

SERFF Tracking Number: FICI-125844793 State: Arkansas
Filing Company: FirstComp Insurance Company State Tracking Number: EFT \$100
Company Tracking Number: WC-AR-08-09
TOI: 16.0 Workers Compensation Sub-TOI: 16.0000 WC Sub-TOI Combinations
Product Name: WC Rate Filing
Project Name/Number: WC-AR-08-09/WC-AR-08-09

Filing at a Glance

Company: FirstComp Insurance Company

Product Name: WC Rate Filing

TOI: 16.0 Workers Compensation

Sub-TOI: 16.0000 WC Sub-TOI Combinations

Filing Type: Rate

Effective Date Requested (New): 01/01/2009

Effective Date Requested (Renewal): 01/01/2009

State Filing Description:

SERFF Tr Num: FICI-125844793

SERFF Status: Closed

Co Tr Num: WC-AR-08-09

Co Status:

Authors: Julynda Bohlman, Denise Allain

Date Submitted: 10/28/2008

State: Arkansas

State Tr Num: EFT \$100

State Status: Fees verified and received

Reviewer(s): Carol Stiffler, Brittany Yielding

Disposition Date: 10/29/2008

Disposition Status: Approved

Effective Date (New): 01/01/2009

Effective Date (Renewal):

General Information

Project Name: WC-AR-08-09

Project Number: WC-AR-08-09

Reference Organization: National Council on Compensation Insurance, Reference Number:
Inc.

Reference Title:

Filing Status Changed: 10/29/2008

State Status Changed: 10/29/2008

Corresponding Filing Tracking Number:

Filing Description:

FirstComp Insurance Company is filing a revised Loss Cost Multiplier. The revision will be limited to the Tier 1 LCM and will be an overall decrease of 9.0% from 1.483 to 1.350. Tier I will continue to apply to all classes and no other changes will be made at this time.

We would like this filing available for use effective January 1, 2009. Thank you.

Status of Filing in Domicile: Not Filed

Domicile Status Comments:

Advisory Org. Circular:

Deemer Date:

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Sincerely,
 Julynda Bohlman

Company and Contact

Filing Contact Information

Julynda Bohlman, Regulatory Compliance Analyst
 jbohlman@firstcomp.com
 222 South 15th Street
 Omaha, NE 68102-1680 (402) 943-1086 [Phone]

Filing Company Information

FirstComp Insurance Company CoCode: 27626 State of Domicile: Nebraska
 222 South 15th Street Group Code: Company Type:
 Suite 1500N
 Omaha, NE 68102-1680 Group Name: State ID Number:
 (888) 500-3344 ext. [Phone] FEIN Number: 43-1429637

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: 1 rate filing (LCM) x \$100 = \$100
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
FirstComp Insurance Company	\$100.00	10/28/2008	23526365

SERFF Tracking Number: FICI-125844793 State: Arkansas
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Carol Stiffler	10/29/2008	10/29/2008

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Disposition

Disposition Date: 10/29/2008
 Effective Date (New): 01/01/2009
 Effective Date (Renewal):
 Status: Approved
 Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
FirstComp Insurance Company	-9.000%	\$-1,170,284	5,335	\$13,003,150	-9.000%	-9.000%	-10.800%

SERFF Tracking Number: FICI-125844793 State: Arkansas
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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	Filing Memorandum	Approved	Yes
Supporting Document	Actuarial Justification- Exhibits	Approved	Yes
Rate	FirstComp Insurance Company Miscellaneous Values Page	Approved	Yes

<i>SERFF Tracking Number:</i>	<i>FICI-125844793</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>FirstComp Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>WC-AR-08-09</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0000 WC Sub-TOI Combinations</i>
<i>Product Name:</i>	<i>WC Rate Filing</i>		
<i>Project Name/Number:</i>	<i>WC-AR-08-09/WC-AR-08-09</i>		

Rate Information

Rate data applies to filing.

Filing Method:	Prior Approval
Rate Change Type:	Decrease
Overall Percentage of Last Rate Revision:	-10.600%
Effective Date of Last Rate Revision:	07/01/2008
Filing Method of Last Filing:	Prior Approval

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
FirstComp Insurance Company	-10.800%	-9.000%	\$-1,170,284	5,335	\$13,003,150	-9.000%	-9.000%

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Approved	FirstComp Insurance Company Miscellaneous Values Page	FIC-WC-AR-S1	Replacement	WC-AR-08-06 FCARMiscValues1-1-09.pdf

FirstComp Insurance Company
Workers Compensation
Effective January 1, 2009
Arkansas

MISCELLANEOUS VALUES

Loss Cost Multiplier (LCM): Tier I – 1.350
Tier II – 0.956

Expense Constant: \$190.00

Basis of premium applicable in accordance with the *Basic Manual* footnote instructions for Code:

7370 – “Taxicab Co.”:

Employee operated vehicle.....\$48,893.00
Leased or rented vehicle.....\$32,595.00

7420 – “Aviation – Aerial Application, Seeding, Herding, or Scintillometer Surveying – Flying Crew”

Maximum payroll per week per employee.....\$750.00

Maximum Payroll applicable in accordance with *Basic Manual* Rule 2-E-1 – “Executive Officers” and the *Basic Manual* footnote instructions for Code 9178 – “Athletic Sports or Park: Noncontact Sports,” code 9179 – “Athletic Sports or Park: Contact Sports,” and Code 9186 – “Carnival—Traveling”.....\$2,400.00

Minimum Payroll applicable in accordance with *Basic Manual* Rule 2-E-1 – “Executive Officers”.....\$300.00

Per Passenger Seat Surcharge – In accordance with the *Basic Manual* footnote instructions for Code 7421, the surcharge is:

Maximum surcharge per aircraft.....\$1,000
Per passenger seat.....\$100

Premium Determination for Partners and Sole Proprietors and Members of Limited Liability Companies in accordance with *Basic Manual* Rule 2-E...\$31,900.00

United States Longshore and Harbor Workers’ Compensation Coverage Percentage applicable only in connection with *Basic Manual* Rule 3-A-4.....86%

(Multiply a Non-F classification loss cost by a factor of 1.86 to adjust for differences in benefits and loss-based expenses. This factor is the product of the adjustment for differences in benefits (1.67) and the adjustment for differences in loss-based expenses (1.116).)

FirstComp Insurance Company
Workers Compensation
Effective January 1, 2009
Arkansas

Experience Rating Eligibility

A risk is eligible for intrastate experience rating when the payrolls or other exposures developed in the last year or last two years of the experience period produced a premium of at least \$8,000. If more than two years, an average annual premium of at least \$4,000 is required. Page A-1 of the ***Experience Rating Plan Manual*** should be referenced for the latest approved eligibility amounts by state.

Premium Discount Percentages:

The following premium discounts are applicable to standard premium—NCCI Table 7, Type A Carriers:

First	\$5,000 – 0.0%
Next	\$95,000 – 10.9%
Next	\$400,000 – 12.6%
Over	\$500,000 – 14.4%

Minimum Premium Formula:

Minimum Premium = (Tier I Filed LCM * The NCCI's loss cost* Minimum Premium Multiplier) + Expense constant

Minimum Premium Multiplier: 135
Maximum Minimum Premium: \$750

Waiver of Subrogation Rates: Multiply the applicable waiver class payroll divided by 100 by the applicable class rate by 10%.

Waiver of Subrogation Minimum Premium: \$250.00

Terrorism Rate: Apply the current, Tier I filed LCM to the NCCI's Terrorism loss cost.

Catastrophe (other than Certified Acts of Terrorism) Rate: Apply the current, Tier I filed LCM to the NCCI's Catastrophe (other than Certified Acts of Terrorism) loss cost, rounded to two decimal places.

Deductible Premium Reduction Percentages: Calculate percentages by dividing the NCCI referenced loss elimination ratios by our Tier I filed LCM.

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Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-Property & Casualty **Review Status:** Approved 10/29/2008

Comments:

NAIC Transmittal Documents attached in PDF format.

Attachments:

F777AR.pdf
F779AR.pdf

Satisfied -Name: NAIC Loss Cost Filing Document for Workers' Compensation **Review Status:** Approved 10/29/2008

Comments:

Documents for calculation of company's loss costs attached in PDF format.

Attachments:

F969AR.pdf
F970AR.pdf
F971AR.pdf

Satisfied -Name: NAIC loss cost data entry document **Review Status:** Approved 10/29/2008

Comments:

NAIC Loss Cost Data Entry Document is attached in PDF format.

Attachment:

F319AR.pdf

Satisfied -Name: Filing Memorandum **Review Status:** Approved 10/29/2008

Comments:

Filing memorandum in PDF format attached.

Attachment:

FILING MEMORANDUM_AR_FCIC.pdf

SERFF Tracking Number: FICI-125844793 State: Arkansas
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Satisfied -Name: Actuarial Justification- Exhibits **Review Status:** Approved 10/29/2008

Comments:

Actuarial exhibits attached in PDF format.

Attachments:

Indication (Exhibit 1).pdf

LDFs (Exhibit 2).pdf

PLR - Total Return (Exhibit 3).pdf

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	WC-AR-08-09
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21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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FirstComp Insurance Company is filing a revised Loss Cost Multiplier. The revision will be limited to the Tier 1 LCM and will be an overall decrease of 9.0% from 1.483 to 1.350. Tier I will continue to apply to all classes and no other changes will be made at this time.

We would like this filing available for use effective January 1, 2009.

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
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Check #: EFT
Amount: \$100

1 rate filing x \$100 = \$100

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

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 #	WC-AR-08-09
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
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Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	
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4a.	Rate Change by Company (As Proposed)
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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)
FCIC	-10.8%	-9.0%	-1,170,284	5,335	13,003,150	-9.0%	-9.0%

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

Overall Rate Information (Complete for Multiple Company Filings only)			
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		COMPANY USE	STATE USE
5a.	Overall percentage rate indication (when applicable)	-10.8%	
5b.	Overall percentage rate impact for this filing	-9.0%	
5c.	Effect of Rate Filing – Written premium change for this program	-1,170,284	
5d.	Effect of Rate Filing – Number of policyholders affected	5,335	

6.	Overall percentage of last rate revision	-10.6%
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7.	Effective Date of last rate revision	7/1/08
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8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	Prior Approval
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9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	FIC-WC-AR-S1	<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	

Date: October 28, 2008

Space Reserved for Insurance
Department Use

**WORKERS' COMPENSATION
LOSS COST FILING DOCUMENT COVER FORM**

**INSURER RATE FILING
ADOPTION OF ADVISORY ORGANIZATION
PROSPECTIVE LOSS COSTS**

1. INSURER NAME FirstComp Insurance Company

ADDRESS Central Park Plaza
222 S. 15th St., 1500N
Omaha, NE 68122

2. PERSON RESPONSIBLE FOR FILING Julynda Bohlman

TITLE Regulatory Compliance Analyst II TELEPHONE # (402) 943-1086

3. INSURER NAIC # 27626

4. ADVISORY ORGANIZATION National Council on Compensation Insurance, Inc.

5A. PROPOSED RATE LEVEL CHANGE -9.0 % EFFECTIVE DATE 1/1/09

5B. PROPOSED PREMIUM LEVEL CHANGE* -9.0 % EFFECTIVE DATE 1/1/09

6A. PRIOR RATE LEVEL CHANGE -10.6 % EFFECTIVE DATE 7/1/08

6B. PRIOR PREMIUM LEVEL CHANGE* -10.6 % EFFECTIVE DATE 7/1/08

7. ATTACH "NAIC LOSS COST FILING DOCUMENT—WORKERS' COMPENSATION"
(Attach this document separately for each insurer selected loss cost multiplier.)

* The premium level change is the change in the insurer's annual collectible premium.

NAIC LOSS COST FILING DOCUMENT—WORKERS' COMPENSATION

CALCULATION OF COMPANY LOSS COST MULTIPLIER

(EFFECTIVE AUG. 16, 2004)

This filing transmittal is part of Company Tracking #	WC-AR-08-09
This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	

() **Loss Cost Reference Filing** _____ (X) **Independent Rate Filing**
(Advisory Org, & Reference filing #)

If this is a loss cost filing adopting an advisory organization's loss costs, the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

1. Check one of the following:

<input checked="" type="checkbox"/>	The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer. Note: Some states have statutes that prohibit this option for some lines of business.
<input type="checkbox"/>	The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

2. Does this filing apply to all class codes? Yes If no, complete a copy of this form for each affected class with appropriate justification.

3. Loss cost modification:

A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:
(Check One):

() Without Modification (factor = 1.000)

(X) With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) Due to the favorable rate indication we are proposing a factor of 0.9464.

B. Loss Cost Modification Expressed as a Factor: (See Examples Below) 0.9464

Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 (1.000 + .150) should be used.

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-11 BELOW.

4. Development of Expected Loss and Loss Adjustment Expense (Target Cost) Ratio. (Attach exhibit detailing insurer expense data, impact of premium discount plans, and/or other supporting information.)
PROJECTED EXPENSES: Compared to standard premium at company rates.

		Selected Provisions	
A.	Total Production Expense		%
B.	General Expense		%
C.	Taxes, Licenses & Fee		%
D.	Underwriting profit & contingencies*		%
E.	Other (explain)		%
F.	Total		%
	* Explain how investment income is taken into account		

NAIC LOSS COST FILING DOCUMENT—WORKERS' COMPENSATION

5.	A.	Expected Loss Ratio: $ELR = 100\% - 4F =$	
	B.	ELR in Decimal Form =	
6.		Overall Impact of Expense Constant and Minimum Premiums: (a 2.3% impact would be expressed as 1.023)	
7.		Overall Impact of Size-of-Risk Discounts plus Expense Graduation Recognition in Retrospective Rating: (An 8.6% average discount would be expressed as 0.914)	
8.		Company Formula Loss Cost Multiplier [$3B / ((7-4F) \times 6)$]	
9.		Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	

- | | | | |
|------------|---|-----|-----|
| | | Yes | No |
| 10. | Are you amending your minimum premium formula? If yes, attach documentation, including rate level impact as well as changes in multipliers, expense constants, maximum, etc. | () | () |
| 11. | Are you changing your premium discount schedules? If yes, attach schedules and support, detailing premium or rate level changes. | () | () |

NAIC EXPENSE CONSTANT SUPPLEMENT

CALCULATION OF COMPANY LOSS COST MULTIPLIER WITH EXPENSE CONSTANTS

(EFFECTIVE AUG. 16, 2004)

(This form must be provided ONLY when making a filing that includes an expense constant)

This filing transmittal is part of Company Tracking #	WC-AR-08-09
This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	

Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)

Selected Provisions

4.			Overall	Variable	Fixed	
	A.	Total Production Expense	15.6%	13.7%	1.9%	%
	B.	General Expense	9.4%	6.6%	2.8%	%
	C.	Taxes, License & Fees	7.0%	7.0%	0.0%	%
	D.	Underwriting Profit & Contingencies*	2.6%	2.6%	0.0%	%
	E.	Other (explain)				%
	F.	TOTAL	34.6%	29.9%	4.7%	%
		*Explain how investment income is taken into account.				

5.	A.	Expected Loss Ratio: $ELR = 100\% - \text{Overall } 4F$		65.4%	%
	B.	ELR in decimal form =		0.654	
	C.	Variable Expected Loss Ratio: $VELR=100\% - \text{Variable } 4F$		70.1%	%
	D.	VELR in Decimal Form = B. ELR in Decimal Form =		0.701	

6.	A.	Formula Expense Constant: $[(1.00 \text{ divided by } 5B) - (1.00 \text{ divided by } 5D)]$		204	
	B.	Formula Variable Loss Cost Multiplier $(3B \text{ divided by } 5D)$		1.35	

7.	A.	Selected Expense Constant =		190	%
	B.	Selected Variable Loss Cost Multiplier =		1.35	%

8. Explain any differences between 6 and 7:

We would prefer to retain our current expense constant of 190.

9.	Rate level change for the coverage(s) to which this page applies			-9.0%	%
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PC IRF

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	WC-AR-08-09
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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	Company Name	Company NAIC Number
3.	A. FirstComp Insurance Company	B. 27626

	Product Coding Matrix Line of Business (i.e., Type of Insurance)	Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
4.	A. 16.0 Workers Compensation	B. 16.0000 WC Sub-TOI Combinations

5.		FOR LOSS COSTS ONLY					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
COVERAGE (See Instructions)	Indicated % Rate Level Change	Requested % Rate Level Change	Expected Loss Ratio	Loss Cost Modification Factor	Selected Loss Cost Multiplier	Expense Constant (If Applicable)	Co. Current Loss Cost Multiplier
WC – Line 16	-10.8%	-9.0%	70.1%	0.9464	1.35	190	1.483 – Tier I
TOTAL OVERALL EFFECT	-10.8%	-9.0%					

6.	5 Year History	Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000) – Page 14	Incurred Losses (000) – Page 14	State Loss Ratio – Page 14	Countrywide Loss Ratio - Page 14
2008	4,191	-10.6% +2.7%	7/1/08 1/1/08 (law-only)				
2007	5,358	-4.9%	7/1/07	16,223	2,003	12.3%	47.9%
2006	4,960	-2.0%	7/1/06	16,289	1,537	9.4%	44.8%
2005	4,173	-3.0%	7/1/05	11,342	6,093	53.7%	54.9%
2004	2,978	+1.8%	7/1/04	9,894	4,234	42.8%	42.9%
2003	2,335	-0.5%	7/1/03	7,564	2,541	33.6%	35.2%

7.		
	Expense Constants	Selected Provisions
	A. Total Production Expense	15.6%
	B. General Expense	9.4%
	C. Taxes, License & Fees	7.0%
	D. Underwriting Profit & Contingencies	2.6%
	E. Other (explain)	
	F. TOTAL	34.6%

- 8.** Y Apply Lost Cost Factors to Future filings? (Y or N)
- 9.** -9.0% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____
- 10.** -9.0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

FILING MEMORANDUM
Arkansas
FirstComp Insurance Company
Workers' Compensation Line
October 28, 2008

FirstComp Insurance Company is proposing to lower the Tier I Loss Cost Multiplier (LCM) from 1.483 to 1.350. No changes are being made to the Tier II LCM. The overall rate impact is -9.0%.

The indication supporting the lower LCM is labeled as Exhibit 1 with additional support regarding LDFs labeled as Exhibit 2. The permissible loss ratio calculation is included as Exhibit 3.

The proposed effective date of this change is 1/1/09.

FirstComp Insurance Company

Calculation of Indicated Rate Change

Workers Compensation Arkansas

	(1)	(2)	(3)			
Calendar/ Accident Year	Earned Premium	Current Rate Level Factor	Earned Premium at CRL			
2003	7,421,449	0.815	6,048,481			
2004	9,936,737	0.820	8,148,125			
2005	11,299,248	0.813	9,186,288			
2006	14,900,552	0.832	12,397,259			
2007	16,236,906	0.853	13,850,081			
2008	11,018,852	0.898	9,894,929			
Total	70,813,743		59,525,162			
	(4)	(5)	(6)	(7)	(8)	(9)
Calendar/ Accident Year	Capped* Incurred Loss + ALAE	Loss Development Factor	(4) x (5) x LLL Ultimate Loss + ALAE	(6) / (3) Ult. Loss + ALAE Ratio	Net Loss Ratio Trend	Trended Ult. Loss+ALAE Ratio
2003	2,418,359	1.115	3,284,301	54.3%	-0.5%	52.6%
2004	2,516,899	1.133	3,473,306	42.6%	-0.5%	41.5%
2005	4,159,969	1.145	5,801,534	63.2%	-0.5%	61.8%
2006	5,100,959	1.165	7,238,108	58.4%	-0.5%	57.4%
2007	4,028,392	1.241	6,089,068	44.0%	-0.5%	43.4%
2008	3,683,851	1.466	6,577,840	66.5%	-0.5%	66.0%
Total	21,908,429		32,464,156	54.5%		53.6%
				(10) Permissible Loss & ALAE Ratio		60.0%
				(11) Indicated Rate Change [Total (9) / (10)] - 1		-10.8%
				(12) Credibility (EP/20m) ^(1/2)		100.0%
				(13) Complement of Credibility -- Loss Ratio Trend		-0.5%
				(14) Indicated Rate Change (11) x (12) + (13) x [1 - (12)]		-10.8%
				Current LCM:		1.483
				Indicated LCM:		1.324
				Selected LCM:		1.350
				Impact of Changes:		-9.0%

Data Evaluated as of 9/30/2008

* Claims capped at \$150,000

**ACCIDENT YEAR LOSS DEVELOPMENT FACTORS
CASE INCURRED**
**EXHIBIT IX
ARKANSAS**

Year	TOTAL							
	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/Ult.
1994								1.103
1995							0.999	1.136
1996						1.019	1.015	1.086
1997					1.019	0.997	0.994	1.052
1998				1.009	1.034	1.024	1.001	1.097
1999			0.982	1.023	1.028	0.989	0.997	
2000		1.038	1.025	0.986	1.006	1.010		
2001	1.231	1.065	0.994	1.029	1.035			
2002	1.129	1.014	1.018	1.007				
2003	1.174	1.012	1.019					
2004	1.111	1.143						
2005	1.063							
AVG. 2 yr.	1.087	1.078	1.019	1.018	1.021	1.000	0.999	1.075
AVG. 5 yr.	1.142	1.054	1.008	1.011	1.024	1.008	1.001	1.095
CUM. 2 yr.	1.334	1.227	1.138	1.117	1.097	1.074	1.074	1.075
CUM. 5 yr.	1.388	1.215	1.153	1.144	1.132	1.105	1.096	1.095

Private carrier data only.

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Using curve-fitting techniques, the following cumulative accident year development factors were determined from the cumulative 5-year LDFS.

9-ult	1.466
21-ult	1.241
33-ult	1.165
45-ult	1.145
57-ult	1.133
69-ult	1.115

Arkansas

Workers Compensation

Calculation of Underwriting Profit Provision

	Nominal Value (NV)	Discount Factor (DF _p)	Present Value (PV)
1) Expense Provisions:			
a) Commissions and Brokerage	9.3%	1.037	9.6%
b) Other Acquisition Expenses	6.3%	1.050	6.6%
c) General Expenses	9.4%	1.050	9.9%
d) Taxes, Licenses and Fees	7.0%	1.050	7.4%
<u>e) Unallocated Loss Adjustment Expenses</u>	<u>5.3%</u>	<u>0.986</u>	<u>5.2%</u>
f) Total Expenses { (1a) + (1b) + (1c) + (1d) }	37.3%	1.038	38.7%
g) Target Pre-Tax Return on Premium (ROP) - based on 15% Target ROE **	8.0%	1.000	8.0%
2) Premium Discount Factor (DFp) { (1.0 + pre-tax ROI)-(Prem. Receipt Lag - 1.0) } ***			1.037
3) Loss Discount Factor (DFl) { (1.0 + pre-tax ROI)-(Avg. Loss Payment Lag - 1.0) } ***			0.948
4) Permissible Loss Ratio (PLR) { [(2) - PV(1f) - PV(1g)] / (3) } ****			60.0%
5) Expected Combined Ratio { (4) + NV(1f) }			97.4%
6) Expected Pre-Tax ROP { (2) - PV(1f) - (3) x (4) } *****			8.0%
7) Underwriting Profit Provision { 1.0 - (5) }			2.6%

see next page for notes regarding *, **, ***, ****, and *****

Arkansas
Workers Compensation
Calculation of Underwriting Profit Provision

Assumptions and Notes

* The discount factor for ULAE is the average of the loss discount factor and the discount factor for the average incurred date, which equals $(1.0 + \text{pre-tax ROI})^{1/2} = 1.025$.
The total loss and loss expense discount factor is approximately equal to 0.951.

** The target pre-tax ROP was derived as follows: Financial Assumptions:

after-tax ROP	=	$\frac{\text{ROE} - \text{ROC}}{\text{P/S}}$	=	5.2%			
						Target ROE	= 15.0%
						ROC (after-tax ROI)	= 3.3%
						Federal Income Tax (FIT)	= 35.0%
pre-tax ROP	=	$\frac{\text{after-tax ROP}}{1 - \text{FIT}}$	=	8.0%		pre-tax ROI	= 5.0%
						Premium/Surplus (P/S)	= 2.25

*** Timing Assumptions and Calculations:

Premium Receipt Lag:	95 days	Premium Discount Factor:	1.037
Avg. Loss Payment Lag:	2.1 years	Loss Discount Factor:	0.948

Year	% Loss Paid	Discount Factor @ 5%	Discounted % Loss Paid
1	27.2%	1.025	27.9%
2	33.5%	0.976	32.7%
3	17.5%	0.929	16.3%
4	9.6%	0.885	8.5%
5	4.8%	0.843	4.0%
6	2.2%	0.803	1.8%
7	1.2%	0.765	0.9%
8	0.9%	0.728	0.6%
9	0.6%	0.694	0.4%
<u>10</u>	<u>2.5%</u>	<u>0.661</u>	<u>1.6%</u>
Total	100%	0.948	94.8%

Losses are assumed paid in the middle of the indicated year. All amounts are discounted to the end of the incurred year (thus the positive discount factors for amounts paid or received before the end of the year). The average loss payment lag is computed so that paying all losses at that point in time has the same discounted value as for the indicated loss payout pattern.

**** The Permissible Loss Ratio (PLR) is derived as follows:

$$\text{pre-tax ROP} = \{ \text{Premium} \times \text{DF}_p - \text{Loss} \times \text{DF}_l - \text{Expense} \times \text{DF}_e \} / \text{Premium} \quad \{ \text{DF} = \text{discount factor} \}$$

$$\Rightarrow \text{PLR} = \text{Loss/Premium} = \{ \text{DF}_p - (\text{Expense/Premium}) \times \text{DF}_e - \text{pre-tax ROP} \} / \text{DF}_l$$

***** The formula used for Return on Equity (ROE) is:

$$\text{ROE} = (1.0 - \text{Fed. Income Tax}) \times (\text{pre-tax ROP} \times \text{Premium/Surplus}) + \text{ROC}$$