428,356	0.000	0	1,428,356
12/1990	926,299	4,634,808	3,708,509	0.250	0.250	0.000	0	0.000	0	0
12/1991	1,480,984	5,899,547	4,418,563	0.335	0.335	0.000	0	0.000	0	0
12/1992	1,216,240	5,799,653	4,583,413	0.265	0.265	0.000	0	0.000	0	0
12/1993	1,080,792	6,349,318	5,268,526	0.205	0.205	0.000	0	0.000	0	0
12/1994	3,383,403	10,525,583	7,142,180	0.474	0.474	0.108	771,355	0.000	0	771,355
12/1995	2,920,312	10,212,981	7,292,669	0.400	0.400	0.034	247,951	0.000	0	247,951
12/1996	9,727,473	18,506,265	8,778,792	1.108	1.108	0.742	6,513,864	0.000	0	6,513,864
12/1997	2,039,975	10,717,614	8,677,639	0.235	0.235	0.000	0	0.000	0	0
12/1998	1,710,949	10,430,264	8,719,315	0.196	0.196	0.000	0	0.000	0	0
12/1999	8,198,783	19,931,257	11,732,474	0.699	0.699	0.333	3,906,914	0.000	0	3,906,914
12/2000	3,217,152	15,581,423	12,364,271	0.260	0.260	0.000	0	0.000	0	0
12/2001	3,906,549	18,961,117	15,054,568	0.259	0.259	0.000	0	0.000	0	0
12/2002	4,885,671	17,502,927	12,617,256	0.387	0.387	0.021	264,962	0.000	0	264,962
12/2003	5,051,239	16,624,462	11,573,223	0.436	0.436	0.070	810,126	0.000	0	810,126
12/2004	4,808,422	18,569,615	13,761,193	0.349	0.349	0.000	0	0.000	0	0
12/2005	4,172,692	19,316,059	15,143,367	0.276	0.276	0.000	0	0.000	0	0
12/2006	8,255,844	25,757,320	17,501,476	0.472	0.472	0.106	1,855,156	0.000	0	1,855,156
Average				0.366	0.366	0.076		0.000		

(11) Normal Wind To Non-Wind Ratio = Ave. of Col.(5) = 0.366

(12) Median Wind To Non-Wind Ratio = 0.276 5 X Median Wind To Non-Wind Ratio = 1.380

(13) Excess Factor = $1.0 + \frac{\text{Ave. (6)} + \text{Ave. (8)}}{\text{Ave. (5)} - \text{Ave. (6)}}$
 $= 1.0 + \frac{(0.076 + 0.000)}{(1.0 + 0.366 - 0.076)} = 1.059$

(A) Full Coverage, \$50, and \$100 Deductible for 1981 to 1987.

Full Coverage, \$50, \$100, \$200, and \$250 Deductible for 1988 to 1990.

Full Coverage, \$50, \$100, \$200, \$250, and \$500 Deductible for 1991 to 1993.

Full Coverage, \$50, \$100, \$200, \$250, and \$1,000 Deductible for 1994 to 2006.

All Losses are Comprehensive losses adjusted to a \$100 Deductible level.

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C6-2

COMPREHENSIVE COVERAGES

DEVELOPMENT OF ADJUSTED COMPREHENSIVE LOSSES

<u>Year Ended</u>	(1) <u>Paid Excess Wind & Water Losses (a)</u>	(2) <u>Incurred Excess Wind & Water Losses and Loss Adjustment Expenses (b)</u>	(3) <u>Total Paid Comprehensive Losses (c)</u>	(4) <u>Total Incurred Comprehensive Losses & Loss Adjustment Expenses (d)</u>	(5) <u>Adjusted Comprehensive Losses & Loss Adjustment Expenses ((4) - (2)) x 1.059(e)</u>
12/31/2005	\$ 0	\$ 0	\$19,316,059	\$22,599,789	\$23,933,177
12/31/2006	1,855,156	2,170,533	25,757,320	30,136,064	29,615,497

(a) Losses from Table C6-1, Column (10).

(b) Column (1) multiplied by 1.170 to reflect incurred losses and all loss adjustment expenses.

(c) Losses from Table C6-1, Column (2).

(d) Column (3) multiplied by 1.170 to reflect incurred losses and all loss adjustment expenses. Data for Comprehensive coverage includes Full Coverage, \$50 Deductible, \$100 Deductible, \$200 Deductible, \$250 Deductible, \$500 Deductible and \$1000 Deductible Comprehensive paid losses adjusted to a \$100 Deductible level.

(e) Excess wind & water factor from Table C6-1, Line (13).

ARKANSAS
PERSONAL AUTO INSURANCE

TERRITORY WIND AND WATER PROCEDURE

BACKGROUND

Overall loss cost level adequacy and stability have already been assured by the statewide catastrophe procedure. Territories within a state have their own wind and water histories that may differ from the statewide wind and water history. Wind and water losses in the current three-year experience period may reflect wind and water loss levels either higher or lower than the territory's historical normal level of wind and water losses. A territory wind and water procedure which normalizes the territory wind and water losses is necessary to make sure that the statewide indicated change is distributed to the territories based on the long-term wind and water potential for that territory and not by a random high or low wind and water year that occurs in a given territory in the latest three years.

The territory wind and water procedure for high wind states removes the territory's wind and water losses that actually occurred in a given year. It then distributes the statewide expected wind and water loss provision to the individual territories in proportion to the individual territory's long-term expected wind and water loss experience.

METHODOLOGY
FOR TERRITORY
WIND AND WATER
PROCEDURE

Each territory's wind and water history is reviewed. The expected wind and water loss is calculated by first determining an average wind and water to non-wind and water ratio for the available territory history which represents the territory's long-term average wind and water losses.

The normal wind and water to non-wind and water ratio is determined by capping the wind and water to non-wind and water ratio for extreme wind and water years at five times the statewide median wind and water to non-wind and water ratio. The available territory wind and water experience is limited at this time. Therefore, the statewide cap has been applied to each year's ratio by territory to temper the impact of very high wind and water years, as the available data may not be sufficient to allow for an appropriate long-term mix of low and high wind and water years for a territory.

The total losses for each of the latest three years are multiplied by their respective non-wind and water to total loss ratio to produce the three-year total non-wind and water losses. Multiplying the three-year non-wind and water losses by the normal wind and water to non-wind and water ratio yields the territorial capped expected wind and water losses.

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PERSONAL AUTO INSURANCE

TERRITORY WIND AND WATER PROCEDURE

METHODOLOGY
FOR TERRITORY
WIND AND WATER
PROCEDURE
(Cont'd)

The capped expected wind and water losses are totaled for all territories, and each territory's proportion of the total is its capped expected wind and water distribution. The product of the territory's capped expected wind and water distribution and the statewide wind provision is the capped territory wind provision. The sum of the capped territory wind and water provision and the territory's three-year non-wind and water losses divided by the three-year territorial exposures yields the adjusted three-year pure premium for the territory.

Because the three-year pure premium for the territory includes the capped territory wind and water provision in place of the actual wind and water losses that occurred in the latest three years, the number of wind and water claims must be adjusted. The capped territory wind and water provision is divided by the territory's wind and water claim cost to produce the adjusted number of wind and water claims. The adjusted number of wind and water claims is added to the number of non-wind and water claims, resulting in the adjusted total number of claims. The three-year adjusted number of total claims is used to determine territorial credibility.

A sample calculation for the territory wind and water procedure is given in Table C6-3.

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C6-3

METHODOLOGY FOR CALCULATING "WIND & WATER PROVISIONS" BY TERRITORY

In order to develop "Wind and Water Provisions" by territory*, the statewide provision is distributed using each territory's "expected" wind and water losses. This procedure is illustrated in the following example:

Territory	(1) Long-Term Capped** Ratio of Wind & Water to Non-Wind & Water Losses	(2) Non-Wind & Water Losses for Latest Three Years	(3) "Expected" Wind & Water Losses for Latest Three Years <u>(1) x (2)</u>	(4) "Expected" Wind & Water Distribution <u>(3) ÷ Total (3)</u>
A	.250	\$500,000	\$125,000	.500
B	.750	100,000	75,000	.300
C	.200	250,000	50,000	.200

Territory	(5) Three-Year Statewide Wind Provision	(6) Territory Wind Provision <u>(4) x (5)</u>	(7) Three-Year Adjusted Total Losses <u>(2) + (6)</u>	(8) Three-Year Earned Exposures	(9) Three-Year Adjusted Pure Premium <u>(7) ÷ (8)</u>
A		\$200,000	\$700,000	14,000	\$50.00
B		120,000	220,000	5,000	44.00
C		80,000	330,000	10,000	33.00
	\$400,000				

Territory	(10) Three-Year Non-Wind & Water Claims	(11) Three-Year Wind & Water Claim Cost <u>(6) ÷ (11)</u>	(12) Three-Year Adjusted Wind & Water Claims <u>(6) ÷ (11)</u>	(13) Three-Year Adjusted Total Claims <u>(10) + (12)</u>
A	1,500	\$500	400	1,900
B	800	400	300	1,100
C	1,000	400	200	1,200

* When Loss Cost Changes By Territory are calculated, actual wind losses by territory are taken out of the Adjusted Incurred Losses and replaced with the losses arrived at using this procedure.

** Average of yearly capped ratios of wind & water to non-wind & water losses, based on territory experience capped at 5 times the statewide median wind & water to non-wind & water ratio.

ARKANSAS
PERSONAL AUTO INSURANCE

SYMBOL PREMIUM TREND

IMPORTANCE OF
APPLICATION

As higher valued, newer cars are introduced, there is an increase in overall premium revenue due to the physical damage symbol rating procedure. In order to reflect the revenue impact of the higher average valued symbol cars during the prospective period, the ISO standard methodology includes a symbol trend procedure. The effect of this procedure is to reduce the indicated loss costs for the physical damage coverages.

The change in average symbol relativities is due to two factors: (1) increases in the average price of insured automobiles with the introduction of each new model year of automobiles; and (2) changes in average symbol relativities due to changes in the age distribution from the experience period to the prospective period. Thus, symbol trend is necessary to reflect the additional loss cost volume generated by the shift in the exposure distribution as new, higher priced models are introduced.

SYMBOL RATING
PROGRAM

Under ISO's symbol rating program, with each new model year, each model that car manufacturers produce is assigned a symbol that is based, initially, on the manufacturers' suggested retail price of the vehicle and popular options. (ISO's vehicle series rating program then adjusts these initial symbols, on a balanced basis, to reflect the loss experience associated with vehicles of the same (or comparable) model for earlier years.) Each symbol is assigned a symbol rating relativity. The present "base" symbol, with a relativity of 1.00, is defined as vehicles with a price between \$13,751 and \$15,000.

SYMBOL TREND
METHODOLOGY

Table B2, the "Calculation of Statewide Loss Cost Level Changes for Physical Damage Coverages", tests the adequacy of the current loss cost provisions by projecting both experience loss costs and average loss cost provisions, and comparing the two. In determining symbol trend we project the average loss cost provision that will result in the prospective rating period if the current symbol relativity structure remains in effect. To make this projection, we first determine the average loss cost provision at current level (ALCPCL), and then project this provision to the prospective period based on anticipated changes in the vehicle symbol distribution.

Symbol trend factors are calculated separately for Comprehensive and Collision. This factor is reflected in the present loss cost provision for each coverage, thereby reducing the indicated loss cost level.

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SYMBOL PREMIUM TREND

SYMBOL TREND
METHODOLOGY
(Cont'd)

The symbol trend factor is calculated as the ratio of two multistate average symbol relativities:

$$G \div A, \text{ where}$$

G = The multistate average relativity for the period during which policies will be written at the prospective loss cost level, and

A = The multistate average relativity underlying the ALCPCCL.

In this filing, separate symbol trend factors are determined for each year of experience used in the Statewide Indicated Loss Cost Level change exhibit for Comprehensive and Collision coverages (Table B2). The calculation of separate factors for each year is needed to reflect the improvement in calculation of the average symbol factor included in the average loss cost provision at current level (ALCPCCL). Under the new report system the average symbol factor for each year is determined using the earned exposure distribution for that year.

SYMBOL TREND
CALCULATIONS

The multistate average symbol relativities associated with the experience period underlying the present loss cost provisions used in Table B2 are shown on line A of Table C7-1. Line A shows average symbol relativities for the year ended 7/1/2005 based on written exposure distributions, which approximates the average symbol relativities based on earned distributions for year ended 12/31/2005 which was used to generate average loss costs at current level for year ended 12/31/2005. Similarly, the average symbol relativities for year ended 7/1/2006 based on written exposure distributions approximates the average symbol relativities based on earned distributions for year ended 12/31/2006, which was used to generate average loss costs at current level for year ended 12/31/2006.

The multistate average symbol relativities by year-ended quarter from 10/1/2008 to 1/1/2011 are shown on line B for use in projection to the proposed effective date. (See Explanatory Notes for further explanation of the calculation of average symbol relativities.)

The calculation of the average symbol relativities based on the proposed effective date is shown on lines C through G. Lines E and F show the average relativities, drawn from the average relativities shown on Line B, for the year-ending quarters immediately before and after the prospective rating period. Line G interpolates between these values to estimate the average relativity for the prospective period.

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SYMBOL PREMIUM TREND

SYMBOL TREND
CALCULATIONS
(Cont'd)

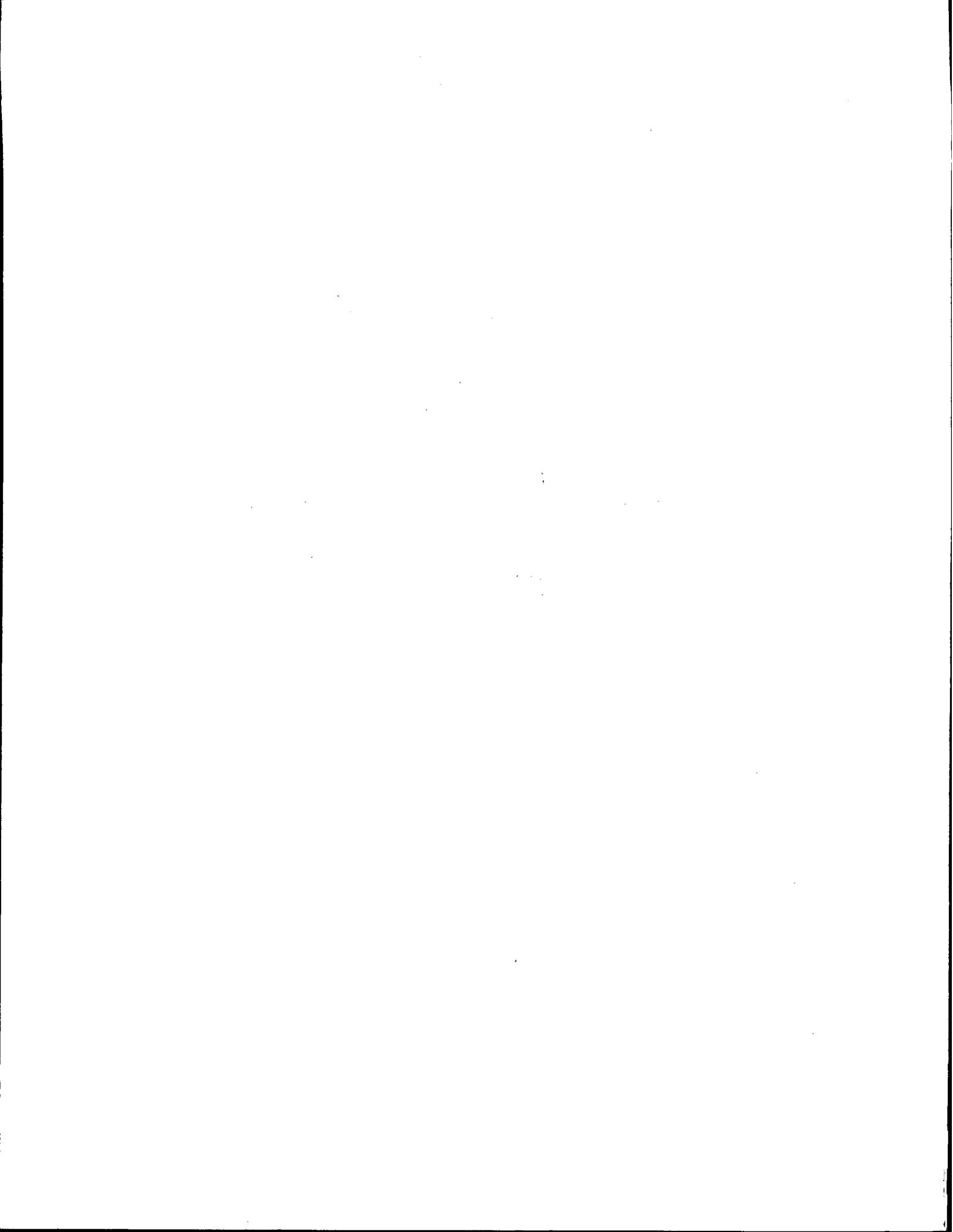
The symbol trend factor is calculated on line H. The symbol trend factor is determined by dividing Line G (the average symbol relativity for the 12 month period for policies that will be written using the prospective loss costs – year ended 5/1/2009 in this review) by Line A (the average symbol relativity underlying the age and symbol factors used to develop the present average loss cost provision in this review, for years ended 12/31/2005 and 12/31/2006, respectively).

For example, for year ended 12/31/2006 the projection period for symbol trend is the number of years from year ended 7/1/2006 (the distribution used to calculate the average symbol factor included in the present loss cost provision for year ended 12/31/2006) to year ended 5/1/2009 (the period when policies will be written using the prospective loss costs), which is 2.83 years (7/1/2006 to 5/1/2009) or 34 months.

Line (I) calculates the annualized symbol trends. The annualized trend is the symbol trend factor raised to a power equal to the reciprocal of the number of years projection ($1 \div 2.83$) using years or ($12 \div 34$) using months, for year ended 12/31/2006.

AGE
DISTRIBUTION

Age distributions for any given year are impacted by the auto sales for current and prior model years. As auto sales vary from year to year due to changes in the economy, the age distribution will also vary from year to year. Each model year has an average symbol relativity associated with it, with the average symbol relativity increasing over time as the model years become more current. Thus, in order to determine the appropriate symbol trend, ISO reflects the effects on average symbol relativities due to changes in the age distribution from the experience period to the prospective period.



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PERSONAL AUTO INSURANCE
TABLE C7-1

CALCULATION OF SYMBOL TREND FACTORS

A. Average Symbol Relativity of Experience Period:

Year ended	Comp	Coll
07/01/2005	1.588	1.306
07/01/2006	1.640	1.331

B. Summary of Average Symbol Relativities by year-ended quarter for determining symbol trend for the prospective effective date.

Year ended	Comp	Coll
10/01/2008	1.753	1.387
01/01/2009	1.763	1.392
04/01/2009	1.775	1.398
07/01/2009	1.790	1.406
10/01/2009	1.803	1.413
01/01/2010	1.814	1.418
04/01/2010	1.827	1.425
07/01/2010	1.843	1.434
10/01/2010	1.857	1.441
01/01/2011	1.868	1.447

C. Proposed Projection Date: 05/01/2009

D. Number of months to next year-ended quarter (in B above): 2

E. Average Symbol Relativity as of prior year-ended quarter:

Year ended	Comp	Coll
04/01/2009	1.775	1.398

F. Average Symbol Relativity as of next year-ended quarter:

Year ended	Comp	Coll
07/01/2009	1.790	1.406

G. Average Symbol Relativity as of Projection Date (Date in C above):
(D/3)(E) + ((3-D)/3)(F) = Av. Sym. Rel.

COMP: (2 / 3) 1.775 + (1 / 3) 1.790 = 1.780
COMP: (2 / 3) 1.398 + (1 / 3) 1.406 = 1.401

H. Symbol Trend Factors:
Year-Ended 12/31/2005
Comp: 1.780 / 1.588 = 1.121
Coll: 1.401 / 1.306 = 1.073
(G)/(A) Year-Ended 12/31/2006
Comp: 1.780 / 1.640 = 1.085
Coll: 1.401 / 1.331 = 1.053

I. Annualized Trends: (H)^(1 / 2.83)
Year-Ended 12/31/2006
Comp: 2.9%
Coll: 1.8%

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TABLE C7-2

SUMMARY OF AVERAGE PRICE NEW AND CORRESPONDING SYMBOL RELATIVITIES

(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
	YR ENDED				YR ENDED		
DATE	AVG PRICE NEW CAR	COMP REL.	COLL. REL.	DATE	AVG PRICE NEW CAR	COMP REL.	COLL. REL.
07/01/1986	11764	0.833	0.899	01/01/1999	21531	1.603	1.304
10/01/1986	11886	0.841	0.903	04/01/1999	21682	1.615	1.311
01/01/1987	12073	0.853	0.910	07/01/1999	21808	1.625	1.316
04/01/1987	12207	0.861	0.914	10/01/1999	21962	1.637	1.323
07/01/1987	12386	0.873	0.921	01/01/2000	22040	1.643	1.327
10/01/1987	12554	0.884	0.927	04/01/2000	22028	1.642	1.326
01/01/1988	12664	0.891	0.931	07/01/2000	22031	1.643	1.326
04/01/1988	12835	0.901	0.937	10/01/2000	22021	1.642	1.326
07/01/1988	12968	0.910	0.942	01/01/2001	22010	1.641	1.325
10/01/1988	13117	0.920	0.947	04/01/2001	22117	1.649	1.330
01/01/1989	13293	0.931	0.954	07/01/2001	22285	1.663	1.338
04/01/1989	13478	0.943	0.960	10/01/2001	22481	1.679	1.347
07/01/1989	13640	0.953	0.966	01/01/2002	22727	1.698	1.358
10/01/1989	13795	0.963	0.972	04/01/2002	23035	1.723	1.371
01/01/1990	13950	0.974	0.978	07/01/2002	23190	1.734	1.377
04/01/1990	14099	0.982	0.989	10/01/2002	23353	1.747	1.382
07/01/1990	14259	0.993	0.995	01/01/2003	23585	1.764	1.391
10/01/1990	14418	1.003	1.002	04/01/2003	23633	1.768	1.392
01/01/1991	14578	1.015	1.008	07/01/2003	23848	1.784	1.400
04/01/1991	14674	1.022	1.012	10/01/2003	23934	1.790	1.403
07/01/1991	14779	1.029	1.016	01/01/2004	23943	1.791	1.403
10/01/1991	14902	1.038	1.021	04/01/2004	24119	1.804	1.409
01/01/1992	15015	1.046	1.026	07/01/2004	24149	1.806	1.410
04/01/1992	15240	1.062	1.035	10/01/2004	24277	1.816	1.415
07/01/1992	15460	1.078	1.043	01/01/2005	24437	1.828	1.420
10/01/1992	15669	1.094	1.052	04/01/2005	24544	1.836	1.424
01/01/1993	15858	1.110	1.059	07/01/2005	24752	1.851	1.431
04/01/1993	15985	1.122	1.064	10/01/2005	24961	1.867	1.439
07/01/1993	16115	1.133	1.070	01/01/2006	25077	1.876	1.443
10/01/1993	16262	1.146	1.076	04/01/2006	25225	1.887	1.449
01/01/1994	16458	1.163	1.083	07/01/2006	25322	1.894	1.453
04/01/1994	16720	1.186	1.094	10/01/2006	25434	1.903	1.457
07/01/1994	16983	1.209	1.104	01/01/2007	25601	1.915	1.464
10/01/1994	17265	1.234	1.116	04/01/2007	25775	1.928	1.471
01/01/1995	17516	1.256	1.126	07/01/2007	25993	1.945	1.480
04/01/1995	17664	1.269	1.132	10/01/2007	26197	1.960	1.488
07/01/1995	17803	1.282	1.137	01/01/2008	26367	1.973	1.495
10/01/1995	17858	1.286	1.139	04/01/2008	26514	1.984	1.501
01/01/1996	17948	1.294	1.143	07/01/2008	26622	1.992	1.505
04/01/1996	18142	1.312	1.151	10/01/2008	26763	2.002	1.511
07/01/1996	18350	1.332	1.161	01/01/2009	26996	2.020	1.520
10/01/1996	18719	1.367	1.179	04/01/2009	27248	2.037	1.530
01/01/1997	19133	1.407	1.198	07/01/2009	27608	2.063	1.544
04/01/1997	19511	1.441	1.216	10/01/2009	27911	2.084	1.556
07/01/1997	19915	1.473	1.233	01/01/2010	28252	2.108	1.570
10/01/1997	20251	1.500	1.248	04/01/2010	28590	2.131	1.584
01/01/1998	20511	1.521	1.259	07/01/2010	28845	2.149	1.594
04/01/1998	20821	1.546	1.272	10/01/2010	29141	2.17	1.604
07/01/1998	21085	1.567	1.284	01/01/2011	29338	2.184	1.611
10/01/1998	21300	1.584	1.294				

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TABLE C7-3
EXPOSURE DISTRIBUTION BY AGE

Comprehensive

AGE	6/2006	12/2006	6/2007	12/2007	6/2008	12/2008	6/2009	12/2009	6/2010	12/2010
1	6.9%	6.8%	6.8%	6.6%	6.8%	6.7%	6.8%	6.7%	6.9%	6.9%
2	10.5%	10.4%	10.8%	10.5%	10.6%	10.3%	10.5%	10.4%	10.5%	10.4%
3	10.6%	10.5%	10.5%	10.4%	10.8%	10.6%	10.6%	10.4%	10.5%	10.4%
4	10.2%	10.1%	10.1%	10.0%	10.0%	10.0%	10.3%	10.1%	10.1%	9.9%
5	9.8%	9.8%	9.8%	9.7%	9.7%	9.7%	9.6%	9.6%	9.9%	9.7%
6	9.1%	9.0%	9.2%	9.3%	9.2%	9.2%	9.1%	9.1%	9.1%	9.0%
7	8.7%	8.7%	8.3%	8.2%	8.4%	8.5%	8.4%	8.4%	8.3%	8.4%
8	7.4%	7.6%	7.8%	7.8%	7.4%	7.3%	7.5%	7.6%	7.5%	7.5%
9	6.1%	6.2%	6.3%	6.6%	6.7%	6.7%	6.3%	6.3%	6.4%	6.5%
10	5.0%	5.2%	5.0%	5.2%	5.2%	5.5%	5.5%	5.6%	5.3%	5.3%
11	3.9%	3.9%	4.0%	4.1%	4.0%	4.1%	4.2%	4.4%	4.4%	4.4%
12	3.3%	3.3%	3.0%	3.0%	3.1%	3.2%	3.1%	3.2%	3.2%	3.4%
13	2.5%	2.5%	2.5%	2.5%	2.3%	2.3%	2.4%	2.5%	2.4%	2.4%
14	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	1.7%	1.7%	1.7%	1.8%
15	1.3%	1.3%	1.3%	1.4%	1.3%	1.4%	1.4%	1.4%	1.2%	1.3%
16	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
17	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%
18	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
19	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%

Collision

AGE	6/2006	12/2006	6/2007	12/2007	6/2008	12/2008	6/2009	12/2009	6/2010	12/2010
1	6.8%	6.6%	6.7%	6.5%	6.6%	6.5%	6.7%	6.6%	6.8%	6.8%
2	10.6%	10.3%	10.9%	10.5%	10.7%	10.4%	10.6%	10.4%	10.7%	10.5%
3	10.9%	10.8%	10.7%	10.5%	11.0%	10.7%	10.8%	10.5%	10.7%	10.6%
4	10.7%	10.5%	10.5%	10.5%	10.3%	10.1%	10.6%	10.3%	10.4%	10.1%
5	10.3%	10.3%	10.3%	10.2%	10.1%	10.1%	9.9%	9.8%	10.2%	10.0%
6	9.5%	9.4%	9.7%	9.8%	9.7%	9.7%	9.6%	9.6%	9.3%	9.3%
7	9.0%	9.0%	8.6%	8.6%	8.8%	9.0%	8.8%	8.9%	8.7%	8.8%
8	7.6%	7.8%	8.0%	8.0%	7.6%	7.6%	7.7%	7.9%	7.8%	7.8%
9	6.1%	6.3%	6.4%	6.6%	6.7%	6.8%	6.4%	6.5%	6.5%	6.7%
10	4.9%	5.1%	5.0%	5.1%	5.2%	5.4%	5.5%	5.5%	5.2%	5.3%
11	3.7%	3.7%	3.8%	4.0%	3.8%	4.0%	4.0%	4.2%	4.2%	4.3%
12	3.1%	3.0%	2.7%	2.8%	2.9%	3.0%	2.9%	3.0%	3.0%	3.1%
13	2.1%	2.3%	2.2%	2.2%	2.0%	2.0%	2.1%	2.2%	2.1%	2.2%
14	1.5%	1.6%	1.5%	1.6%	1.6%	1.6%	1.4%	1.5%	1.5%	1.5%
15	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%
16	0.8%	0.8%	0.7%	0.8%	0.7%	0.8%	0.7%	0.8%	0.8%	0.8%
17	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
18	0.4%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
19	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%

Note: The distributions for 6/2006 and 12/2006 are historical distributions.
The distributions for 6/2007 through 12/2010 are estimated.

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TABLE C7-4

Average Price and Selected Relativities for Symbol Definitions

1989 & Prior Years				1990 & Later Years			
Symbol	Average Price	Present Relativity		Symbol	Average Price	Present Relativity	
		Comp	Coll			Comp	Coll
4	3,225	0.21	0.42	1	5,750	0.38	0.62
5	4,350	0.25	0.52	2	7,250	0.49	0.70
6	5,750	0.38	0.62	3	8,500	0.59	0.77
7	7,250	0.49	0.70	4	9,500	0.67	0.82
8	9,000	0.64	0.80	5	10,625	0.75	0.86
10	11,250	0.80	0.88	6	11,875	0.84	0.90
11	13,750	0.96	0.97	7	13,125	0.92	0.95
12	16,250	1.14	1.07	8	14,375	1.00	1.00
13	18,750	1.37	1.18	10	15,625	1.09	1.05
14	22,000	1.64	1.32	11	16,875	1.20	1.10
15	26,000	1.95	1.48	12	18,125	1.31	1.15
16	30,500	2.27	1.65	13	19,375	1.43	1.21
17	36,000	2.64	1.80	14	21,000	1.56	1.28
18	42,500	3.06	1.94	15	23,000	1.72	1.37
19	50,500	3.55	2.11	16	25,000	1.87	1.44
20	60,000	4.14	2.32	17	27,000	2.02	1.52
21	above 65K	5.17	2.71	18	29,000	2.16	1.60
				19	31,500	2.34	1.68
				20	34,500	2.54	1.76
				21	38,000	2.77	1.84
				22	42,500	3.06	1.94
				23	47,500	3.37	2.05
				24	55,000	3.83	2.21
				25	65,000	4.49	2.46
				26	75,000	5.17	2.71
				27	Above 80,000	(a)	(b)

(a) Add 0.74 to symbol 26 relativity for each \$10,000 or fraction of \$10,000 above \$80,000.

(b) Add 0.35 to symbol 26 relativity for each \$10,000 or fraction of \$10,000 above \$80,000.

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SYMBOL PREMIUM TREND – EXPLANATORY NOTES TO TABLES C7-1 TO C7-4

Table C7-1 sets forth the calculation of the symbol trend factor. Table C7-2 displays the year ended symbol relativities for Comprehensive (Column (3)) and Collision (Column (4)) for the average price new (Column (2)) for that year. Average price new is based on actual quarterly data obtained from Global Insight, Inc. for points through year ended 7/1/2007 and projections compiled by Global Insight, Inc. in August, 2007. Table C7-3 displays the exposure distributions by age for Comprehensive and Collision utilized to calculate the average symbol relativities shown on Table C7-1 lines A and B. Table C7-4 displays the current ISO symbol relativities and the associated average price by symbol group. The relativities for average price new by year ended quarter shown in Columns (3) and (4) of Table C7-2 are based on the symbol relativities shown on Table C7-4.

The average symbol relativities for the experience period (line A of Table C7-1) and the average symbol relativities by year ended quarter from 10/1/2008 to 1/1/2011 (line B of Table C7-1) were calculated by weighting the symbol relativities on Table C7-2 on the exposure distribution by age shown on Table C7-3, with age 1 weight applied to the year ended quarter, n; age 2 weight applied to year ended quarter, n-1; age 3 weight applied to year ended quarter, n-2; etc., where, n = the year ended quarter for which the average symbol relativity is being calculated. For example, the Comprehensive average symbol relativity for year ended 1/1/2010 of 1.814 was calculated as follows:

$$2.108 (4^{\text{th}} \text{ Q, } 2009) \times .067 + 2.020 (4^{\text{th}} \text{ Q, } 2008) \times .104 + 1.973 (4^{\text{th}} \text{ Q, } 2007) \times .104 + \dots$$

Average symbol relativities calculated by the above procedure for a given year ended period utilize the age distribution for that year. Age distributions for years ended 12/31 are used to determine average symbol relativities for years ended 1/1 and 4/1; age distributions for years ended 6/30 are used to determine average symbol relativities for years ended 7/1 and 10/1.

Projected age distributions (6/2007 through 12/2010) in Table C7-3 were determined by applying auto sales indices obtained from Global Insight, Inc. to determine estimated age percentages for new model years (ages 1 and 2). Estimates for age 3 and over were determined by applying age retention factors for prior model year distributions to estimate the reduced percentage contribution to the total as the model year ages.

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MODEL YEAR PREMIUM TREND

IMPORTANCE OF
APPLICATION

Due to model year rating, the present loss cost provision used to develop the indicated change in Table B2 reflects the increased revenue that will be generated by the introduction of newer model year cars during the period in which the loss costs will be effective. Therefore, this reflection of model year loss cost volume trend reduces loss cost level indications.

The average model year relativities corresponding to the period after the introduction of 2007, 2008 and 2009 models are shown on lines 1, 2, and 3.

The change in average relativities is due to two factors: (1) the shift in the distribution to more recent model years as new models are introduced; and (2) changes in the age distribution from the experience period to the prospective period.

MODEL YEAR
RATING
PROGRAM

Under ISO's model year rating program, the base model year is assigned a "model year relativity" of 1.00. Older model years are assigned lower relativities. Model years that are newer than the base are assigned relativities that increase 5% for each prospective year. The loss cost for a given model year is the loss cost for the current base model year times the appropriate relativity.

MODEL YEAR
TREND
METHODOLOGY

Table B2, the "Calculation of Statewide Loss Cost Level Changes for Physical Damage Coverages", tests the adequacy of the current loss cost provisions by projecting both experience loss costs and average loss cost provisions, and comparing the two. In determining model year trend we project the average loss cost provision that will result in the prospective rating period if the current base model year, base loss cost, and relativity structure remain in effect. To make this projection, we first determine the average loss cost provision at current level (ALCPCL), and then project this provision to the prospective period based on anticipated changes in the model year vehicle distribution. Anticipated changes in the model year vehicle distribution are important because the model year rating program provides for a 5% increase in the relativity for each prospective model year.

ISO's calculation of the ALCPCL incorporates average age relativities that vary by territory. These average relativities are a weighted average of the age relativities on each territory's latest vehicle age distribution. The base model year relativity of 1.00 is applied to the age 1 distribution, and relativities for older model years are applied to the corresponding age distributions for older cars.

Model year trend factors are calculated separately for Comprehensive and Collision. This factor is reflected in the present loss cost provision for each coverage, thereby reducing the indicated loss cost level.

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MODEL YEAR PREMIUM TREND

MODEL YEAR
TREND
METHODOLOGY
(Cont'd)

The model year trend is calculated as the ratio of two average multistate model year relativities:

$$A \div B, \text{ where}$$

A = The multistate average relativity for the period during which policies will be written at the prospective loss cost level, and

B = The multistate average relativity underlying the ALCPCL.

MODEL YEAR
TREND
CALCULATIONS

The calculation of the average relativity underlying the ALCPCL is shown on Line 1 of Table C8-1. This calculation parallels that of the territory average relativities discussed above, using a multistate age distribution. That is, the base model year relativity of 1.00 is applied to the age 1 distribution and relativities for older model years are applied to the corresponding age distributions for older cars.

Lines 2 and 3 show projected multistate average model year relativities for each of the two model year periods which straddle the prospective period. (ISO uses October 1 as the beginning of each new model year.) Line 4 shows the number of months from the effective date to the beginning of the next model year period. Line 5 shows the calculation of the average model year relativity for the prospective period. This is accomplished by interpolating between lines 2 and 3, with Line 2 weighted on the number of months from the effective date to the following October first (displayed on Line 4) and Line 3 weighted on the remaining months to 1 year past the effective date (12 - Line 4).

Line 6 is the model year trend factor, which is determined by dividing Line 5 (the average model year relativity for the period during which policies will be written at prospective loss costs) by Line 1 (the average model year relativity underlying the ALCPCL).

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MODEL YEAR PREMIUM TREND

MODEL YEAR
TREND
CALCULATIONS
(Cont'd)

For this review, 2007 was the current base model year, which we assume began on 10/1/2006. Therefore 2007 model year cars are Age 1 during the period 10/1/2006 to 10/1/2007. Since the effective date for this review is 5/1/2008, the period during which policies will be written using the prospective loss costs is from 5/1/2008 to 5/1/2009.

The projection period for model year trend is the number of years from year ended 10/1/2007 (the period when the base model year cars are Age 1) to year ended 5/1/2009 (the period during which policies will be written using the prospective loss costs), which is 1.58 years (10/1/2007 to 5/1/2009) or 19 months.

Line (7) calculates the annualized model year trends. The annualized trend is the model year trend factor raised to a power equal to the reciprocal of the number of years in the projection period ($1 \div 1.58$) using years or ($12 \div 19$) using months.

AGE
DISTRIBUTION

Age distributions for any given year are impacted by the auto sales for current and prior model years. As auto sales vary from year to year due to changes in the economy, the age distribution will also vary from year to year. Thus, in order to determine the appropriate model year trend, ISO reflects the effects on average model year relativities due to changes in the age distribution from the experience period to the prospective period.

The average model year relativity for the base model year (the period when 2007 was the most recent model year) is based on the age distribution underlying the present loss cost provision used in Table B2 (year ended 12/31/2006). The average model year relativities for the period in which the revised loss costs will be in use are based on the age distributions for that period (year ended 6/30/2008 distribution is used for the average model year relativity after introduction of 2008 models and year ended 6/30/2009 distribution is used for the average model year relativity after introduction of 2009 models).

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MODEL YEAR TREND
TABLE C8-1

<u>Model Year Relativity Underlying Loss Cost Provisions At Current ISO Level</u>					
Model Year	Vehicle Age Group	<u>Comprehensive</u>		<u>Collision</u>	
		Year-ended 6/30/2006 Age Distribution ^a	Model Year Relativity	Year-ended 6/30/2006 Age Distribution ^a	Model Year Relativity
2007	1	0.069	1.00	0.067	1.00
2006	2	0.105	0.95	0.106	0.94
2005	3	0.105	0.90	0.109	0.88
2004	4	0.102	0.86	0.106	0.83
2003	5	0.098	0.81	0.103	0.76
2002	6	0.090	0.77	0.094	0.70
2001	7	0.087	0.74	0.091	0.66
2000	8	0.075	0.70	0.076	0.62
1999	9	0.061	0.66	0.062	0.58
1998	10	0.051	0.63	0.050	0.55
1997	11	0.039	0.60	0.037	0.51
1996	12	0.033	0.57	0.030	0.48
1995	13	0.025	0.57	0.022	0.48
1994 & prior	14 & Older	0.060	0.57	0.047	0.48
	(1) Average		0.780		0.732

<u>Average Relativity For the Year Starting October 1, 2007 (Introduction of 2008 Model Year)</u>					
Model Year	Vehicle Age Group	<u>Comprehensive</u>		<u>Collision</u>	
		Year-ended 6/30/2008 Age Distribution ^b	Model Year Relativity	Year-ended 6/30/2008 Age Distribution ^b	Model Year Relativity
2008		0.068	1.05	0.066	1.05
2007		0.106	1.00	0.107	1.00
2006		0.108	0.95	0.110	0.94
2005		0.100	0.90	0.103	0.88
2004		0.097	0.86	0.101	0.83
2003		0.092	0.81	0.097	0.76
2002		0.084	0.77	0.088	0.70
2001		0.074	0.74	0.076	0.66
2000		0.067	0.70	0.067	0.62
1999		0.052	0.66	0.052	0.58
1998		0.040	0.63	0.038	0.55
1997		0.031	0.60	0.029	0.51
1996		0.023	0.57	0.020	0.48
1995 & prior		0.058	0.57	0.046	0.48
	(2) Average		0.819		0.779

^a Based on ISO statistical data for policies earned during the year ended 12/31/2006. See Table C8-2.

^b Projected Age Distribution. See Table C7-3.

ARKANSAS
PERSONAL AUTO INSURANCE
MODEL YEAR TREND
TABLE C8-1 (Cont'd)

Average Relativity For the Year Starting October 1, 2008 (Introduction of 2009 Model Year)				
Model Year	Comprehensive		Collision	
	Year-ended 6/30/2009 Age Distribution ^a	Model Year Relativity	Year-ended 6/30/2009 Age Distribution ^a	Model Year Relativity
2009	0.068	1.10	0.067	1.10
2008	0.105	1.05	0.106	1.05
2007	0.106	1.00	0.108	1.00
2006	0.103	0.95	0.106	0.94
2005	0.096	0.90	0.099	0.88
2004	0.091	0.86	0.096	0.83
2003	0.084	0.81	0.088	0.76
2002	0.075	0.77	0.077	0.70
2001	0.063	0.74	0.064	0.66
2000	0.055	0.70	0.055	0.62
1999	0.042	0.66	0.040	0.58
1998	0.031	0.63	0.029	0.55
1997	0.024	0.60	0.021	0.51
1996 & prior	0.057	0.57	0.044	0.48
(3) Average		0.859		0.828

- (4) Months from 5/1/2008 effective date to 10/1/2008
- (5) Projected avg. relativity: $[(2) \times (4) + (3) \times (12 - (4))] \div 12$
- (6) Model year trend factor: (5) + (1)
- (7) Annualized trend : (6) ^ (12/19)

<u>Comprehensive</u>	<u>Collision</u>
5	5
0.842	0.808
1.079	1.104
4.9%	6.4%

^a Projected Age Distribution. See Table C7-3.

ARKANSAS
 PERSONAL AUTO INSURANCE
 PHYSICAL DAMAGE -- AGE DISTRIBUTIONS
 TABLE C8-2

BASED ON YEAR-ENDED 12/31/2006
 EARNED EXPOSURES

Comprehensive

Collision

Age	Age Distribution	Age	Age Distribution
1	6.9%	1	6.7%
2	10.5%	2	10.6%
3	10.5%	3	10.9%
4	10.2%	4	10.6%
5	9.8%	5	10.3%
6	9.0%	6	9.4%
7	8.7%	7	9.1%
8	7.5%	8	7.6%
9	6.1%	9	6.2%
10	5.1%	10	5.0%
11	3.9%	11	3.7%
12	3.3%	12	3.0%
13	2.5%	13	2.2%
14	1.8%	14	1.5%
15	1.3%	15	1.1%
16	1.0%	16	0.8%
17	0.8%	17	0.6%
18	0.6%	18	0.4%
19	0.5%	19	0.3%
TOTAL	100.0%	TOTAL	100.0%
SUM(14+)	6.0%	SUM(14+)	4.7%

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C9

THREE YEAR CLAIMS BY TERRITORY

Territory	Bodily Injury Incurred Claims	Property Damage Incurred Claims	Medical Payments Incurred Claims	Comprehensive Claims (A)	Collision Claims (B)
21	649	1,215	324	1,222	1,574
22	277	700	94	1,319	813
23	870	2,469	328	2,767	2,831
24	3,013	7,933	1,275	11,127	8,776
25	348	555	110	1,037	826
26	903	2,346	485	4,139	2,611
27	537	1,439	246	4,248	1,837
28	505	1,233	228	3,035	1,479
29	1,464	4,643	770	8,402	5,059
30	618	1,810	281	1,995	1,811
31	1,755	6,178	818	7,203	6,647
32	479	1,236	223	2,585	1,473
33	1,005	2,669	449	5,221	2,573
Total	12,423	34,426	5,631	54,300	38,310

(A) Includes Full, \$50, \$100, \$200, \$250, \$500, and \$1,000 deductible Comprehensive claims adjusted to normalize catastrophic losses.

(B) Includes \$100, \$200, \$250, \$500, and \$1,000 deductible Collision claims.

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C10

REVIEW OF PERSONAL AUTO INSURANCE LOSS COSTS
CREDIBILITY TABLES BASED UPON NUMBER OF CLAIMS

The projected loss costs are weighted in accordance with the following:

<u>Average Number of Claims for the Latest Two Years (A)</u>	<u>Weight to Earlier Year</u>	<u>Weight to Later Year</u>
4,000 and over	0%	100%
3,600 - 3,999	10	90
3,200 - 3,599	20	80
2,800 - 3,199	30	70
2,400 - 2,799	40	60
under 2,400	50	50

<u>Credibility</u>	<u>Determination of Coverage & Territory Credibility (B)(C)</u>	<u>Credibility</u>	<u>Determination of Trend Factor Credibility (D)</u>
0	0 - 29	0	0 - 26
.10	30 - 119	.05	27 - 105
.20	120 - 269	.10	106 - 238
.30	270 - 479	.15	239 - 424
.40	480 - 749	.20	425 - 663
.50	750 - 1,079	.25	664 - 955
.60	1,080 - 1,469	.30	956 - 1,300
.70	1,470 - 1,919	.35	1,301 - 1,699
.80	1,920 - 2,429	.40	1,700 - 2,150
.90	2,430 - 2,999	.45	2,151 - 2,655
1.00	3,000 or more	.50	2,656 - 3,212
		.55	3,213 - 3,823
		.60	3,824 - 4,487
		.65	4,488 - 5,204
		.70	5,205 - 5,974
		.75	5,975 - 6,798
		.80	6,799 - 7,674
		.85	7,675 - 8,604
		.90	8,605 - 9,586
		.95	9,587 - 10,622
		1.00	10,623 or more

(A) Applied separately by coverage.

(B) Coverage credibility is based on each coverage's latest two-year number of claims. A minimum credibility of 50% applies.

(C) Territory credibility is based on the number of claims underlying the three-year pure premium.

(D) Trend factor credibility is based on the number of claims underlying the latest year's experience appearing in the trend exhibits.

ARKANSAS
PERSONAL AUTO INSURANCE

AVERAGE INCREASED LIMITS FACTORS
AND
AVERAGE DEDUCTIBLE RELATIVITIES

IMPORTANCE OF
APPLICATION

In order to calculate the Statewide Average Indicated Loss Costs, it is necessary to calculate total limits loss costs for Liability and all-deductible loss costs for Physical Damage.

METHODOLOGY
FOR LIABILITY

For Bodily Injury, Property Damage, Medical Payments and Single Limit Liability the statewide loss cost level change (Table B1) is calculated using the basic limit loss costs volume. In order to calculate the Statewide Average Indicated Loss Cost Level Changes on a total limits basis, total limit loss costs are determined based on application of present increased limits factors. The calculation of the average increased limits factors is shown in Table C11-1.

METHODOLOGY
FOR PHYSICAL
DAMAGE

For Comprehensive and Collision coverages, the statewide loss cost level change (Table B2) is calculated using loss cost provisions on a base deductible level. In order to calculate the Statewide Average Indicated Loss Cost Level Changes on an all deductibles combined basis, all-deductible loss costs are determined based on the application of deductible relativities. The average deductible relativity calculations are shown in Table C11-2.

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C11-1

CALCULATION OF AVERAGE INCREASED LIMIT FACTORS

	<u>Limit of Liability</u>	<u>Basic Limit Written Premium</u>	<u>Present Increased Limit Factor</u>
Bodily Injury (25/50 base)	\$ 25/50	\$ 21,237,320	1.00
	50/100	12,542,013	1.23
	100/200	750,103	1.48
	100/300	10,301,746	1.49
	250/500	2,423,561	1.84
	300/300	517,082	1.90
	500/1000	130,506	2.09
	1000/1000	56,167	2.23

Average Increased Limit Factor: 1.229(A)

	<u>Limit of Liability</u>	<u>Basic Limit Written Premium</u>	<u>Present Increased Limit Factor</u>
Property Damage (\$25,000 base)	\$ 25,000	\$ 18,401,289	1.00
	50,000	16,007,761	1.06
	100,000	6,459,112	1.10
	250,000(B)	218,335(B)	1.17(B)

Average Increased Limit Factor: 1.040(A)

	<u>Limit of Liability</u>	<u>Basic Limit Written Premium</u>	<u>Present Increased Limit Factor</u>
Single Limit (\$75,000 base)	\$ 75,000	\$ 91,920	1.00
	100,000	656,990	1.06
	200,000	24,310	1.21
	300,000	1,212,198	1.30
	500,000	1,252,503	1.40
	1,000,000	292,000	1.48

Average Increased Limit Factor: 1.297(A)

- (A) A weighted average of the Increased Limit Factors for all limits of Liability weighted on Basic Limit Written Premium for year ended 12/31/2006.
- (B) The basic limit written premium for the \$250,000 limit includes premium for limits greater than \$100,000. The factor shown corresponds to the \$250,000 limit.

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C11-1 (Cont'd)

CALCULATION OF AVERAGE INCREASED LIMIT FACTORS

	<u>Limit of Liability(B)</u>	<u>Basic Limit Written Premium</u>	<u>Present Increased Limit Factor</u>
Medical Payments	\$ 1,000	\$ 33,918	1.00
(\$1,000 base)	2,000	22,631	1.70
	5,000	2,457,319	2.70
	10,000	117,555	3.46
	25,000	37,501	4.52
	50,000	27,545	5.26
	75,000	3,974	5.50
	100,000	12,878	5.58
Average Increased Limit Factor:			2.772 (A)

- (A) A weighted average of the Increased Limit Factors for all limits of Liability weighted on Basic Limit Written Premium for year ended 12/31/2006.
- (B) For limits \$10,000 and over, the assumed limits were selected as the most commonly purchased limits from among the ranges appearing in the current ISO statistical plan.

ARKANSAS

PERSONAL AUTO INSURANCE

TABLE C11-2

CALCULATION OF AVERAGE DEDUCTIBLE RELATIVITIES

<u>Coverage</u>	<u>Aggregate Loss Costs at Current Level(A)</u>	<u>Present Deductible Relativity</u>
Full Coverage Comprehensive	\$ 292,506	1.67
\$50 Deductible Comprehensive	771,727	1.58
\$100 Deductible Comprehensive	3,190,120	1.49
\$200 Deductible Comprehensive	326,566	1.33
\$250 Deductible Comprehensive	3,971,569	1.26
\$500 Deductible Comprehensive	7,610,469	1.00
\$1,000 Deductible Comprehensive	1,238,010	0.74
Average Deductible Relativity:		1.174
\$100 Deductible Collision	\$ 1,175,966	1.18
\$200 Deductible Collision	2,031,458	1.13
\$250 Deductible Collision	8,607,116	1.11
\$500 Deductible Collision	33,423,453	1.00
\$1,000 Deductible Collision	6,447,474	0.83
Average Deductible Relativity:		1.006

(A) For each deductible at the base deductible level.

ARKANSAS
PERSONAL AUTO INSURANCE

EFFECT OF CHANGE IN MODEL YEAR BASE

IMPORTANCE OF
APPLICATION

Underlying the present loss costs for physical damage coverages are standard relativities that relate loss cost to the model year and symbol of an automobile. In order to implement the change from 2007 base model year relativities to 2008 base model year relativities without changing the overall loss cost level, a statewide offset must be applied when calculating the territory base class loss costs.

METHODOLOGY

The offsets used in this review are 0.999 for Comprehensive and 1.014 for Collision. They were determined by calculating the weighted average of the ratios of the revised model year relativities with a 2008 base model year to the present model year relativities with a 2007 base model year converted to a 2008 base, based on multistate written premium across all model year and symbol groups.

ARKANSAS
 PERSONAL AUTO INSURANCE
 TABLE C12-1
 ONE YEAR CHANGE IN MODEL YEAR BASE
 PHYSICAL DAMAGE COVERAGES
 Effects of Model Year & Symbol Relativity Revision
 Comprehensive

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Model Year	Age	Relativities Adjusted Present	Current Shifted	Ratio (4)/(3)	Written Premium@	Net Change (5) X 0.999*
2008	1	1.000	1.000	1.000	376,416,044	0.999
2007	2	0.952	0.950	0.998	543,192,752	0.997
2006	3	0.905	0.900	0.994	530,158,749	0.993
2005	4	0.857	0.860	1.004	488,319,844	1.003
2004	5	0.819	0.810	0.989	454,618,663	0.988
2003	6	0.771	0.770	0.999	407,814,295	0.998
2002	7	0.733	0.740	1.010	368,324,203	1.009
2001	8	0.705	0.700	0.993	295,982,548	0.992
2000	9	0.667	0.660	0.990	230,242,029	0.989
1999	10	0.629	0.630	1.002	179,620,765	1.001
1998	11	0.600	0.600	1.000	129,202,780	0.999
1997	12	0.571	0.570	0.998	105,655,707	0.997
1996	13	0.543	0.570	1.050	70,818,412	1.049
1995 & Prior	14 & Over	0.543	0.570	1.050	184,184,109	1.049
Totals				1.001	\$ 4,364,550,900	1.000

Note: The written premium distribution utilized is based on year ended 6/30/2006 data. The model year relativities shown are for the base symbol for each model year.

@ Multistate Full Coverage, \$50, \$100, \$200, \$250, \$500 and \$1000 Deductible. Comprehensive written premiums combined for year ended 6/30/2006. Multistate excludes North Carolina, Puerto Rico and Texas.

* Reciprocal of the average ratio (column 5) for all age groups (1.000/1.001).

ARKANSAS
PERSONAL AUTO INSURANCE
TABLE C12-2
ONE YEAR CHANGE IN MODEL YEAR BASE
PHYSICAL DAMAGE COVERAGES
Effects of Model Year & Symbol Relativity Revision
Collision

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Model Year	Age	Relativities Adjusted Present	Current Shifted	Ratio (4)/(3)	Written Premium@	Net Change (5) X 1.014*
2008	1	1.000	1.000	1.000	922,164,897	1.014
2007	2	0.952	0.940	0.987	1,343,908,987	1.001
2006	3	0.895	0.880	0.983	1,310,767,214	0.997
2005	4	0.838	0.830	0.990	1,212,442,826	1.004
2004	5	0.790	0.760	0.962	1,114,055,056	0.975
2003	6	0.724	0.700	0.967	974,550,097	0.981
2002	7	0.667	0.660	0.990	860,804,418	1.004
2001	8	0.629	0.620	0.986	666,623,258	1.000
2000	9	0.590	0.580	0.983	500,941,509	0.997
1999	10	0.552	0.550	0.996	371,822,756	1.010
1998	11	0.524	0.510	0.973	254,222,084	0.987
1997	12	0.486	0.480	0.988	195,661,333	1.002
1996	13	0.457	0.480	1.050	124,283,545	1.065
1995 & Prior	14 & Over	0.457	0.480	1.050	273,635,625	1.065
Totals				0.986	\$ 10,125,883,605	1.000

Note: The written premium distribution utilized is based on year ended 6/30/2006 data. The model year relativities shown are for the base symbol for each model year.

@ Multistate \$100, \$200, \$250, \$500 and \$1000 Deductible. Collision written premiums combined for year ended 6/30/2006. Multistate excludes North Carolina, Puerto Rico, and Texas.

* Reciprocal of the average ratio (column 5) for all age groups (1.000/.986).

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C13-1

SUPPLEMENTAL LOSS COST INFORMATION

Statewide Average Indicated Loss Costs (based upon filed loss cost level changes):

Total Limits Bodily Injury loss cost:	\$ 127.21
Total Limits Property Damage loss cost:	\$ 107.01
Total Limits Single Limit Liability loss cost:	\$ 310.35
Total Limits Medical Payments loss cost:	\$ 23.37
All Deductible Comprehensive loss cost:	\$ 85.53
All Deductible Collision loss cost:	\$ 195.68

These loss costs are calculated based on application of the following multipliers:

- Bodily Injury: 1.229 (applicable to 25/50 loss cost)
- Property Damage: 1.040 (applicable to \$25,000 loss cost)
- Single Limit Liability: 1.297 (applicable to \$75,000 loss cost)
- Medical Payments: 2.772 (applicable to \$1,000 loss cost)
- Comprehensive: 1.174 (applicable to \$500 Deductible Comprehensive loss cost)
- Collision: 1.006 (applicable to \$500 Deductible Collision loss cost)

ARKANSAS
PERSONAL AUTO INSURANCE

TABLE C13-2

MACHINE PROCESSING INFORMATION

The following information is provided for assistance in machine processing.

1. The Single Limit Liability increased limits factors are as follows:

<u>Limits</u>	<u>Increased Limit Factors</u>
\$ 75,000	1.00
100,000	1.06
200,000	1.21
300,000	1.30
500,000	1.40
1,000,000	1.48

2. Liability increased limits factors utilized to create the base Single Limit Liability loss costs are as follows:

Bodily Injury Liability

<u>Limit</u>	<u>Factor</u>
25/50 to 75/75:	1.34

Property Damage Liability

<u>Limit</u>	<u>Factor</u>
\$25,000 to \$75,000:	1.08

3. The percentages for splitting the Single Limit Liability loss cost into its components are:

Bodily Injury	56%
Property Damage	44%

4. Due to the change in base from 2007 to 2008, multiplicative offset factors of 0.999 for Comprehensive and 1.014 for Collision have been applied to the indicated base class loss costs in order to produce no change to loss cost volume.

PERSONAL AUTO INSURANCE

TABLE C14-1

MODEL YEAR AND SYMBOL RELATIVITIES (a)

Model Year 2008 Base

Comprehensive

Symbol (a)	2010 (b)	2009 (b)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	Symbol (c)	1989 & prior
1	0.42	0.40	0.38	0.36	0.34	0.33	0.31	0.29	0.28	0.27	0.25	0.24	0.23	0.22		
2	0.54	0.51	0.49	0.47	0.44	0.42	0.40	0.38	0.36	0.34	0.32	0.31	0.29	0.28	1-4	0.12
3	0.65	0.62	0.59	0.56	0.53	0.51	0.48	0.45	0.44	0.41	0.39	0.37	0.35	0.34	5	0.14
4	0.74	0.70	0.67	0.64	0.60	0.58	0.54	0.52	0.50	0.47	0.44	0.42	0.40	0.38	6	0.22
5	0.83	0.79	0.75	0.71	0.68	0.65	0.61	0.58	0.56	0.53	0.50	0.47	0.45	0.43	7	0.28
6	0.92	0.88	0.84	0.80	0.76	0.72	0.68	0.65	0.62	0.59	0.55	0.53	0.50	0.48	8	0.36
7	1.01	0.97	0.92	0.87	0.83	0.79	0.75	0.71	0.68	0.64	0.61	0.58	0.55	0.52	10	0.46
8	1.10	1.05	1.00	0.95	0.90	0.86	0.81	0.77	0.74	0.70	0.66	0.63	0.60	0.57	11	0.55
10	1.20	1.14	1.09	1.04	0.98	0.94	0.88	0.84	0.81	0.76	0.72	0.69	0.65	0.62	12	0.65
11	1.32	1.26	1.20	1.14	1.08	1.03	0.97	0.92	0.89	0.84	0.79	0.76	0.72	0.68	13	0.78
12	1.44	1.38	1.31	1.24	1.18	1.13	1.06	1.01	0.97	0.92	0.86	0.83	0.79	0.75	14	0.93 (d)
13	1.57	1.50	1.43	1.36	1.29	1.23	1.16	1.10	1.06	1.00	0.94	0.90	0.86	0.82	15	1.11
14	1.72	1.64	1.56	1.48	1.40	1.34	1.26	1.20	1.15	1.09	1.03	0.98	0.94	0.89	16	1.29
15	1.89	1.81	1.72	1.63	1.55	1.48	1.39	1.32	1.27	1.20	1.14	1.08	1.03	0.98	17	1.50
16	2.06	1.96	1.87	1.78	1.68	1.61	1.51	1.44	1.38	1.31	1.23	1.18	1.12	1.07	18	1.74
17	2.22	2.12	2.02	1.92	1.82	1.74	1.64	1.56	1.49	1.41	1.33	1.27	1.21	1.15	19	2.02
18	2.38	2.27	2.16	2.05	1.94	1.86	1.75	1.66	1.60	1.51	1.43	1.36	1.30	1.23	20	2.36
19	2.57	2.46	2.34	2.22	2.11	2.01	1.90	1.80	1.73	1.64	1.54	1.47	1.40	1.33	21	
20	2.79	2.67	2.54	2.41	2.29	2.18	2.06	1.96	1.88	1.78	1.68	1.60	1.52	1.45		
21	3.05	2.91	2.77	2.63	2.49	2.38	2.24	2.13	2.05	1.94	1.83	1.75	1.66	1.58		
22	3.37	3.21	3.06	2.91	2.75	2.63	2.48	2.36	2.26	2.14	2.02	1.93	1.84	1.74		
23	3.71	3.54	3.37	3.20	3.03	2.90	2.73	2.59	2.49	2.36	2.22	2.12	2.02	1.92		
24	4.21	4.02	3.83	3.64	3.45	3.29	3.10	2.95	2.83	2.68	2.53	2.41	2.30	2.18		
25	4.94	4.71	4.49	4.27	4.04	3.86	3.64	3.46	3.32	3.14	2.96	2.83	2.69	2.56		
26	5.69	5.43	5.17	4.91	4.65	4.45	4.19	3.98	3.83	3.62	3.41	3.26	3.10	2.95		

(a) 27 Symbol Table applies to 1990 and later model years. Refer to Personal Vehicle Manual Rule 12. for rating Symbol 27 vehicles.

(b) 2009 relativities are 1.05 times the 2008 relativities. 2010 relativities are 1.10 times the 2008 relativities where $1.10 = 1.05 \times 1.05$ rounded to 2 decimal places.

(c) 21 Symbol Table applies to 1981 - 1989 model years. Symbols 8-21 do not apply to 1975 and prior model years. Symbols 15-21 do not apply to 1980 and prior model years.

(d) Refer to Personal Vehicle Manual Rule 12. for Symbol 14 relativities for 1976-1980 vehicles.

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TABLE C14-2

MODEL YEAR AND SYMBOL RELATIVITIES (a)
Model Year 2008 Base
Collision

Symbol (a)	2010 (b)	2009 (b)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	Symbol (c)	1989 & prior
1	0.68	0.65	0.62	0.58	0.55	0.51	0.47	0.43	0.41	0.38	0.36	0.34	0.32	0.30		
2	0.77	0.74	0.70	0.66	0.62	0.58	0.53	0.49	0.46	0.43	0.41	0.39	0.36	0.34	1-4	0.20
3	0.85	0.81	0.77	0.72	0.68	0.64	0.59	0.54	0.51	0.48	0.45	0.42	0.39	0.37	5	0.25
4	0.90	0.86	0.82	0.77	0.72	0.68	0.62	0.57	0.54	0.51	0.48	0.45	0.42	0.39	6	0.30
5	0.95	0.90	0.86	0.81	0.76	0.71	0.65	0.60	0.57	0.53	0.50	0.47	0.44	0.41	7	0.34
6	0.99	0.95	0.90	0.85	0.79	0.75	0.68	0.63	0.59	0.56	0.52	0.50	0.46	0.43	8	0.38
7	1.05	1.00	0.95	0.89	0.84	0.79	0.72	0.67	0.63	0.59	0.55	0.52	0.48	0.46	10	0.42
8	1.10	1.05	1.00	0.94	0.88	0.83	0.76	0.70	0.66	0.62	0.58	0.55	0.51	0.48	11	0.47
10	1.16	1.10	1.05	0.99	0.92	0.87	0.80	0.74	0.69	0.65	0.61	0.58	0.54	0.50	12	0.51
11	1.21	1.16	1.10	1.03	0.97	0.91	0.84	0.77	0.73	0.68	0.64	0.61	0.56	0.53	13	0.57
12	1.27	1.21	1.15	1.08	1.01	0.95	0.87	0.81	0.76	0.71	0.67	0.63	0.59	0.55	14	0.63 (d)
13	1.33	1.27	1.21	1.14	1.06	1.00	0.92	0.85	0.80	0.75	0.70	0.67	0.62	0.58	15	0.71
14	1.41	1.34	1.28	1.20	1.13	1.06	0.97	0.90	0.84	0.79	0.74	0.70	0.65	0.61	16	0.79
15	1.51	1.44	1.37	1.29	1.21	1.14	1.04	0.96	0.90	0.85	0.79	0.75	0.70	0.66	17	0.86
16	1.58	1.51	1.44	1.35	1.27	1.20	1.09	1.01	0.95	0.89	0.84	0.79	0.73	0.69	18	0.93
17	1.67	1.60	1.52	1.43	1.34	1.26	1.16	1.06	1.00	0.94	0.88	0.84	0.78	0.73	19	1.01
18	1.76	1.68	1.60	1.50	1.41	1.33	1.22	1.12	1.06	0.99	0.93	0.88	0.82	0.77	20	1.11
19	1.85	1.76	1.68	1.58	1.48	1.39	1.28	1.18	1.11	1.04	0.97	0.92	0.86	0.81	21	1.30
20	1.94	1.85	1.76	1.65	1.55	1.46	1.34	1.23	1.16	1.09	1.02	0.97	0.90	0.84		
21	2.02	1.93	1.84	1.73	1.62	1.53	1.40	1.29	1.21	1.14	1.07	1.01	0.94	0.88		
22	2.13	2.04	1.94	1.82	1.71	1.61	1.47	1.36	1.28	1.20	1.13	1.07	0.99	0.93		
23	2.26	2.15	2.05	1.93	1.80	1.70	1.56	1.44	1.35	1.27	1.19	1.13	1.05	0.98		
24	2.43	2.32	2.21	2.08	1.94	1.83	1.68	1.55	1.46	1.37	1.28	1.22	1.13	1.06		
25	2.71	2.58	2.46	2.31	2.16	2.04	1.87	1.72	1.62	1.53	1.43	1.35	1.25	1.18		
26	2.98	2.85	2.71	2.55	2.38	2.25	2.06	1.90	1.79	1.68	1.57	1.49	1.38	1.30		

(a) 27 Symbol Table applies to 1990 and later model years. Refer to Personal Vehicle Manual Rule 12. for rating Symbol 27 vehicles.

(b) 2009 relativities are 1.05 times the 2008 relativities. 2010 relativities are 1.10 times the 2008 relativities where $1.10 = 1.05 \times 1.05$ rounded to 2 decimal places.

(c) 21 Symbol Table applies to 1981 - 1989 model years. Symbols 8-21 do not apply to 1975 and prior model years. Symbols 15-21 do not apply to 1980 and prior model years.

(d) Refer to Personal Vehicle Manual Rule 12. for Symbol 14 relativities for 1976-1980 vehicles.

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SECTION D – CALCULATION OF UNINSURED MOTORISTS INDICATION(S) AND DETERMINATION OF UNINSURED MOTORISTS LOSS COSTS AND SUPPORTING MATERIAL FOR THE REPRICING OF UNDERINSURED MOTORISTS LOSS COSTS

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Calculation of Filed Loss Costs by Tier	D-8-12
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OVERVIEW OF CALCULATION OF FILED BASIC LIMITS LOSS COSTS
FOR UNINSURED MOTORISTS COVERAGE

OBJECTIVE

The objective of the statewide procedure is to determine the indicated advisory loss cost level changes for Uninsured Motorists coverage. This procedure answers the question: what percentage changes must be made on average to the present loss costs in order for them to be adequate to cover our best estimate of indemnity losses and all loss adjustment expenses that will be incurred in the prospective period in which the filed loss costs will be used?

The objective of the territory procedure is to distribute the statewide UMBI and UMPD loss costs by territory. In other words, what basic limits UMBI loss costs should be charged by territory in order to equitably achieve an adequate Statewide prospective loss cost level?

OVERVIEW OF
PROCEDURE

The statewide procedure compares the latest three-year projected loss cost to the present loss cost provision. The projected loss cost is the developed and trended incurred losses and loss adjustment expenses per earned exposure.

The territory procedure distributes the statewide filed basic limit loss cost to the UM tiers using a UM tier development approach. This procedure compares the individual UM tier combined UMBI and UMPD average single car loss costs to the statewide average single car loss cost. The tier UMBI and UMPD basic limit loss cost is calculated for the latest three years and a Statewide weighted average UMBI and UMPD basic limit loss cost for the same period is calculated based on the earned car years. These loss costs are then adjusted to a single car level by dividing by the average multi-car discount. The tier average single car loss costs are credibility weighted with the product of the statewide average single car loss cost and the index to state of the current UMBI and UMPD loss cost provisions.

The tier indices to state are then determined by comparing the credibility weighted average single car loss costs by tier to the statewide credibility weighted average single car loss cost. This index to state multiplied by the filed statewide basic limit UMBI and UMPD average loss cost, adjusted to a single car loss cost basis, produces the filed basic limit single car UMBI and UMPD loss cost by tier.

EXPERIENCE
BASE

The experience used in this review is the latest available as reported under the ISO Personal Automobile Statistical Plan. The data is aggregated on an accident year basis.

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TABLE D1A

UNINSURED MOTORISTS EXPERIENCE
25/50 UNINSURED MOTORISTS BODILY INJURY

STATEWIDE

(1) Accident Year Ended	(2) 25/50 Losses Including All Loss Adjustment (a)	(3) Number of Claims	(4) Average Annual Change in Losses (Trend)	(5) 25/50 Projected Loss Cost (b)
(6) Present Loss Cost Provision	(7) Indicated Change	(8) Filed Change		
295,804	\$3,031,004	434	+3.8%	\$12.27
306,487	3,305,873	435	+3.8%	12.45
310,295	3,005,943	443	+3.8%	10.76
Total	912,586	\$9,342,820	1,312	\$11.82
\$11.34	+ 4.2%	+ 4.2%		

(a) Incurred losses have been adjusted by the following factors:

1. Unallocated loss adjustment factor: 1.105 (Bodily Injury)
2. 60%/40% credibility-weighted statewide-multistate 25/50 Uninsured Motorists Bodily Injury loss development factors:

Year Ended	25/50 UMBI
12/31/2004	1.004
12/31/2005	1.035
12/31/2006	1.089

(b) Projected Loss Cost = $\frac{n}{(2) \times (1.0 + A)}$ / (1) where A is the average annual change in losses, +3.8% for 25/50 Bodily Injury; n is the number of years of projection from the average date of accident to one year beyond the proposed effective date of 5/1/2008, 4.83 for 12/31/2004, 3.83 for 12/31/2005, and 2.83 for 12/31/2006.

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TABLE D1B

UNINSURED MOTORISTS EXPERIENCE
\$25,000 UNINSURED MOTORIST PROPERTY DAMAGE

STATEWIDE

Accident Year Ended	(1) Earned Exposures	(2) \$25,000 Losses Including All Loss Adjustment (a)	(3) Number of Claims	(4a) Average Annual Change in Claim Cost (Trend)	(4b) Average Annual Change in Frequency (Trend)	(5) \$25,000 Projected Loss Cost (b)
12/31/2004	249,259	\$3,159,882	1,598	+3.1%	-1.0%	\$14.20
12/31/2005	251,867	2,936,559	1,567	+3.1%	-1.0%	12.76
12/31/2006	259,983	3,282,450	1,690	+3.1%	-1.0%	13.49
Total	761,109	\$9,378,891	4,855			\$13.48

(6) Present Loss Cost Provision	(7) Indicated Change	(8) Filed Change
\$11.19	+ 20.5%	+ 11.0%

(a) Incurred losses have been adjusted by the following factors:

1. Unallocated loss adjustment factor: 1.125 (Property Damage)
2. Statewide loss development factors for \$25,000 Property Damage:

Year Ended	\$25,000 UMPD
12/31/2004	1.000
12/31/2005	1.005
12/31/2006	1.037

(b) Projected Loss Cost = $\frac{\{((2) + ((3) \times \$200)) \times (1.0 + A) - ((3) \times \$200)\} \times (1.0 + B)^n}{(1)}$
 where A is the average annual change in claim cost, +3.1% and B is the average annual change in claim frequency, -1.0% for \$25,000 Property Damage; n is the number of years of projection from the average date of accident to one year beyond the proposed effective date of 5/1/2008, 4.83 for 12/31/2004, 3.83 for 12/31/2005, and 2.83 for 12/31/2006. And, ((3) x \$200) are the losses eliminated by the the Deductible for Property Damage.

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EXPLANATORY NOTES TO TABLES D1A AND D1B

COLUMN (1) EARNED EXPOSURES

The exposures for Uninsured Motorists coverages are those exposures which have been earned during the latest three accident years ending 12/31/2004, 12/31/2005, and 12/31/2006.

COLUMN (2) INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

The losses displayed are basic limit incurred losses including all loss adjustment expenses and developed to an ultimate settlement basis.

Allocated Loss Adjustment Expenses

Incurred losses are combined with allocated loss adjustment expenses which are the expenses incurred by a carrier in connection with claim settlements that can be directly allocated to a particular claim.

Unallocated Loss Adjustment Expense Factors

Unallocated loss adjustment expenses, those expenses which cannot be allocated to any one claim, are included by applying appropriate factors to the incurred losses and allocated loss adjustment expenses. The factor used for Uninsured Motorists Bodily Injury in this revision is the Bodily Injury Liability factor. The factor used for Uninsured Motorists Property Damage in this revision is the Property Damage Liability factor. Both of these factors are based on 3 years of countrywide experience as shown in Tables C1-1 and C1-2.

Loss Development Factors

The incurred losses and loss adjustment expenses are developed to an "ultimate" settlement basis by applying loss development factors. The use of a loss development factor is necessitated by the fact that all of the losses for a particular accident year have not been fully determined at the time the experience is compiled.

COLUMN (3) NUMBER OF CLAIMS

The three year claims for Uninsured Motorists Bodily Injury and Uninsured Motorists Property Damage are displayed for informational purposes. These claims are also used in credibility weighting the Uninsured Motorists Bodily Injury statewide and corresponding multistate Loss Development Factors.

COLUMN (4) AVERAGE ANNUAL CHANGE IN LOSSES (TREND)

The Bodily Injury average annual change in losses of 3.8% is used for UMBI.

The Property Damage average annual changes of +3.1% for claim cost and -1.0% for claim frequency are used for UMPD.

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EXPLANATORY NOTES TO TABLES D1A AND D1B (Cont'd)

COLUMN (5)

PROJECTED LOSS COST

The projected loss cost for UMBI is calculated as follows:

$$[(2) \times (1.0 + (4))^n] \div (1);$$

The projected loss cost for UMPD is calculated as follows:

$$\{[(2) + ((3) \times \$200)] \times (1.0 + 4a)^n - ((3) \times \$200)\} \times (1.0 + 4b)^n \div (1)$$

((3) x \$ 200) are the losses eliminated by the deductible for UMPD

n = the number of years of projection from the average date of accident to one year beyond the assumed effective date of 5/1/2008, 4.83 for 12/31/2004, 3.83 for 12/31/2005 and 2.83 for 12/31/2006.

$$\text{UMBI (2006): } [3,005,943 \times (1.0 + 3.8\%)^{2.83}] \div 310,295 = \$10.76$$

$$\text{UMPD (2006): } \{[3,282,450 + (1,690 \times \$200)] \times (1.0 + 3.1\%)^{2.83} - (1,690 \times \$200)\} \times (1.0 - 1.0\%)^{2.83} \div 259,983 = \$13.49$$

Note that trend factors raised to exponential factors are rounded to three decimal places in the above calculations.

The total projected loss cost for all years combined is equal to the sum of the trended losses over all years divided by the sum of the earned exposures shown in Column (1).

COLUMN (6)

PRESENT LOSS COST PROVISION

The present loss cost provision is based on the loss costs set forth in Arkansas Personal Auto Filing, PP-2007-BRLA1.

COLUMN (7)

INDICATED CHANGE

The indicated change is the Projected Loss Cost (Column (5)) divided by the Present Loss Cost Provision (Column (6)).

COLUMN (8)

FILED CHANGE

The filed changes equal the indicated changes for UMBI. A statewide change of +11.0% was made for UMPD and is the result of tempering of indications due to implementation of UMPD tiers.

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UNINSURED MOTORISTS COVERAGE

1. ISO Staff has reviewed data by territory and implemented UMPD loss costs by territory group. The territories included in the UMPD tiers in Arkansas are as follows: Tier 1: Territory 21; Tier 2: Territories 22, 23, 24, and 25; and Tier 3: All Remaining Territories.
2. Based on Table D1A, the filed statewide basic limit UMBI split limit change of +4.2% has been distributed to the tiers by applying UMBI indices to state developed in the UMBI territory development exhibit (Table D1C). The filed basic limit UMBI split limit changes determined on Table D1C of +38.45% for Territory 21, +11.61% for Territories 22, 23, 24, and 25, and -2.50% for All Remaining Territories have been applied to the UMBI basic limits loss costs in Filing PP-2007-BRLA1.
3. Based on Table D1B, the indicated statewide basic limit UMPD change of +20.5% has been distributed to the tiers by applying UMPD indices to state developed in the UMPD territory development exhibit (Table D1D). The filed basic limit UMPD changes selected on Table D1D of +50.0% for Territory 21, +25.0% for Territories 22, 23, 24, and 25, and +2.85% for All Remaining Territories have been applied to the current UMPD loss costs in Filing PP-2007-BRLA1.
4. The filed loss costs for Uninsured and Underinsured Motorists are based on the basic limit changes calculated in Table D1A and Table D1B and the pricing calculated in this Section.

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PERSONAL AUTO INSURANCE
TABLE DIC

UNINSURED MOTORISTS BODILY INJURY INSURANCE LOSS COSTS
CALCULATION OF FILED LOSS COSTS BY TIER

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
U.M.B.I. Earned Car Years Year Ended 12/31/2006	25/50 U.M.B.I. Loss Cost 3 Years Ended 12/31/2006	Average Multi- Car Discount	25/50 U.M.B.I. Single Car Loss Cost (2)/(3)	U.M.B.I. Index To State	Credi- bility (a)	U.M.B.I. Present Index To State	Credi- bility Weighted U.M.B.I. Loss Cost	U.M.B.I. Index To State	25/50 U.M.B.I. Single Car Loss Cost Present	Filed 25/50 U.M.B.I. Change	
1	8,367	0.851	\$43.20	3.550	0.2	1.376	\$22.04	1.832	\$18.62	\$25.78	38.45%
2	94,867	0.841	16.08	1.321	0.4	1.146	14.80	1.230	15.51	17.31	11.61%
3	207,061	0.836	9.13	0.750	0.4	0.917	10.35	0.860	12.41	12.10	-2.50%
Statewide	310,295	0.840	\$12.17				\$12.03				

(a) U.M.B.I. Claims 3 years ended 12/31/2006: Tier 1: 206
Tier 2: 497
Tier 3: 609

Statewide: 1,312

(b) Keyed to a filed statewide U.M.B.I. Basic Limit single car loss cost of: \$14.07 = (\$11.34 x 1.042) / 0.840

Tier 1 consists of Territory 21.
Tier 2 consists of Territories 22, 23, 24 and 25.
Tier 3 consists of All Remaining Territories.

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PERSONAL AUTO INSURANCE
TABLE D1D

UNINSURED MOTORISTS PROPERTY DAMAGE INSURANCE LOSS COSTS
CALCULATION OF FILED LOSS COSTS BY TIER

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
U.M.P.D. Earned Car Years Year Ended 12/31/2006	\$25,000 U.M.P.D. Loss Cost 3 Years Ended 12/31/2006	Average Multi- Car Discount	\$25,000 U.M.P.D. Single Car Loss Cost (2)/(3)	U.M.P.D. Index To State	Credi- bility (a)	U.M.P.D. Present Index To State	Credi- bility Weighted U.M.P.D. Loss Cost	Index To State	Present Indicated(b)	Indicated Single Car Loss Cost	Indicated Filed U.M.P.D. Change	Change
1	6,967	0.851	\$33.34	2.270	0.3	1.000	\$20.29	1.438	\$13.34	\$23.08	73.01%	50.00%
2	81,041	0.841	19.27	1.312	0.7	1.000	17.90	1.269	13.34	20.37	52.70%	25.00%
3	171,975	0.837	11.78	0.802	0.9	1.000	12.07	0.855	13.34	13.72	2.85%	2.85%
Statewide	259,983	0.840	\$14.69				\$14.11					

(a) U.M.P.D. Claims 3 years ended 12/31/2006: Tier 1: 321
Tier 2: 1,717
Tier 3: 2,817
Statewide: 4,855

(b) Keyed to a filed statewide U.M.P.D. Basic Limit single car loss cost of: \$16.05 = (11.19 x 1.205) / 0.840

Tier 1 consists of Territory 21.
Tier 2 consists of Territories 22, 23, 24 and 25.
Tier 3 consists of All Remaining Territories.

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EXPLANATORY NOTES TO TABLE D1C AND D1D

COLUMN (1) EARNED EXPOSURES

The exposures for Uninsured Motorists coverage are those exposures which have been earned during the latest accident year ending 12/31/2006.

COLUMN (2) BASIC LIMIT LOSS COST 3 YEARS ENDED 12/31/2006

The basic limit loss cost (losses ÷ exposures) is based on three years of experience for purposes of stability. For Uninsured Motorists Bodily Injury and Uninsured Motorists Property Damage, this is based on the three accident years ended 12/31/2006, and has been developed to an ultimate settlement basis.

COLUMN (3) AVERAGE MULTI-CAR DISCOUNT

This factor adjusts the loss costs shown in Column (2) to single car loss costs. The average multi-car discount is determined by weighting the multi-car discount on the exposure distribution of single car and multi-car policies by tier.

The statewide average multi-car discount is determined by dividing the statewide basic limit UMBI loss cost from Column (2) by the statewide basic limit UMBI single car loss cost from Column (4).

COLUMN (4) BASIC LIMIT SINGLE CAR LOSS COST

For Uninsured Motorists Bodily Injury and Uninsured Motorists Property Damage, the basic limit single car loss cost is derived by dividing the three year loss cost in Column (2) by the average multi-car discount in Column (3). The statewide average single car loss cost is determined by weighting the basic limit single car loss costs in Column (4) by tier on the earned car years in Column (1).

COLUMN (5) UNINSURED MOTORISTS INDEX TO STATE

UM indices to state by tier are calculated by dividing the tier's basic limit single car loss cost (Column (4)) by the statewide basic limit single car loss cost.

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EXPLANATORY NOTES TO TABLES D1C AND D1D (Cont'd)

COLUMN (6)

CREDIBILITY

The UM single car loss cost calculated in Column (4) is assigned a credibility value on the basis of the number of claims underlying the three year loss cost. The complement of the credibility assigned to the tier average single car loss cost is assigned to the product of the statewide average single car loss cost and the index to state of the current UM loss cost provisions.

COLUMN (7)

UM PRESENT INDEX TO STATE

UM present indices to state are calculated for the tiers by dividing the tier's present UM single car loss cost provision in Column (10) by the statewide present average UM single car loss cost provision.

COLUMN (8)

CREDIBILITY WEIGHTED UM LOSS COST

The credibility weighted UM loss cost is calculated for the tiers. It is the tier's single car loss cost in Column (4) credibility weighted with the product of the statewide average single car loss cost in Column (4) and the UM present index to state in Column (7). The formula is as follows:

$$[\text{Tier Col. (4)} \times \text{Tier Col. (6)}] + [\text{SW Col. (4)} \times \text{Tier Col. (7)} \times (1.0 - \text{Tier Col. (6)})]$$

COLUMN (9)

INDEX TO STATE

The index to state is determined by dividing the credibility weighted UM loss cost in Column (8) by the statewide credibility weighted UM loss cost in Column (8).

COLUMN (10)

PRESENT BASIC LIMIT SINGLE CAR LOSS COST

The present basic limit single car loss costs are the loss costs set forth in Arkansas Personal Auto Filing PP-2007-BRLA1.

COLUMN (11)

FILED/INDICATED BASIC LIMIT SINGLE CAR LOSS COST

The statewide basic limit filed UMBI (Table D1C) / indicated UMPD (Table D1D) loss cost is the statewide present loss cost for year ended 12/31/2006 multiplied by the statewide filed UMBI / indicated UMPD change (Tables D1A and D1B, Column (7)) divided by the statewide average multi-car discount (Tables D1C and D1D, Column (3)).

25/50 Uninsured Motorists Bodily Injury: $(\$11.34 \times 1.042) \div .840 = \14.07

\$25,000 Uninsured Motorists Property Damage: $(\$11.19 \times 1.205) \div .840 = \16.05

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EXPLANATORY NOTES TO TABLES D1C AND D1D (Cont'd)

COLUMN (11) (Cont'd) For each tier, the filed UMBI / indicated UMPD basic limit single car loss cost was calculated by multiplying the statewide filed UMBI / indicated UMPD basic limit single car loss cost by the tier's index to state in Column (9).

UMBI Tier 1: $\$14.07 \times 1.832 = \25.78
UMPD Tier 1: $\$16.05 \times 1.438 = \23.08

COLUMN (12) FILED/INDICATED BASIC LIMIT CHANGE

The filed UMBI (Table D1C) / indicated UMPD (Table D1D) basic limit change is the filed UMBI / indicated UMPD loss cost in Column (11) divided by the present loss cost in Column (10), expressed as a percent.

COLUMN (13) FILED BASIC LIMIT CHANGE (Table D1D only)
Selections of +50.0% for Territory 21 and +25.0% for Territories 22, 23, 24, and 25 have been made to temper the indicated changes for UMPD.

ARKANSAS
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DETERMINATION OF UNINSURED MOTORISTS LOSS COSTS AND SUPPORTING MATERIAL
FOR THE REPRICING OF UNDERINSURED MOTORISTS LOSS COSTS

INTRODUCTION

Loss costs for basic and higher limits for Uninsured Motorists (UM) and Underinsured Motorists (UIM) Coverages are developed using the current full pricing procedures as utilized in PP-2007-BRLA1. The following summarizes the full pricing procedures:

- A multi-car discount of 20% applies to all cars on the policy.
- Loss costs for higher limits of UM BI coverage are calculated using UM BI increased limits factors.
- The pricing model for UIM coverage uses a combination of the UM BI increased limits factors and the BI increased limits factors in determining the cost of the UIM BI coverage.
- The pricing model for UIM coverage includes voluntary and assigned risk exposures in the policy limit distributions in determining the average cost of UIM BI coverage.
- The pricing model for UIM coverage includes voluntary and assigned risk experience to estimate the percentage of uninsured motorists.
- Higher limits of UM and UIM loss costs use the same territory variations as used by basic limits UM.
- Loss costs for Uninsured Motorists Property Damage (UM PD) Coverage will not be calculated using increased limits factors.

DETERMINATION
OF UNINSURED
MOTORISTS
LOSS COSTS

The filed loss costs were determined by first applying the 25/50 UM BI filed change of +38.45% for Territory 21, +11.61% for Territories 22, 23, 24, and 25, and -2.50% for All Remaining Territories by Tier from Table D1C to the present 25/50 UM BI single car loss cost and the \$25,000 UM PD filed change of +50.00% for Territory 21, +25.00% for Territories 22, 23, 24, and 25, and +2.85% for All Remaining Territories by Tier to the present \$25,000 UM PD single car loss cost. The filed multi-car 25/50 UM BI and \$25,000 UM PD loss costs are then determined by applying the multi-car discount to the filed single car loss cost.

The filed single car higher limits of UM BI loss costs are determined by applying the UM BI increased limit factors to the filed 25/50 UM BI single car loss cost. The filed multi-car higher limits UM BI loss costs are then determined by applying the multi-car discount to the filed single car loss costs.

OVERVIEW OF
REPRICING OF
UNDERINSURED
MOTORISTS LOSS COSTS

The filed UIM BI loss costs are determined from the ISO UIM pricing model. This model uses the filed BI average loss cost, the BI increased limit factors, and the UM BI increased limit factors in calculating the average loss costs for higher policy limits.

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TABLE D2A-1

TIER 1 (TERRITORY 21)

CALCULATION OF FILED UNINSURED MOTORISTS LOSS COSTS

(1) Present Basic Limit UM BI Single Car Loss Cost:	\$18.62
(2) UM BI Loss Cost Level Change:	38.45%
(3) Filed Basic Limit UM BI Single Car Loss Cost:	\$25.78

UM BI Split Limit	(4) UM BI Increased Limits Factor	(5) Filed Single Car UM BI Loss Cost	(6) Filed Single Car UM BI Increment	(7) Filed Per Car Multi-Car UM BI Loss Cost	(8) Filed Per Car Multi-Car UM BI Increment
25/50	1.000	\$ 25.78		\$ 20.62	
50/100	1.320	34.03	\$ 8.25	27.22	\$ 6.60
100/200	1.690	43.57	17.79	34.86	14.24
100/300	1.700	43.83	18.05	35.06	14.44
250/500	2.170	55.94	30.16	44.75	24.13
300/300	2.240	57.75	31.97	46.20	25.58
500/500	2.470	63.68	37.90	50.94	30.32
500/1000	2.480	63.93	38.15	51.14	30.52
1000/1000	2.710	69.86	44.08	55.89	35.27

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TABLE D2A-2

TIER 2 (TERRITORIES 22, 23, 24, AND 25)

CALCULATION OF FILED UNINSURED MOTORISTS LOSS COSTS

(1) Present Basic Limit UM BI Single Car Loss Cost:	\$15.51
(2) UM BI Loss Cost Level Change:	11.61%
(3) Filed Basic Limit UM BI Single Car Loss Cost:	\$17.31

UM BI Split Limit	(4) UM BI Increased Limits Factor	(5) Filed Single Car UM BI Loss Cost	(6) Filed Single Car UM BI Increment	(7) Filed Per Car Multi-Car UM BI Loss Cost	(8) Filed Per Car Multi-Car UM BI Increment
25/50	1.000	\$ 17.31		\$ 13.85	
50/100	1.320	22.85	\$ 5.54	18.28	\$ 4.43
100/200	1.690	29.25	11.94	23.40	9.55
100/300	1.700	29.43	12.12	23.54	9.69
250/500	2.170	37.56	20.25	30.05	16.20
300/300	2.240	38.77	21.46	31.02	17.17
500/500	2.470	42.76	25.45	34.21	20.36
500/1000	2.480	42.93	25.62	34.34	20.49
1000/1000	2.710	46.91	29.60	37.53	23.68

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TABLE D2A-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

CALCULATION OF FILED UNINSURED MOTORISTS LOSS COSTS

(1) Present Basic Limit UM BI Single Car Loss Cost:	\$12.41
(2) UM BI Loss Cost Level Change:	-2.50%
(3) Filed Basic Limit UM BI Single Car Loss Cost:	\$12.10

	(4)	(5)	(6)	(7)	(8)
UM BI Split Limit	UM BI Increased Limits Factor	Filed Single Car UM BI Loss Cost	Filed Single Car UM BI Increment	Filed Per Car Multi-Car UM BI Loss Cost	Filed Per Car Multi-Car UM BI Increment
25/50	1.000	\$ 12.10		\$ 9.68	
50/100	1.320	15.97	\$ 3.87	12.78	\$ 3.10
100/200	1.690	20.45	8.35	16.36	6.68
100/300	1.700	20.57	8.47	16.46	6.78
250/500	2.170	26.26	14.16	21.01	11.33
300/300	2.240	27.10	15.00	21.68	12.00
500/500	2.470	29.89	17.79	23.91	14.23
500/1000	2.480	30.01	17.91	24.01	14.33
1000/1000	2.710	32.79	20.69	26.23	16.55

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EXPLANATORY NOTES TO TABLE D2A

- LINE (1) The present 25/50 basic limit Uninsured Motorists Bodily Injury single car loss cost is contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- LINE (2) Filed Uninsured Motorists Bodily Injury base loss cost level change as determined on Table D1C, Column (12).
- LINE (3) The filed basic limit Uninsured Motorists Bodily Injury 25/50 single car loss cost is calculated by applying the Uninsured Motorists Bodily Injury loss cost level change (Line (2)) to the present basic limit Uninsured Motorists Bodily Injury single car loss cost (Line (1)).
- COLUMN (4) Uninsured Motorists Bodily Injury increased limits factor for the policy limit shown.
- COLUMN (5) The filed single car Uninsured Motorists Bodily Injury loss cost is calculated by multiplying the filed basic limit Uninsured Motorists Bodily Injury loss cost (Line (3)) by the increased limits factors in Column (4).
- COLUMN (6) The filed single car increment is calculated as follows:

The filed loss cost for single car policies (shown in Column (5)) minus the filed 25/50 basic limit loss cost shown in Column (5).
- COLUMN (7) The filed per car multi-car Uninsured Motorists Bodily Injury loss cost is calculated by multiplying the filed single car loss costs in Column (5) by the multi-car discount factor of .80.
- COLUMN (8) The filed per car multi-car increment is calculated as follows:

The filed per car loss cost for multi-car policies (shown in Column (7)) minus the filed 25/50 basic limit per car loss cost shown in Column (7).

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TABLE D2B-1

TIER 1 (TERRITORY 21)

CALCULATION OF FILED UNINSURED MOTORISTS LOSS COSTS

	(1)	(2)	(3)	(4)	(5)
UM BI Single Limit	UM BI Increased Limits Factor	Filed Single Car UM BI Loss Cost	Filed Single Car UM BI Increment	Filed Per Car Multi-Car UM BI Loss Cost	Filed Per Car Multi-Car UM BI Increment
\$50,000	1.260	\$ 32.48		\$ 25.98	
75,000	1.480	38.15	\$ 5.67	30.52	\$ 4.54
100,000	1.650	42.54	10.06	34.03	8.05
200,000	2.030	52.33	19.85	41.86	15.88
300,000	2.240	57.75	25.27	46.20	20.22
500,000	2.470	63.68	31.20	50.94	24.96
1,000,000	2.710	69.86	37.38	55.89	29.91

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TABLE D2B-2

TIER 2 (TERRITORIES 22, 23, 24, AND 25)

CALCULATION OF FILED UNINSURED MOTORISTS LOSS COSTS

	(1)	(2)	(3)	(4)	(5)
UM BI Single Limit	UM BI Increased Limits Factor	Filed Single Car UM BI Loss Cost	Filed Single Car UM BI Increment	Filed Per Car Multi-Car UM BI Loss Cost	Filed Per Car Multi-Car UM BI Increment
\$50,000	1.260	\$ 21.81		\$ 17.45	
75,000	1.480	25.62	\$ 3.81	20.50	\$ 3.05
100,000	1.650	28.56	6.75	22.85	5.40
200,000	2.030	35.14	13.33	28.11	10.66
300,000	2.240	38.77	16.96	31.02	13.57
500,000	2.470	42.76	20.95	34.21	16.76
1,000,000	2.710	46.91	25.10	37.53	20.08

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TABLE D2B-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

CALCULATION OF FILED UNINSURED MOTORISTS LOSS COSTS

	(1)	(2)	(3)	(4)	(5)
	UM BI	Filed	Filed	Filed	Filed
UM BI	Increased	Single Car	Single Car	Per Car	Per Car
Single	Limits	UM BI	UM BI	Multi-Car	Multi-Car
Limit	Factor	Loss Cost	Increment	UM BI	UM BI
				Loss Cost	Increment
\$50,000	1.260	\$ 15.25		\$ 12.20	
75,000	1.480	17.91	\$ 2.66	14.33	\$ 2.13
100,000	1.650	19.97	4.72	15.98	3.78
200,000	2.030	24.56	9.31	19.65	7.45
300,000	2.240	27.10	11.85	21.68	9.48
500,000	2.470	29.89	14.64	23.91	11.71
1,000,000	2.710	32.79	17.54	26.23	14.03

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EXPLANATORY NOTES TO TABLE D2B

- COLUMN (1) Uninsured Motorists Bodily Injury increased limits factor for the policy limit shown.
- COLUMN (2) The filed single car Uninsured Motorists Bodily Injury loss costs are calculated by multiplying the filed 25/50 basic limit Uninsured Motorists Bodily Injury loss cost (Table D2A, Line (3)) by the increased limits factors in Column (1).
- COLUMN (3) The filed single car increments are calculated as follows:

The filed loss costs for single car policies (shown in Column (2)) minus the filed \$50,000 basic limit loss cost shown in Column (2).
- COLUMN (4) The filed per car multi-car Uninsured Motorists Bodily Injury loss cost is calculated by multiplying the filed single car loss costs in Column (2) by the multi-car discount factor of .80.
- COLUMN (5) The filed per car multi-car increment is calculated as follows:

The filed per car loss cost for multi-car policies (shown in Column (4)) minus the filed \$50,000 basic limit per car loss cost shown in Column (4).

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TABLE D2C-1

TIER 1 (TERRITORY 21)

CALCULATION OF FILED UNINSURED MOTORISTS LOSS COSTS

(1) Present Basic Limit UM PD Single Car Loss Cost	\$13.34
(2) UM PD Loss Cost Level Change	50.0%
(3) Filed Basic Limit UM PD Single Car Loss Cost	\$20.01
(4) Filed Basic Limit UM PD Per Car Multi-Car Loss Cost	\$16.01

	(5) Present Single Car UM PD <u>Limit</u> <u>Increment</u>	(6) Filed Single Car UM PD <u>Loss Cost</u>		(7) UM BI Increased Limits <u>Factor</u>	(8) Filed Single Car UM BI <u>Loss Cost</u>	(9) Filed Single Car UM PD <u>Loss Cost</u>
\$25,000		\$ 20.01	\$75,000	1.480	\$ 38.15	\$ 21.53
50,000	\$ 0.75	20.76	100,000	1.650	42.54	21.53
100,000	1.52	21.53	200,000	2.030	52.33	21.53
200,000	2.28	22.29	300,000	2.240	57.75	21.53
300,000	3.04	23.05	500,000	2.470	63.68	21.53
500,000	3.80	23.81	1,000,000	2.710	69.86	21.53
1,000,000	4.57	24.58				

	(10) Single Limit Discount <u>Factor</u>	(11) Filed Single Car UM BI/PD <u>Loss Cost</u>	(12) Filed Single Car UM BI/PD <u>Increment</u>	(13) Filed Per Car Multi-Car UM BI/PD <u>Loss Cost</u>	(14) Filed Per Car Multi-Car UM BI/PD <u>Increment</u>
\$75,000	0.905	\$ 57.63		\$ 46.10	
100,000	0.910	62.13	\$ 4.50	49.70	\$ 3.60
200,000	0.910	71.92	14.29	57.54	11.44
300,000	0.910	77.34	19.71	61.87	15.77
500,000	0.910	83.27	25.64	66.62	20.52
1,000,000	0.910	89.45	31.82	71.56	25.46

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TABLE D2C-2

TIER 2 (TERRITORIES 22, 23, 24, AND 25)

CALCULATION OF FILED UNINSURED MOTORISTS LOSS COSTS

(1) Present Basic Limit UM PD Single Car Loss Cost	\$13.34
(2) UM PD Loss Cost Level Change	25.0%
(3) Filed Basic Limit UM PD Single Car Loss Cost	\$16.68
(4) Filed Basic Limit UM PD Per Car Multi-Car Loss Cost	\$13.34

	(5) Present Single Car UM PD Limit Increment	(6) Filed Single Car UM PD Loss Cost		(7) UM BI Increased Limits Factor	(8) Filed Single Car UM BI Loss Cost	(9) Filed Single Car UM PD Loss Cost
\$25,000		\$ 16.68	\$75,000	1.480	\$ 25.62	\$ 18.20
50,000	\$ 0.75	17.43	100,000	1.650	28.56	18.20
100,000	1.52	18.20	200,000	2.030	35.14	18.20
200,000	2.28	18.96	300,000	2.240	38.77	18.20
300,000	3.04	19.72	500,000	2.470	42.76	18.20
500,000	3.80	20.48	1,000,000	2.710	46.91	18.20
1,000,000	4.57	21.25				

	(10) Single Limit Discount Factor	(11) Filed Single Car UM BI/PD Loss Cost	(12) Filed Single Car UM BI/PD Increment	(13) Filed Per Car Multi-Car UM BI/PD Loss Cost	(14) Filed Per Car Multi-Car UM BI/PD Increment
\$75,000	0.905	\$ 42.09		\$ 33.67	
100,000	0.910	45.12	\$ 3.03	36.10	\$ 2.43
200,000	0.910	51.70	9.61	41.36	7.69
300,000	0.910	55.33	13.24	44.26	10.59
500,000	0.910	59.32	17.23	47.46	13.79
1,000,000	0.910	63.47	21.38	50.78	17.11

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TABLE D2C-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

CALCULATION OF FILED UNINSURED MOTORISTS LOSS COSTS

(1) Present Basic Limit UM PD Single Car Loss Cost	\$13.34
(2) UM PD Loss Cost Level Change	2.85%
(3) Filed Basic Limit UM PD Single Car Loss Cost	\$13.72
(4) Filed Basic Limit UM PD Per Car Multi-Car Loss Cost	\$10.98

	(5) Present Single Car UM PD Limit Increment	(6) Filed Single Car UM PD Loss Cost		(7) UM BI Increased Limits Factor	(8) Filed Single Car UM BI Loss Cost	(9) Filed Single Car UM PD Loss Cost
\$25,000		\$ 13.72	\$75,000	1.480	\$ 17.91	\$ 15.24
50,000	\$ 0.75	14.47	100,000	1.650	19.97	15.24
100,000	1.52	15.24	200,000	2.030	24.56	15.24
200,000	2.28	16.00	300,000	2.240	27.10	15.24
300,000	3.04	16.76	500,000	2.470	29.89	15.24
500,000	3.80	17.52	1,000,000	2.710	32.79	15.24
1,000,000	4.57	18.29				

	(10) Single Limit Discount Factor	(11) Filed Single Car UM BI/PD Loss Cost	(12) Filed Single Car UM BI/PD Increment	(13) Filed Per Car Multi-Car UM BI/PD Loss Cost	(14) Filed Per Car Multi-Car UM BI/PD Increment
\$75,000	0.905	\$ 31.70		\$ 25.36	
100,000	0.910	33.84	\$ 2.14	27.07	\$ 1.71
200,000	0.910	38.43	6.73	30.74	5.38
300,000	0.910	40.97	9.27	32.78	7.42
500,000	0.910	43.76	12.06	35.01	9.65
1,000,000	0.910	46.66	14.96	37.33	11.97

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EXPLANATORY NOTES TO TABLE D2C

- LINE (1) Present \$25,000 basic limit Uninsured Motorists Property Damage single car loss cost contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- LINE (2) Filed Uninsured Motorists Property Damage basic loss cost level change as determined on Table D1D, Column (13).
- LINE (3) The filed Uninsured Motorists Property Damage \$25,000 basic limit single car loss cost is calculated by applying the Uninsured Motorists Property Damage loss cost level change (Line (2)) to the present basic limit Uninsured Motorists Property Damage single car loss cost (Line (1)).
- LINE (4) The filed per car multi-car Uninsured Motorists Property Damage \$25,000 basic limit loss cost is calculated by multiplying the filed single car loss cost in Line (3) by the multi-car discount factor of .80.
- COLUMN (5) Present Uninsured Motorists Higher Limits Property Damage single car increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (6) The filed single car Uninsured Motorists Property Damage loss costs are the sum of the filed basic limit loss cost shown on Line (3) and the present increments shown in Column (5).
- COLUMN (7) Uninsured Motorists Bodily Injury increased limits factor for the policy limit shown.
- COLUMN (8) The filed single car Uninsured Motorists Bodily Injury loss costs are calculated by multiplying the filed basic limit Uninsured Motorists Bodily Injury loss cost (Table D2A, Line (3)) by the increased limits factors in Column (7).
- COLUMN (9) The filed single car Uninsured Motorists Property Damage loss costs are from Column (6). The loss costs shown follow two pricing rules: 1) the charge for the next higher limit is used for limits not available in Column (6), and 2), the maximum charge added is that for \$100,000 regardless of the coverage afforded.
- COLUMN (10) The single limit discount factor is derived from the following table:

<u>Policy Limit</u>	<u>Discount Factor</u>
\$ 25,000 or less	.890
\$ 50,000	.900
\$100,000 or more	.910

Straight line interpolation is used for any additional limits. The single limit discount recognizes the fact that combined single limits provide less coverage than comparable split limits.

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EXPLANATORY NOTES TO TABLE D2C (Cont'd)

COLUMN (11) The filed single car Uninsured Motorists Bodily Injury/Property Damage loss cost is the discounted sum of the Bodily Injury and Property Damage portions of the loss cost. The discount applies to the lower of the two loss costs.

Table D2C-3:

$$\$500,000: \$29.89 + (\$15.24 \times .910) = \$43.76$$

COLUMN (12) The filed single car increments are calculated as follows:

The filed loss costs for single car policies (shown in Column (11)) minus the filed basic limit loss cost shown in Column (11).

COLUMN (13) The filed per car multi-car Uninsured Motorists Bodily Injury/Property Damage loss costs are calculated by multiplying the filed single car loss costs in Column (11) by the multi-car discount factor of .80.

COLUMN (14) The filed per car multi-car increments are calculated as follows:

The filed per car loss cost for multi-car policies (shown in Column (13)) minus the filed basic limit per car loss cost shown in Column (13).

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TABLE D3-1

TIER 1

DETERMINATION OF INDICATED DAMAGES REDUCTION
UNDERINSURED MOTORISTS LOSS COSTS

\$100,000/\$300,000 UIM

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BI Limits of Party at Fault	Distribution of Policy Limits	Total Combined Limit of Coverage	BI ILF of (1)	UMBI ILF for Layer from (1) to (3)	Average Loss Cost for Combined Coverage	Average Loss Cost for BI Limits of Party at Fault	Indicated Loss Cost for Additional Coverage
25/50	0.389	125/350	1.00	1.820	\$299.41	\$164.51	\$134.90
50/100	0.247	150/400	1.23	1.447	292.80	202.35	90.45
75/75	0.001	175/375	1.34	1.345	296.50	220.44	76.06
100/100	0.007	200/400	1.45	1.248	297.70	238.54	59.16
100/200	0.019	200/500	1.48	1.219	296.80	243.47	53.33
100/300	0.232	200/600	1.49	1.218	298.56	245.12	53.44
200/200	0.000	300/500	1.73	1.113	316.76	284.60	32.16
250/500	0.058	350/800	1.84	1.074	325.10	302.70	22.40
300/300	0.033	400/600	1.90	1.067	333.51	312.57	20.94
500/500	0.015	600/800	2.08	1.032	353.13	342.18	10.95
500/1000	0.004	600/1300	2.09	1.028	353.45	343.83	9.62
1000/1000	0.005	1100/1300	2.23	1.011	370.89	366.86	4.03

(9) Cost of all BI limits of at-fault party {sum of (8) x (2)}:	\$ 90.93
(10) Portion of at-fault parties insured:	0.650
(11) Cost of coverage for at-fault parties insured (\$ 90.93 x 0.650):	\$ 59.10
(12) 25/50 BI average loss cost (based on year ending 12/31/2006):	\$164.51

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TABLE D3-2

TIER 2

DETERMINATION OF INDICATED DAMAGES REDUCTION
UNDERINSURED MOTORISTS LOSS COSTS

\$100,000/\$300,000 UIM

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>BI Limits of Party at Fault</u>	<u>Distribution of Policy Limits</u>	<u>Total Combined Limit of Coverage</u>	<u>BI ILF of (1)</u>	<u>UMBI ILF for Layer from (1) to (3)</u>	<u>Average Loss Cost for Combined Coverage</u>	<u>Average Loss Cost for BI Limits of Party at Fault</u>	<u>Indicated Loss Cost for Additional Coverage</u>
25/50	0.389	125/350	1.00	1.820	\$224.37	\$123.28	\$101.09
50/100	0.247	150/400	1.23	1.447	219.41	151.63	67.78
75/75	0.001	175/375	1.34	1.345	222.19	165.20	56.99
100/100	0.007	200/400	1.45	1.248	223.09	178.76	44.33
100/200	0.019	200/500	1.48	1.219	222.41	182.45	39.96
100/300	0.232	200/600	1.49	1.218	223.73	183.69	40.04
200/200	0.000	300/500	1.73	1.113	237.37	213.27	24.10
250/500	0.058	350/800	1.84	1.074	243.62	226.84	16.78
300/300	0.033	400/600	1.90	1.067	249.93	234.23	15.70
500/500	0.015	600/800	2.08	1.032	264.63	256.42	8.21
500/1000	0.004	600/1300	2.09	1.028	264.87	257.66	7.21
1000/1000	0.005	1100/1300	2.23	1.011	277.94	274.91	3.03

(9) Cost of all BI limits of at-fault party {sum of (8) x (2)}:	\$ 68.14
(10) Portion of at-fault parties insured:	0.881
(11) Cost of coverage for at-fault parties insured (\$ 68.14 x 0.881):	\$ 60.03
(12) 25/50 BI average loss cost (based on year ending 12/31/2006):	\$123.28

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TABLE D3-3

TIER 3

DETERMINATION OF INDICATED DAMAGES REDUCTION
UNDERINSURED MOTORISTS LOSS COSTS

\$100,000/\$300,000 UIM

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>BI Limits of Party at Fault</u>	<u>Distribution of Policy Limits</u>	<u>Total Combined Limit of Coverage</u>	<u>BI ILF of (1)</u>	<u>UMBI ILF for Layer from (1) to (3)</u>	<u>Average Loss Cost for Combined Coverage</u>	<u>Average Loss Cost for BI Limits of Party at Fault</u>	<u>Indicated Loss Cost for Additional Coverage</u>
25/50	0.389	125/350	1.00	1.820	\$168.55	\$ 92.61	\$ 75.94
50/100	0.247	150/400	1.23	1.447	164.83	113.91	50.92
75/75	0.001	175/375	1.34	1.345	166.91	124.10	42.81
100/100	0.007	200/400	1.45	1.248	167.59	134.28	33.31
100/200	0.019	200/500	1.48	1.219	167.08	137.06	30.02
100/300	0.232	200/600	1.49	1.218	168.07	137.99	30.08
200/200	0.000	300/500	1.73	1.113	178.32	160.22	18.10
250/500	0.058	350/800	1.84	1.074	183.01	170.40	12.61
300/300	0.033	400/600	1.90	1.067	187.75	175.96	11.79
500/500	0.015	600/800	2.08	1.032	198.79	192.63	6.16
500/1000	0.004	600/1300	2.09	1.028	198.97	193.55	5.42
1000/1000	0.005	1100/1300	2.23	1.011	208.79	206.52	2.27

(9) Cost of all BI limits of at-fault party {sum of (8) x (2)}:	\$ 51.19
(10) Portion of at-fault parties insured:	0.904
(11) Cost of coverage for at-fault parties insured (\$ 51.19 x 0.904):	\$ 46.28
(12) 25/50 BI average loss cost (based on year ending 12/31/2006):	\$ 92.61

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EXPLANATORY NOTES TO TABLE D3

INTRODUCTION

The explanations that follow clarify Table D3, Determination of Indicated Damages Reduction (with a damages trigger) Underinsured Motorists Loss Costs. Table D3 shows the calculation of the average loss cost for a 100/300 UIM policy purchased, where the tortfeasors have purchased either split limit policies or single limit policies.

Arkansas Underinsured Motorists Coverage has a Damages Trigger and a Damages Reduction.

Under a damages trigger, Underinsured Motorists Coverage becomes available only if the insured's damages exceed the at-fault party's (tortfeasor's) Bodily Injury Liability limit.

Under a damages reduction, the amount paid by the tortfeasor reduces the amount of actual damages sustained by the insured that the Underinsured Motorists coverage pays for. With this type of reduction, Underinsured Motorists acts as "excess" coverage, in that the full Underinsured Motorists Bodily Injury limit is available in addition to any amounts received from the tortfeasor. As a result, the insured's total recovery from all sources (i.e. the tortfeasor's payment plus any Underinsured Motorists coverage) may well exceed the maximum limit for Underinsured Motorists Bodily Injury under the policy.

The Damages Reduction (with a damages trigger) Underinsured Motorists loss costs are calculated using the Damages Reduction (with a damages trigger) Underinsured Motorists Pricing Model. This model assumes that the Underinsured Motorists coverage provides a layer of Bodily Injury coverage between the tortfeasor's Bodily Injury Liability limit and the sum of the insured's Underinsured Motorists Bodily Injury limit and the tortfeasor's Bodily Injury Liability limit. This calculation is shown for the 100/300 UIM limit in Table D3.

COLUMN (1)

The limits displayed are the most commonly purchased Bodily Injury limits purchased by the tortfeasor. The Underinsured Motorists Bodily Injury coverage is triggered when these limits are exhausted.

COLUMN (2)

For each Bodily Injury Liability policy limit, this is the distribution of policies based on the written car months by policy limit for Bodily Injury Liability for year ending 12/31/2006. This distribution is based on voluntary and assigned risk exposures combined.

COLUMN (3)

The total combined limit of coverage is the sum of the insured's Underinsured Motorists policy limits and the tortfeasor's Bodily Injury Liability coverage limits.

COLUMN (4)

Bodily Injury increased limits factors for the policy limits in Column (1) to be applied to the 25/50 average Bodily Injury loss cost.

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EXPLANATORY NOTES TO TABLE D3 (Cont'd)

- COLUMN (5) The Uninsured Motorists Bodily Injury increased limits factors in Column (5) are calculated by reindexing the UMBI increased limits factors, as follows:
- The UMBI increased limits factor for the combined limit (Column (3)) is divided by the UMBI increased limits factor for the party at-fault's limit (Column (1)).
- Table D3-1, 50/100: $1.910 \div 1.320 = 1.447$
- COLUMN (6) The average loss cost for the total coverage available to the insured is calculated by applying the increased limit factors in Column (4) and Column (5) to the average 25/50 Bodily Injury loss cost of Line (12).
- COLUMN (7) The average Bodily Injury loss cost of the tortfeasor is calculated by multiplying the average 25/50 Bodily Injury loss cost in Line (12) by the increased limit factor for the tortfeasor's Bodily Injury limit (Column (4)).
- COLUMN (8) The indicated loss cost for the additional coverage provided by Underinsured Motorists is the difference between the total combined coverage average loss cost (Column (6)) and the tortfeasor's average loss cost (Column (7)). This amount will cover the insured's losses above the tortfeasor's Bodily Injury Liability limits up to the amounts specified by the limits in Column (3).
- LINE (9) Using the results from Column (8), the indicated overall loss cost of the coverage provided by Underinsured Motorists can be determined. This is accomplished by weighting the indicated loss costs for each limit in Column (8) by the policy limit distribution in Column (2).
- LINES (10) AND (11) Because Underinsured Motorists applies only when the tortfeasor is insured, the indicated Underinsured Motorists charge is adjusted by an estimate of the percentage of drivers in the state that are insured. The percentage is given by:
- $1 - \frac{[(\text{Current Uninsured Motorists claim frequency}) / (\text{Current Bodily Injury claim frequency})],$
- where the claim frequencies are based on voluntary and assigned risks combined. The result is the average loss cost for a given limit of Underinsured Motorists coverage.
- The result for each Underinsured Motorist limit is shown in Table D4B, Column (1).
- LINE (12) The 25/50 average loss cost is based on the latest year of data, year ending 12/31/2006.

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TABLE D4A-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

CALCULATION OF OFFSET FOR THE MULTI-CAR DISCOUNT

	(1) Percent Of <u>Exposures</u>	(2) Present <u>Discount</u>
Single Car Policies	18.1%	1.00
Multi-Car Policies	81.9%	<u>0.80</u>
		0.836

(3) Offset = 1.000 / 0.836 = 1.196

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EXPLANATORY NOTES TO TABLE D4A

INTRODUCTION	<p>The explanations that follow clarify Table D4A, Calculation of Offset for the Multi-Car Discount.</p> <p>Our pricing model for Underinsured Motorists produces average single and multi-car loss costs for this coverage. The calculated offset is applied to the results of the model to produce the filed single car loss cost. It is not applied to the present Underinsured Motorists single car loss costs.</p>
COLUMN (1)	<p>The percentage of exposures for single car policies is the percentage of single car exposures. The percentage of exposures for multi-car policies is the percentage of multi-car exposures.</p>
COLUMN (2)	<p>The present multi-car discount factor is 1.00 for single cars and .80 for each car in a multi-car policy.</p> <p>The present average discount for all policies is the discount in Column (2) weighted on the percentage of exposures in Column (1).</p>
LINE (3)	<p>The offset is determined by taking the reciprocal of the present average discount for all policies ($1.000 \div$ Column (2) total).</p>

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TABLE D4B-1

TIER 1 (TERRITORY 21)

CALCULATION OF FILED UNDERINSURED MOTORISTS LOSS COSTS

<u>Split Limits</u>	(1) <u>Single/Multi Combined (A)</u>	(2) <u>Single Car Loss Cost (B)</u>	(3) <u>Per Car Multi-Car Loss Cost (C)</u>
25/50	\$ 21.85	\$ 25.70	\$ 20.56
50/100	37.10	43.63	34.90
100/200	58.44	68.73	54.98
100/300	59.10	69.50	55.60
250/500	92.01	108.20	86.56
300/300	97.71	114.91	91.93
500/500	116.00	136.42	109.14
500/1000	116.66	137.19	109.75
1000/1000	136.37	160.37	128.30

<u>Single Limits</u>	<u>Single/Multi Combined (A)</u>	<u>Single Car Loss Cost (B)</u>	<u>Per Car Multi-Car Loss Cost (C)</u>
\$50,000	\$ 36.40	\$ 42.81	\$ 34.25
75,000	47.87	56.30	45.04
100,000	57.69	67.84	54.27
200,000	82.36	96.86	77.49
300,000	97.71	114.91	91.93
500,000	116.00	136.42	109.14
1,000,000	136.37	160.37	128.30

- (A) Column (1) shows the average loss costs by UIM limit which result from Table D3-1.
- (B) Column (1) x the UIM offset calculated on Table D4A-1.
- (C) Column (2) x the UIM Multi-Car discount shown on Table D4A-1.

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TABLE D4B-2

TIER 2 (TERRITORIES 22, 23, 24, AND 25)

CALCULATION OF FILED UNDERINSURED MOTORISTS LOSS COSTS

<u>Split Limits</u>	(1) <u>Single/Multi Combined (A)</u>	(2) <u>Single Car Loss Cost (B)</u>	(3) <u>Per Car Multi-Car Loss Cost (C)</u>
25/50	\$ 22.19	\$ 26.38	\$ 21.10
50/100	37.68	44.80	35.84
100/200	59.36	70.58	56.46
100/300	60.03	71.38	57.10
250/500	93.46	111.12	88.90
300/300	99.24	118.00	94.40
500/500	117.82	140.09	112.07
500/1000	118.49	140.88	112.70
1000/1000	138.51	164.69	131.75

<u>Single Limits</u>	<u>Single/Multi Combined (A)</u>	<u>Single Car Loss Cost (B)</u>	<u>Per Car Multi-Car Loss Cost (C)</u>
\$50,000	\$ 36.98	\$ 43.97	\$ 35.18
75,000	48.62	57.81	46.25
100,000	58.60	69.68	55.74
200,000	83.66	99.47	79.58
300,000	99.24	118.00	94.40
500,000	117.82	140.09	112.07
1,000,000	138.51	164.69	131.75

(A) Column (1) shows the average loss costs by UIM limit which result from Table D3-2.

(B) Column (1) x the UIM offset calculated on Table D4A-2.

(C) Column (2) x the UIM Multi-Car discount shown on Table D4A-2.

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TABLE D4B-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

CALCULATION OF FILED UNDERINSURED MOTORISTS LOSS COSTS

<u>Split Limits</u>	(1) <u>Single/Multi Combined (A)</u>	(2) <u>Single Car Loss Cost (B)</u>	(3) <u>Per Car Multi-Car Loss Cost (C)</u>
25/50	\$ 17.10	\$ 20.45	\$ 16.36
50/100	29.05	34.74	27.79
100/200	45.75	54.72	43.78
100/300	46.28	55.35	44.28
250/500	72.03	86.15	68.92
300/300	76.51	91.51	73.21
500/500	90.82	108.62	86.90
500/1000	91.33	109.23	87.38
1000/1000	106.76	127.68	102.14

<u>Single Limits</u>	<u>Single/Multi Combined (A)</u>	<u>Single Car Loss Cost (B)</u>	<u>Per Car Multi-Car Loss Cost (C)</u>
\$50,000	\$ 28.50	\$ 34.09	\$ 27.27
75,000	37.48	44.83	35.86
100,000	45.16	54.01	43.21
200,000	64.49	77.13	61.70
300,000	76.51	91.51	73.21
500,000	90.82	108.62	86.90
1,000,000	106.76	127.68	102.14

- (A) Column (1) shows the average loss costs by UIM limit which result from Table D3-3.
- (B) Column (1) x the UIM offset calculated on Table D4A-3.
- (C) Column (2) x the UIM Multi-Car discount shown on Table D4A-3.

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TABLE D5A-1

TIER 1 (TERRITORY 21)

PRESENT AND FILED LOSS COSTS

UNINSURED MOTORISTS BODILY INJURY

<u>Basic Limits</u>	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Present</u>	<u>Loss Costs</u>	<u>Filed</u>	<u>Loss Costs</u>	<u>Average Loss</u>		<u>Percent</u>
	<u>Single</u>	<u>Per Car</u>	<u>Single</u>	<u>Per Car</u>	<u>Costs Per Car</u>		
	<u>Car</u>	<u>Multi-Car</u>	<u>Car</u>	<u>Multi-Car</u>	<u>Present</u>	<u>Filed</u>	
25/50	\$ 18.62	\$ 14.90	\$ 25.78	\$ 20.62	\$ 15.84	\$ 21.92	+ 38.4%
\$50,000 S/L	\$ 23.46	\$ 18.77	\$ 32.48	\$ 25.98	\$ 19.95	\$ 27.62	+ 38.4%

Higher Limits Increments

<u>Split Limits</u>	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	<u>Present</u>	<u>Loss Costs</u>	<u>Filed</u>	<u>Loss Costs</u>	<u>Average Loss</u>		<u>Percent</u>
	<u>Single</u>	<u>Per Car</u>	<u>Single</u>	<u>Per Car</u>	<u>Costs Per Car</u>		
	<u>Car</u>	<u>Multi-Car</u>	<u>Car</u>	<u>Multi-Car</u>	<u>Present</u>	<u>Filed</u>	
50/100	\$ 5.96	\$ 4.76	\$ 8.25	\$ 6.60	\$ 5.06	\$ 7.02	+ 38.5%
100/200	12.85	10.28	17.79	14.24	10.93	15.13	+ 38.4%
100/300	13.03	10.42	18.05	14.44	11.08	15.35	+ 38.4%
250/500	21.79	17.43	30.16	24.13	18.53	25.65	+ 38.4%
300/300	23.09	18.47	31.97	25.58	19.63	27.19	+ 38.5%
500/500	27.37	21.89	37.90	30.32	23.27	32.23	+ 38.5%
500/1000	27.56	22.04	38.15	30.52	23.43	32.44	+ 38.4%
1000/1000	31.84	25.47	44.08	35.27	27.08	37.49	+ 38.4%

<u>Single Limits</u>	(15)	(16)	(17)	(18)	(19)	(20)	(21)
	<u>Present</u>	<u>Loss Costs</u>	<u>Filed</u>	<u>Loss Costs</u>	<u>Average Loss</u>		<u>Percent</u>
	<u>Single</u>	<u>Per Car</u>	<u>Single</u>	<u>Per Car</u>	<u>Costs Per Car</u>		
	<u>Car</u>	<u>Multi-Car</u>	<u>Car</u>	<u>Multi-Car</u>	<u>Present</u>	<u>Filed</u>	
\$75,000	\$ 4.10	\$ 3.28	\$ 5.67	\$ 4.54	\$ 3.49	\$ 4.82	+ 38.4%
100,000	7.26	5.81	10.06	8.05	6.18	8.56	+ 38.5%
200,000	14.34	11.47	19.85	15.88	12.19	16.88	+ 38.5%
300,000	18.25	14.60	25.27	20.22	15.52	21.49	+ 38.5%
500,000	22.53	18.02	31.20	24.96	19.16	26.53	+ 38.5%
1,000,000	27.00	21.60	37.38	29.91	22.96	31.79	+ 38.5%

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TABLE D5A-2

TIER 2 (TERRITORIES 22, 23, 24, AND 25)

PRESENT AND FILED LOSS COSTS

UNINSURED MOTORISTS BODILY INJURY

<u>Basic Limits</u>	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Present</u>	<u>Loss Costs</u>	<u>Filed</u>	<u>Loss Costs</u>	<u>Average Loss</u>		<u>Percent</u>
	<u>Single</u>	<u>Per Car</u>	<u>Single</u>	<u>Per Car</u>	<u>Costs Per Car</u>		
<u>Car</u>	<u>Multi-Car</u>	<u>Car</u>	<u>Multi-Car</u>	<u>Present</u>	<u>Filed</u>		
25/50	\$ 15.51	\$ 12.41	\$ 17.31	\$ 13.85	\$ 13.04	\$ 14.56	+ 11.7%
\$50,000 S/L	\$ 19.54	\$ 15.63	\$ 21.81	\$ 17.45	\$ 16.43	\$ 18.34	+ 11.6%

Higher Limits Increments

<u>Split Limits</u>	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	<u>Present</u>	<u>Loss Costs</u>	<u>Filed</u>	<u>Loss Costs</u>	<u>Average Loss</u>		<u>Percent</u>
	<u>Single</u>	<u>Per Car</u>	<u>Single</u>	<u>Per Car</u>	<u>Costs Per Car</u>		
<u>Car</u>	<u>Multi-Car</u>	<u>Car</u>	<u>Multi-Car</u>	<u>Present</u>	<u>Filed</u>		
50/100	\$ 4.96	\$ 3.97	\$ 5.54	\$ 4.43	\$ 4.17	\$ 4.66	+ 11.7%
100/200	10.70	8.56	11.94	9.55	9.00	10.04	+ 11.6%
100/300	10.86	8.69	12.12	9.69	9.13	10.19	+ 11.6%
250/500	18.15	14.52	20.25	16.20	15.26	17.03	+ 11.6%
300/300	19.23	15.38	21.46	17.17	16.17	18.05	+ 11.6%
500/500	22.80	18.24	25.45	20.36	19.17	21.40	+ 11.6%
500/1000	22.95	18.36	25.62	20.49	19.30	21.54	+ 11.6%
1000/1000	26.52	21.21	29.60	23.68	22.29	24.89	+ 11.7%

<u>Single Limits</u>	(15)	(16)	(17)	(18)	(19)	(20)	(21)
	<u>Present</u>	<u>Loss Costs</u>	<u>Filed</u>	<u>Loss Costs</u>	<u>Average Loss</u>		<u>Percent</u>
	<u>Single</u>	<u>Per Car</u>	<u>Single</u>	<u>Per Car</u>	<u>Costs Per Car</u>		
<u>Car</u>	<u>Multi-Car</u>	<u>Car</u>	<u>Multi-Car</u>	<u>Present</u>	<u>Filed</u>		
\$75,000	\$ 3.41	\$ 2.73	\$ 3.81	\$ 3.05	\$ 2.87	\$ 3.21	+ 11.7%
100,000	6.05	4.84	6.75	5.40	5.09	5.68	+ 11.6%
200,000	11.95	9.56	13.33	10.66	10.05	11.20	+ 11.6%
300,000	15.20	12.16	16.96	13.57	12.78	14.26	+ 11.6%
500,000	18.77	15.02	20.95	16.76	15.79	17.61	+ 11.6%
1,000,000	22.49	17.99	25.10	20.08	18.91	21.10	+ 11.6%

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TABLE D5A-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

PRESENT AND FILED LOSS COSTS

UNINSURED MOTORISTS BODILY INJURY

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Present Loss Costs</u>		<u>Filed Loss Costs</u>		<u>Average Loss</u>		<u>Percent</u>
	<u>Single</u>	<u>Per Car</u>	<u>Single</u>	<u>Per Car</u>	<u>Costs Per Car</u>		
<u>Car</u>	<u>Multi-Car</u>	<u>Car</u>	<u>Multi-Car</u>	<u>Present</u>	<u>Filed</u>		
<u>Basic Limits</u>							
25/50	\$ 12.41	\$ 9.93	\$ 12.10	\$ 9.68	\$ 10.38	\$ 10.12	- 2.5%
\$50,000 S/L	\$ 15.64	\$ 12.51	\$ 15.25	\$ 12.20	\$ 13.08	\$ 12.75	- 2.5%

Higher Limits Increments

	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	<u>Present Loss Costs</u>		<u>Filed Loss Costs</u>		<u>Average Loss</u>		<u>Percent</u>
	<u>Single</u>	<u>Per Car</u>	<u>Single</u>	<u>Per Car</u>	<u>Costs Per Car</u>		
<u>Car</u>	<u>Multi-Car</u>	<u>Car</u>	<u>Multi-Car</u>	<u>Present</u>	<u>Filed</u>		
<u>Split Limits</u>							
50/100	\$ 3.97	\$ 3.17	\$ 3.87	\$ 3.10	\$ 3.31	\$ 3.24	- 2.4%
100/200	8.56	6.85	8.35	6.68	7.16	6.98	- 2.5%
100/300	8.69	6.95	8.47	6.78	7.26	7.09	- 2.4%
250/500	14.52	11.61	14.16	11.33	12.14	11.84	- 2.5%
300/300	15.39	12.31	15.00	12.00	12.87	12.54	- 2.5%
500/500	18.24	14.59	17.79	14.23	15.25	14.87	- 2.5%
500/1000	18.37	14.69	17.91	14.33	15.36	14.98	- 2.5%
1000/1000	21.22	16.97	20.69	16.55	17.74	17.30	- 2.5%

	(15)	(16)	(17)	(18)	(19)	(20)	(21)
	<u>Present Loss Costs</u>		<u>Filed Loss Costs</u>		<u>Average Loss</u>		<u>Percent</u>
	<u>Single</u>	<u>Per Car</u>	<u>Single</u>	<u>Per Car</u>	<u>Costs Per Car</u>		
<u>Car</u>	<u>Multi-Car</u>	<u>Car</u>	<u>Multi-Car</u>	<u>Present</u>	<u>Filed</u>		
<u>Single Limits</u>							
\$75,000	\$ 2.73	\$ 2.19	\$ 2.66	\$ 2.13	\$ 2.29	\$ 2.23	- 2.5%
100,000	4.84	3.87	4.72	3.78	4.05	3.95	- 2.5%
200,000	9.55	7.64	9.31	7.45	7.99	7.79	- 2.5%
300,000	12.16	9.73	11.85	9.48	10.17	9.91	- 2.5%
500,000	15.01	12.01	14.64	11.71	12.55	12.24	- 2.5%
1,000,000	17.99	14.39	17.54	14.03	15.04	14.67	- 2.5%

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EXPLANATORY NOTES TO TABLE D5A

- COLUMN (1) The present loss costs shown for single car are contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (2) The present loss costs shown for per car multi-car are contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (3) The filed single car loss cost for the 25/50 basic limit was derived on Table D2A, Line (3). The filed single car loss cost for the \$50,000 limit was derived on Table D2B, Column (2).
- COLUMN (4) The filed per car multi-car loss cost for the 25/50 basic limit is from Table D2A, Column (7). The filed per car multi-car loss cost at the \$50,000 limit is derived on Table D2B, Column (4).
- COLUMN (5) This column is the present average per car loss cost calculated by weighting the present single and per car multi-car loss costs on the present exposure distribution found in Table D4A, Column (1). The present single car loss costs are shown in Column (1). The present per car multi-car loss costs are shown in Column (2).
- COLUMN (6) This column is the filed average per car loss cost calculated by weighting the filed single and per car multi-car loss costs on the present exposure distribution found in Table D4A, Column (1). The filed single car loss costs are shown in Column (3). The filed per car multi-car loss costs are shown in Column (4).
- COLUMN (7) The percent change is the filed average loss cost per car in Column (6), divided by the present average loss cost per car in Column (5).
- COLUMN (8) The present single car loss costs shown are the higher split limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (9) The present per car multi-car loss costs shown are the higher split limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (10) The filed single car loss cost increments shown are from Table D2A, Column (6).
- COLUMN (11) The filed per car multi-car loss cost increments shown are from Table D2A, Column (8).
- COLUMN (12) This column is the present average per car loss cost increments calculated by weighting the present single and per car multi-car loss cost increments on the present exposure distribution found in Table D4A, Column (1). The present single car loss cost increments are shown in Column (8). The present per car multi-car loss cost increments are shown in Column (9).

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EXPLANATORY NOTES TO TABLE D5A (Cont'd)

COLUMN (13) This column is the filed average per car loss cost increments calculated by weighting the filed single and per car multi-car loss cost increments on the present exposure distribution found in Table D4A, Column (1). The filed single car loss cost increments are shown in Column (10). The filed per car multi-car loss cost increments are shown in Column (11).

COLUMN (14) The percent change is the filed Total Limits Loss Costs change (Basic Limits plus the UM BI Higher Limits increments). The average filed per car loss cost for the 25/50 basic limit from Column (6), is added to the applicable higher limit loss cost increment in Column (13) and divided by the corresponding present loss cost derived similarly from Column (5) and (12).

Table D5A-1:

50/100:	Present Loss Cost	=	\$15.84	+	\$5.06	=	\$20.90
	Filed Loss Cost	=	\$21.92	+	\$7.02	=	\$28.94
	Percent Change	=	\$28.94	/	\$20.90	=	+38.5%

COLUMN (15) The present single car loss costs shown are the higher single limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.

COLUMN (16) The present per car multi-car loss costs shown are the higher single limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.

COLUMN (17) The filed single car loss cost increments shown are from Table D2B, Column (3).

COLUMN (18) The filed per car multi-car loss cost increments shown are from Table D2B, Column (5).

COLUMN (19) This column is the present average per car loss cost increments calculated by weighting the present single and per car multi-car loss cost increments on the present exposure distribution found in Table D4A, Column (1). The present single car loss cost increments are shown in Column (15). The present per car multi-car loss cost increments are shown in Column (16).

COLUMN (20) This column is the filed average per car loss cost increments calculated by weighting the filed single and per car multi-car loss cost increments on the present exposure distribution found in Table D4A, Column (1). The filed single car loss cost increments are shown in Column (17). The filed per car multi-car loss cost increments are shown in Column (18).

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EXPLANATORY NOTES TO TABLE D5A (Cont'd)

COLUMN (21)

The percent change is the filed Total Limits Loss Cost change (Basic Limits plus Higher Limits increments). The average filed per car loss cost for the \$50,000 limit from Column (6), is added to the applicable higher limit loss cost increment in Column (20) and divided by the corresponding present loss cost derived similarly from Column (5) and (19).

Table D5A-1:

\$75,000:	Present Loss Cost	=	\$19.95	+	\$3.49	=	\$23.44
	Filed Loss Cost	=	\$27.62	+	\$4.82	=	\$32.44
	Percent Change	=	\$32.44	/	\$23.44	=	+38.4%

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TABLE D5B-1

TIER 1 (TERRITORY 21)

PRESENT AND FILED LOSS COSTS

UNINSURED MOTORISTS BODILY INJURY WITH PROPERTY DAMAGE

<u>Basic Limits</u>	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Present Loss Costs</u>		<u>Filed Loss Costs</u>		<u>Average Loss Costs Per Car</u>		<u>Percent Change</u>
	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Present</u>	<u>Filed</u>	
25/50/25	\$ 31.96	\$ 25.57	\$ 45.79	\$ 36.63	\$ 27.18	\$ 38.94	+ 43.3%
\$75,000 S/L	\$ 41.01	\$ 32.81	\$ 57.63	\$ 46.10	\$ 34.88	\$ 49.01	+ 40.5%

Higher Limits Increments

<u>Property Damage</u>	(8)	(9)	(10)
	<u>Present Loss Costs</u>		<u>Present Average Loss Cost</u>
	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Per Car</u>
\$50,000	\$ 0.75	\$ 0.60	\$ 0.64
100,000	1.52	1.22	1.30
200,000	2.28	1.82	1.94
300,000	3.04	2.43	2.58
500,000	3.80	3.04	3.23
1,000,000	4.57	3.66	3.89

<u>Single Limits</u>	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	<u>Present Loss Costs</u>		<u>Filed Loss Costs</u>		<u>Average Loss Costs Per Car</u>		<u>Percent Change</u>
	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Present</u>	<u>Filed</u>	
\$100,000	\$ 3.23	\$ 2.58	\$ 4.50	\$ 3.60	\$ 2.74	\$ 3.83	+ 40.5%
200,000	10.31	8.25	14.29	11.44	8.77	12.16	+ 40.1%
300,000	14.22	11.37	19.71	15.77	12.09	16.76	+ 40.0%
500,000	18.50	14.80	25.64	20.52	15.73	21.81	+ 39.9%
1,000,000	22.97	18.37	31.82	25.46	19.53	27.06	+ 39.8%

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TABLE D5B-2

TIER 2 (TERRITORIES 22, 23, 24, AND 25)

PRESENT AND FILED LOSS COSTS

UNINSURED MOTORISTS BODILY INJURY WITH PROPERTY DAMAGE

<u>Basic Limits</u>	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Present Loss Costs</u>		<u>Filed Loss Costs</u>		<u>Average Loss Costs Per Car</u>		<u>Percent Change</u>
	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Present</u>	<u>Filed</u>	
25/50/25	\$ 28.85	\$ 23.08	\$ 33.99	\$ 27.19	\$ 24.26	\$ 28.58	+ 17.8%
\$75,000 S/L	\$ 36.40	\$ 29.12	\$ 42.09	\$ 33.67	\$ 30.61	\$ 35.39	+ 15.6%

Higher Limits Increments

<u>Property Damage</u>	(8)	(9)	(10)
	<u>Present Loss Costs</u>		<u>Present Average Loss Cost Per Car</u>
	<u>Single Car</u>	<u>Per Car Multi-Car</u>	
\$50,000	\$ 0.75	\$ 0.60	\$ 0.63
100,000	1.52	1.22	1.28
200,000	2.28	1.82	1.91
300,000	3.04	2.43	2.55
500,000	3.80	3.04	3.20
1,000,000	4.57	3.66	3.85

<u>Single Limits</u>	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	<u>Present Loss Costs</u>		<u>Filed Loss Costs</u>		<u>Average Loss Costs Per Car</u>		<u>Percent Change</u>
	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Present</u>	<u>Filed</u>	
\$100,000	\$ 2.71	\$ 2.17	\$ 3.03	\$ 2.43	\$ 2.28	\$ 2.55	+ 15.4%
200,000	8.61	6.89	9.61	7.69	7.24	8.08	+ 14.8%
300,000	11.86	9.49	13.24	10.59	9.97	11.13	+ 14.6%
500,000	15.43	12.34	17.23	13.79	12.97	14.49	+ 14.5%
1,000,000	19.15	15.32	21.38	17.11	16.10	17.98	+ 14.3%

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TABLE D5B-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

PRESENT AND FILED LOSS COSTS

UNINSURED MOTORISTS BODILY INJURY WITH PROPERTY DAMAGE

<u>Basic Limits</u>	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Present Loss Costs</u>		<u>Filed Loss Costs</u>		<u>Average Loss Costs Per Car</u>		<u>Percent Change</u>
	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Present</u>	<u>Filed</u>	
25/50/25	\$ 25.75	\$ 20.60	\$ 25.82	\$ 20.66	\$ 21.53	\$ 21.59	+ 0.3%
\$75,000 S/L	\$ 31.82	\$ 25.46	\$ 31.70	\$ 25.36	\$ 26.61	\$ 26.51	- 0.4%

Higher Limits Increments

<u>Property Damage</u>	(8)	(9)	(10)
	<u>Present Loss Costs</u>		<u>Present Average Loss Cost Per Car</u>
	<u>Single Car</u>	<u>Per Car Multi-Car</u>	
\$50,000	\$ 0.75	\$ 0.60	\$ 0.63
100,000	1.52	1.22	1.27
200,000	2.28	1.82	1.90
300,000	3.04	2.43	2.54
500,000	3.80	3.04	3.18
1,000,000	4.57	3.66	3.82

<u>Single Limits</u>	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	<u>Present Loss Costs</u>		<u>Filed Loss Costs</u>		<u>Average Loss Costs Per Car</u>		<u>Percent Change</u>
	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Single Car</u>	<u>Per Car Multi-Car</u>	<u>Present</u>	<u>Filed</u>	
\$100,000	\$ 2.18	\$ 1.74	\$ 2.14	\$ 1.71	\$ 1.82	\$ 1.79	- 0.5%
200,000	6.89	5.51	6.73	5.38	5.76	5.62	- 0.7%
300,000	9.50	7.60	9.27	7.42	7.94	7.75	- 0.8%
500,000	12.35	9.88	12.06	9.65	10.33	10.09	- 0.9%
1,000,000	15.33	12.26	14.96	11.97	12.82	12.51	- 1.0%

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EXPLANATORY NOTES TO TABLE D5B

- COLUMN (1) Present loss costs shown for single car are contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (2) Present loss costs shown for per car multi-car are contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (3) The filed single car loss cost for the 25/50/25 basic limit was calculated by adding the Uninsured Motorists single car loss cost at the 25/50 limit from Table D2A, Line (3) to the filed single car Uninsured Motorists Property Damage loss cost at the \$25,000 limit from Table D2C Line (3). The filed single car loss cost for the \$75,000 limit was derived on Table D2C Column (11).
- COLUMN (4) The filed per car multi-car loss cost for the 25/50/25 basic limit was calculated by adding the filed per car multi-car loss cost at the 25/50 limit from Table D2A, Column (7) to the filed per car multi-car Uninsured Motorists Property Damage loss cost at the \$25,000 limit from Table D2C, Line (4). The filed combined per car multi-car Uninsured Motorists Bodily Injury and Property Damage loss cost at the \$75,000 limit is derived on Table D2C, Column (13).
- COLUMN (5) This column is the present average per car loss cost calculated by weighting the present single and per car multi-car loss costs from Columns (1) and (2) on the present exposure distribution found in Table D4A, Column (1).
- COLUMN (6) This column is the filed average per car loss cost calculated by weighting the filed single and per car multi-car loss costs from Columns (3) and (4) on the present exposure distribution found in Table D4A, Column (1).
- COLUMN (7) The percent change is the filed average loss cost per car in Column (6), divided by the present average loss cost per car in Column (5).
- COLUMN (8) The present Uninsured Motorists Property Damage single car loss costs shown are the higher limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (9) The present Uninsured Motorists Property Damage per car multi-car loss costs shown are the higher limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (10) This column is the present average per car higher limit loss cost increments calculated by weighting the present single and per car multi-car loss cost increments from Columns (8) and (9) on the present exposure distribution found in Table D4A, Column (1).
- COLUMN (11) The present single car loss costs shown are the higher single limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.

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EXPLANATORY NOTES TO TABLE D5B (Cont'd)

- COLUMN (12) The present per car multi-car loss costs shown are the higher single limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
- COLUMN (13) The filed single car loss cost increments shown are from Table D2C, Column (12).
- COLUMN (14) The filed per car multi-car loss cost increments shown are from Table D2C, Column (14).
- COLUMN (15) This column is the present average per car higher limit loss cost increments calculated by weighting the present single and per car multi-car loss cost from Columns (11) and (12) on the present exposure distribution found in Table D4A, Column (1).
- COLUMN (16) This column is the filed average per car loss cost increments calculated by weighting the filed single and per car multi-car loss costs from Columns (13) and (14) on the present exposure distribution found in Table D4A, Column (1).
- COLUMN (17) The percent change is the filed Total Limits Loss Cost change (Basic Limits plus Higher Limits increments). The average filed per car loss cost for the \$75,000 limit from Column (6), is added to the applicable higher limit loss cost increment in Column (16) and divided by the corresponding present loss cost derived similarly from Column (5) and (15).

Table D5B-1:

\$100,000:	Present Loss Cost	=	\$34.88	+	\$ 2.74	=	\$37.62
	Filed Loss Cost	=	\$49.01	+	\$ 3.83	=	\$52.84
	Percent Change	=	\$52.84	/	\$37.62	=	+40.5%

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TABLE D5C-1

TIER 1 (TERRITORY 21)

PRESENT AND FILED LOSS COSTS

UNDERINSURED MOTORISTS BODILY INJURY

<u>Split Limits</u>	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Present Single Car</u>	<u>Loss Costs Per Car Multi-Car</u>	<u>Filed Loss Costs Single Car</u>	<u>Loss Costs Per Car Multi-Car</u>	<u>Average Loss Costs Per Car Present Filed</u>		<u>Percent Change</u>
25/50	\$ 28.70	\$ 22.96	\$ 25.70	\$ 20.56	\$ 24.41	\$ 21.86	- 10.4%
50/100	48.82	39.06	43.63	34.90	41.52	37.10	- 10.6%
100/200	77.09	61.67	68.73	54.98	65.56	58.45	- 10.8%
100/300	77.63	62.10	69.50	55.60	66.01	59.10	- 10.5%
250/500	121.72	97.38	108.20	86.56	103.51	92.01	- 11.1%
300/300	129.39	103.51	114.91	91.93	110.03	97.72	- 11.2%
500/500	153.78	123.02	136.42	109.14	130.77	116.01	- 11.3%
500/1000	154.64	123.71	137.19	109.75	131.50	116.66	- 11.3%
1000/1000	181.04	144.83	160.37	128.30	153.95	136.38	- 11.4%

<u>Single Limits</u>	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	<u>Present Single Car</u>	<u>Loss Costs Per Car Multi-Car</u>	<u>Filed Loss Costs Single Car</u>	<u>Loss Costs Per Car Multi-Car</u>	<u>Average Loss Costs Per Car Present Filed</u>		<u>Percent Change</u>
\$50,000	\$ 47.91	\$ 38.33	\$ 42.81	\$ 34.25	\$ 40.74	\$ 36.41	- 10.6%
75,000	63.11	50.49	56.30	45.04	53.67	47.88	- 10.8%
100,000	76.10	60.88	67.84	54.27	64.72	57.69	- 10.9%
200,000	108.92	87.14	96.86	77.49	92.63	82.37	- 11.1%
300,000	129.39	103.51	114.91	91.93	110.03	97.72	- 11.2%
500,000	153.78	123.02	136.42	109.14	130.77	116.01	- 11.3%
1,000,000	181.04	144.83	160.37	128.30	153.95	136.38	- 11.4%

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TABLE D5C-2

TIER 2 (TERRITORIES 22, 23, 24, AND 25)

PRESENT AND FILED LOSS COSTS

UNDERINSURED MOTORISTS BODILY INJURY

<u>Split Limits</u>	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Present Single Car</u>	<u>Loss Costs Per Car Multi-Car</u>	<u>Filed Loss Costs Single Car</u>	<u>Loss Costs Per Car Multi-Car</u>	<u>Average Loss Costs Per Car</u>		<u>Percent Change</u>
					<u>Present</u>	<u>Filed</u>	
25/50	\$ 28.18	\$ 22.54	\$ 26.38	\$ 21.10	\$ 23.69	\$ 22.18	- 6.4%
50/100	47.93	38.34	44.80	35.84	40.30	37.67	- 6.5%
100/200	75.70	60.56	70.58	56.46	63.65	59.34	- 6.8%
100/300	76.23	60.98	71.38	57.10	64.09	60.01	- 6.4%
250/500	119.54	95.63	111.12	88.90	100.51	93.43	- 7.0%
300/300	127.07	101.66	118.00	94.40	106.84	99.21	- 7.1%
500/500	151.02	120.82	140.09	112.07	126.98	117.79	- 7.2%
500/1000	151.87	121.50	140.88	112.70	127.70	118.45	- 7.2%
1000/1000	177.80	142.24	164.69	131.75	149.49	138.47	- 7.4%

<u>Single Limits</u>	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	<u>Present Single Car</u>	<u>Loss Costs Per Car Multi-Car</u>	<u>Filed Loss Costs Single Car</u>	<u>Loss Costs Per Car Multi-Car</u>	<u>Average Loss Costs Per Car</u>		<u>Percent Change</u>
					<u>Present</u>	<u>Filed</u>	
\$50,000	\$ 47.05	\$ 37.64	\$ 43.97	\$ 35.18	\$ 39.56	\$ 36.97	- 6.5%
75,000	61.98	49.58	57.81	46.25	52.11	48.61	- 6.7%
100,000	74.73	59.78	69.68	55.74	62.83	58.58	- 6.8%
200,000	106.97	85.58	99.47	79.58	89.94	83.64	- 7.0%
300,000	127.07	101.66	118.00	94.40	106.84	99.21	- 7.1%
500,000	151.02	120.82	140.09	112.07	126.98	117.79	- 7.2%
1,000,000	177.80	142.24	164.69	131.75	149.49	138.47	- 7.4%

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TABLE D5C-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

PRESENT AND FILED LOSS COSTS

UNDERINSURED MOTORISTS BODILY INJURY

<u>Split Limits</u>	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Present</u> <u>Single</u> <u>Car</u>	<u>Loss Costs</u> <u>Per Car</u> <u>Multi-Car</u>	<u>Filed</u> <u>Single</u> <u>Car</u>	<u>Loss Costs</u> <u>Per Car</u> <u>Multi-Car</u>	<u>Average Loss</u> <u>Costs Per Car</u>		<u>Percent</u> <u>Change</u>
	<u>Present</u>	<u>Filed</u>	<u>Present</u>	<u>Filed</u>	<u>Present</u>	<u>Filed</u>	
25/50	\$ 21.25	\$ 17.00	\$ 20.45	\$ 16.36	\$ 17.77	\$ 17.10	- 3.8%
50/100	36.16	28.93	34.74	27.79	30.24	29.05	- 3.9%
100/200	57.10	45.68	54.72	43.78	47.75	45.76	- 4.2%
100/300	57.49	45.99	55.35	44.28	48.07	46.28	- 3.7%
250/500	90.15	72.12	86.15	68.92	75.38	72.04	- 4.4%
300/300	95.84	76.67	91.51	73.21	80.14	76.52	- 4.5%
500/500	113.91	91.13	108.62	86.90	95.25	90.83	- 4.6%
500/1000	114.54	91.63	109.23	87.38	95.78	91.33	- 4.6%
1000/1000	134.10	107.28	127.68	102.14	112.13	106.76	- 4.8%

<u>Single Limits</u>	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	<u>Present</u> <u>Single</u> <u>Car</u>	<u>Loss Costs</u> <u>Per Car</u> <u>Multi-Car</u>	<u>Filed</u> <u>Single</u> <u>Car</u>	<u>Loss Costs</u> <u>Per Car</u> <u>Multi-Car</u>	<u>Average Loss</u> <u>Costs Per Car</u>		<u>Percent</u> <u>Change</u>
	<u>Present</u>	<u>Filed</u>	<u>Present</u>	<u>Filed</u>	<u>Present</u>	<u>Filed</u>	
\$50,000	\$ 35.50	\$ 28.40	\$ 34.09	\$ 27.27	\$ 29.69	\$ 28.50	- 4.0%
75,000	46.74	37.39	44.83	35.86	39.08	37.48	- 4.1%
100,000	56.37	45.10	54.01	43.21	47.14	45.16	- 4.2%
200,000	80.68	64.54	77.13	61.70	67.46	64.49	- 4.4%
300,000	95.84	76.67	91.51	73.21	80.14	76.52	- 4.5%
500,000	113.91	91.13	108.62	86.90	95.25	90.83	- 4.6%
1,000,000	134.10	107.28	127.68	102.14	112.13	106.76	- 4.8%

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EXPLANATORY NOTES TO TABLE D5C

COLUMN (1)	The present loss costs shown for single car are contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
COLUMN (2)	The present loss costs shown for per car multi-car are contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
COLUMN (3)	The filed single car loss cost for the 25/50 and higher split limits are from Table D4B, Column (2).
COLUMN (4)	The filed per car multi-car loss cost for the 25/50 and higher split limits are from Table D4B, Column (3).
COLUMN (5)	This column is the present average per car loss cost calculated by weighting the present single and per car multi-car loss costs on the present exposure distribution found in Table D4A, Column (1). The present single car loss costs are shown in Column (1). The present per car multi-car loss costs are shown in Column (2).
COLUMN (6)	This column is the filed average per car loss cost calculated by weighting the filed single and per car multi-car loss costs on the present exposure distribution found in Table D4A, Column (1). The filed single car loss costs are shown in Column (3). The filed per car multi-car loss costs are shown in Column (4).
COLUMN (7)	The percent change is the filed average loss costs per car in Column (6), divided by the present average loss cost per car in Column (5).
COLUMN (8)	The present single car loss costs shown are the higher single limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
COLUMN (9)	The present per car multi-car loss costs shown are the higher single limit increments contained in Arkansas Personal Auto Filing, PP-2007-BRLA1.
COLUMN (10)	The filed single car loss costs at the \$50,000 and higher single limits are from Table D4B, Column (2).
COLUMN (11)	The filed per car multi-car loss costs for the \$50,000 and higher single limits are from Table D4B, Column (3).
COLUMN (12)	This column is the present average per car loss cost increments calculated by weighting the present single and per car multi-car loss cost increments on the present exposure distribution found in Table D4A, Column (1). The present single car loss cost increments are shown in Column (8). The present per car multi-car loss cost increments are shown in Column (9).

EXPLANATORY NOTES TO TABLE D5C (Cont'd)

COLUMN (13) This column is the filed average per car loss cost increments calculated by weighting the filed single and per car multi-car loss cost increments on the present exposure distribution found in Table D4A, Column (1). The filed single car loss cost increments are shown in Column (10). The filed per car multi-car loss cost increments are shown in Column (11).

COLUMN (14) The percent change is the filed average loss cost per car in Column (13), divided by the present average loss cost per car in Column (12).

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TABLE D6A-1

TIER 1 (TERRITORY 21)

CALCULATION OF PRESENT AND FILED AVERAGE LOSS COSTS
UNINSURED MOTORISTS

	(1)	(2)	(3)
<u>Split Limits</u>	<u># of Written Car Months</u>	<u>Present Loss Cost</u>	<u>Filed Loss Cost</u>
All Other	2,732	\$ 20.90	\$ 28.93
25/50	1,423,941	15.84	21.92
50/100	676,390	20.90	28.94
100/200	66,179	26.77	37.05
100/300	635,453	26.92	37.27
300/300	17,707	35.47	49.11
250/500	182,600	34.37	47.57
500/1000	9,247	39.27	54.36
1000/1000	4,900	42.92	59.41
Total	<u>3,019,149</u>	<u>\$ 20.90</u>	<u>\$ 28.93</u>
<u>Single Limits</u>	<u># of Written Car Months</u>	<u>Present Loss Cost</u>	<u>Filed Loss Cost</u>
All Other	1,286	\$ 34.01	\$ 47.09
\$50,000	688	19.95	27.62
75,000	5,549	23.44	32.44
100,000	34,002	26.13	36.18
200,000	514	32.14	44.50
300,000	37,019	35.47	49.11
500,000	38,343	39.11	54.15
1,000,000	9,868	42.91	59.41
Total	<u>127,269</u>	<u>\$ 34.01</u>	<u>\$ 47.09</u>

(4) Average Present Loss Cost: \$21.43
(5) Average Filed Loss Cost: \$29.66
(6) Total Filed Change: + 38.4%

ARKANSAS
PERSONAL AUTO INSURANCE
TABLE D6A-2

TIER 2 (TERRITORIES 22, 23, 24, AND 25)

CALCULATION OF PRESENT AND FILED AVERAGE LOSS COSTS
UNINSURED MOTORISTS

<u>Split Limits</u>	(1) <u># of Written Car Months</u>	(2) <u>Present Loss Cost</u>	(3) <u>Filed Loss Cost</u>
All Other	2,732	\$ 17.21	\$ 19.22
25/50	1,423,941	13.04	14.56
50/100	676,390	17.21	19.22
100/200	66,179	22.04	24.60
100/300	635,453	22.17	24.75
300/300	17,707	29.21	32.61
250/500	182,600	28.30	31.59
500/1000	9,247	32.34	36.10
1000/1000	4,900	35.33	39.45
Total	3,019,149	\$ 17.21	\$ 19.22
<u>Single Limits</u>	<u># of Written Car Months</u>	<u>Present Loss Cost</u>	<u>Filed Loss Cost</u>
All Other	1,286	\$ 28.01	\$ 31.26
\$50,000	688	16.43	18.34
75,000	5,549	19.30	21.55
100,000	34,002	21.52	24.02
200,000	514	26.48	29.54
300,000	37,019	29.21	32.60
500,000	38,343	32.22	35.95
1,000,000	9,868	35.34	39.44
Total	127,269	\$ 28.01	\$ 31.26

(4) Average Present Loss Cost: \$17.65
(5) Average Filed Loss Cost: \$19.71
(6) Total Filed Change: + 11.7%

ARKANSAS
PERSONAL AUTO INSURANCE
TABLE D6A-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

CALCULATION OF PRESENT AND FILED AVERAGE LOSS COSTS
UNINSURED MOTORISTS

<u>Split Limits</u>	(1) # of Written Car Months	(2) Present Loss Cost	(3) Filed Loss Cost
All Other	2,732	\$ 13.70	\$ 13.36
25/50	1,423,941	10.38	10.12
50/100	676,390	13.69	13.36
100/200	66,179	17.54	17.10
100/300	635,453	17.64	17.21
300/300	17,707	23.25	22.66
250/500	182,600	22.52	21.96
500/1000	9,247	25.74	25.10
1000/1000	4,900	28.12	27.42
Total	<u>3,019,149</u>	<u>\$ 13.70</u>	<u>\$ 13.36</u>
<u>Single Limits</u>	# of Written Car Months	Present Loss Cost	Filed Loss Cost
All Other	1,286	\$ 22.29	\$ 21.73
\$50,000	688	13.08	12.75
75,000	5,549	15.37	14.98
100,000	34,002	17.13	16.70
200,000	514	21.07	20.54
300,000	37,019	23.25	22.66
500,000	38,343	25.63	24.99
1,000,000	9,868	28.12	27.42
Total	<u>127,269</u>	<u>\$ 22.29</u>	<u>\$ 21.73</u>

(4) Average Present Loss Cost: \$14.05
(5) Average Filed Loss Cost: \$13.70
(6) Total Filed Change: - 2.5%

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EXPLANATORY NOTES TO TABLE D6A

COLUMN (1) The written car months by policy limit for Uninsured Motorists Bodily Injury coverages are those exposures which have been written during the latest accident year ending 12/31/2006.

COLUMNS (2) AND (3) The present loss costs are total limits loss costs calculated by adding the present basic limits loss costs shown in Table D5A, Column (5), to the applicable higher limits increments shown in Table D5A, Columns (12) and (19). The filed loss costs are similarly calculated using the loss costs and increments shown in Table D5A, Columns (6), (13), and (20).

For "All Other" policy limits, the present and filed loss costs are an average of the present and filed loss costs for the other policy limits shown weighted on the written car months in Column (1).

The average split and single limit present loss costs are a weighted average of the loss costs in Column (2) weighted on the written car months in Column (1). The average split and single limit filed loss costs are similarly calculated using the loss costs in Column (3).

LINES (4) AND (5) The average present loss cost is the weighted average of the split and single limit average loss costs weighted on the total written car months in Column (1). The average filed loss cost is similarly calculated.

Table D6A-1:

UM Average Present Loss Cost:
 $((\$20.90 \times 3,019,149 + \$34.01 \times 127,269) / (3,019,149 + 127,269)) = \21.43

UM Average Filed Loss Cost:
 $((\$2.93 \times 3,019,149 + \$47.09 \times 127,269) / (3,019,149 + 127,269)) = \29.66

LINE (6) The total filed change is the average filed loss cost in Line (5) divided by the average present loss cost in Line (4).

ARKANSAS
PERSONAL AUTO INSURANCE
TABLE D6B-1

TIER 1 (TERRITORY 21)

CALCULATION OF PRESENT AND FILED AVERAGE LOSS COSTS
UNDERINSURED MOTORISTS

	(1)	(2)	(3)
<u>Split Limits</u>	<u># of Written Car Months</u>	<u>Present Loss Cost</u>	<u>Filed Loss Cost</u>
All Other	2,499	\$ 44.97	\$ 40.19
25/50	1,212,344	24.41	21.86
50/100	622,215	41.52	37.10
100/200	60,615	65.56	58.45
100/300	606,832	66.01	59.10
300/300	28,911	110.03	97.72
250/500	170,234	103.51	92.01
500/1000	8,505	131.50	116.66
1000/1000	4,463	153.95	136.38
Total	2,716,618	\$ 44.97	\$ 40.19
<u>Single Limits</u>	<u># of Written Car Months</u>	<u>Present Loss Cost</u>	<u>Filed Loss Cost</u>
All Other	1,193	\$105.67	\$ 93.84
\$50,000	698	40.74	36.41
75,000	3,463	53.67	47.88
100,000	30,329	64.72	57.69
200,000	459	92.63	82.37
300,000	23,025	110.03	97.72
500,000	36,441	130.77	116.01
1,000,000	9,483	153.95	136.38
Total	105,091	\$105.67	\$ 93.84
(4) Average Present Loss Cost:			\$47.23
(5) Average Filed Loss Cost:			\$42.19
(6) Total Filed Change:			- 10.7%

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PERSONAL AUTO INSURANCE
TABLE D6B-2

TIER 2 (TERRITORIES 22, 23, 24, AND 25)

CALCULATION OF PRESENT AND FILED AVERAGE LOSS COSTS
UNDERINSURED MOTORISTS

	(1)	(2)	(3)
<u>Split Limits</u>	<u># of Written Car Months</u>	<u>Present Loss Cost</u>	<u>Filed Loss Cost</u>
All Other	2,499	\$ 43.66	\$ 40.80
25/50	1,212,344	23.69	22.18
50/100	622,215	40.30	37.67
100/200	60,615	63.65	59.34
100/300	606,832	64.09	60.01
300/300	28,911	106.84	99.21
250/500	170,234	100.51	93.43
500/1000	8,505	127.70	118.45
1000/1000	4,463	149.49	138.47
Total	<u>2,716,618</u>	<u>\$ 43.66</u>	<u>\$ 40.80</u>
<u>Single Limits</u>	<u># of Written Car Months</u>	<u>Present Loss Cost</u>	<u>Filed Loss Cost</u>
All Other	1,193	\$102.60	\$ 95.28
\$50,000	698	39.56	36.97
75,000	3,463	52.11	48.61
100,000	30,329	62.83	58.58
200,000	459	89.94	83.64
300,000	23,025	106.84	99.21
500,000	36,441	126.98	117.79
1,000,000	9,483	149.49	138.47
Total	<u>105,091</u>	<u>\$102.60</u>	<u>\$ 95.28</u>
(4) Average Present Loss Cost:		\$45.86	
(5) Average Filed Loss Cost:		\$42.83	
(6) Total Filed Change:		- 6.6%	

ARKANSAS
PERSONAL AUTO INSURANCE
TABLE D6B-3

TIER 3 (TERRITORIES 26, 27, 28, 29, 30, 31, 32, AND 33)

CALCULATION OF PRESENT AND FILED AVERAGE LOSS COSTS
UNDERINSURED MOTORISTS

	(1)	(2)	(3)
<u>Split Limits</u>	<u># of Written Car Months</u>	<u>Present Loss Cost</u>	<u>Filed Loss Cost</u>
All Other	2,499	\$ 32.75	\$ 31.46
25/50	1,212,344	17.77	17.10
50/100	622,215	30.24	29.05
100/200	60,615	47.75	45.76
100/300	606,832	48.07	46.28
300/300	28,911	80.14	76.52
250/500	170,234	75.38	72.04
500/1000	8,505	95.78	91.33
1000/1000	4,463	112.13	106.76
Total	<u>2,716,618</u>	<u>\$ 32.75</u>	<u>\$ 31.46</u>
<u>Single Limits</u>	<u># of Written Car Months</u>	<u>Present Loss Cost</u>	<u>Filed Loss Cost</u>
All Other	1,193	\$ 76.96	\$ 73.47
\$50,000	698	29.69	28.50
75,000	3,463	39.08	37.48
100,000	30,329	47.14	45.16
200,000	459	67.46	64.49
300,000	23,025	80.14	76.52
500,000	36,441	95.25	90.83
1,000,000	9,483	112.13	106.76
Total	<u>105,091</u>	<u>\$ 76.96</u>	<u>\$ 73.47</u>

(4) Average Present Loss Cost: \$34.40
 (5) Average Filed Loss Cost: \$33.02
 (6) Total Filed Change: 4.0%

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EXPLANATORY NOTES TO TABLE D6B

COLUMN (1) The written car months by policy limit for Underinsured Motorists Bodily Injury coverages are those exposures which have been written during the latest accident year ending 12/31/2006.

COLUMNS (2) AND (3) The present loss costs are the total limits loss costs shown in Table D5C, Columns (5) and (12). The filed loss costs are the total limits loss costs shown in Table D5C, Columns (6) and (13).

For "All Other" policy limits, the present and filed loss costs are an average of the present and filed loss costs for the other policy limits shown weighted on the written car months in Column (1).

The average split and single limit present loss costs are a weighted average of the loss costs in Column (2) weighted on the written car months in Column (1). The average split and single limit filed loss costs are similarly calculated using the loss costs in Column (3).

LINES (4) AND (5) The average present loss cost is the weighted average of the split and single limit average loss costs weighted on the total written car months in Column (1). The average filed loss cost is similarly calculated.

Table D6B-1:

UIM Average Present Loss Cost:
 $((\$44.97 \times 2,716,618 + \$105.67 \times 105,091) / (2,716,618 + 105,091)) = \47.23

UIM Average Filed Loss Cost:
 $((\$40.19 \times 2,716,618 + \$93.84 \times 105,091) / (2,716,618 + 105,091)) = \42.19

LINE (6) The total filed change is the average filed loss cost in Line (5) divided by the average present loss cost in Line (4).

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TABLE D7A

CALCULATION OF STATEWIDE PERCENT CHANGE
UNINSURED MOTORISTS

Tier	(1) Exposures (a)	(2) Average Present Loss Cost (b)	(3) Average Filed Loss Cost (c)	(4) Percent Change (d)
1	8,367	\$21.43	\$29.66	+38.4%
2	94,867	17.65	19.71	+11.7%
2	207,061	14.05	13.70	- 2.5%
Statewide	310,295	\$15.35	\$15.97	+4.0%

- (a) Latest year earned exposures from Table D1B, Column (1).
 (b) Tier loss costs are from Table D6A, Line (4). Statewide loss cost is Column (2) weighted on exposures in Column (1).
 (c) Tier loss costs are from Table D6A, Line (5). Statewide loss cost is Column (3) weighted on exposures in Column (1).
 (d) Column (4) = Column (3) / Column (2).

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TABLE D7B

CALCULATION OF STATEWIDE PERCENT CHANGE
UNDERINSURED MOTORISTS

<u>Tier</u>	(1) <u>Exposures</u>	(2) Average Present <u>Loss Cost (a)</u>	(3) Average Filed <u>Loss Cost (b)</u>	(4) Percent <u>Change (c)</u>
1	6,864	\$47.23	\$42.19	-10.7%
2	82,666	45.86	42.83	-6.6%
2	167,694	34.40	33.02	-4.0%
Statewide	257,224	\$38.42	\$36.42	-5.2%

- (a) Tier loss costs are from Table D6B, Line (4). Statewide loss cost is Column (2) weighted on exposures in Column (1).
- (b) Tier loss costs are from Table D6B, Line (5). Statewide loss cost is Column (3) weighted on exposures in Column (1).
- (c) Column (4) = Column (3) / Column (2).