

SERFF Tracking Number: HNVR-125824663 State: Arkansas
 First Filing Company: The Hanover Insurance Company, ... State Tracking Number: EFT \$125
 Company Tracking Number: DO-CW-08529-01R
 TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0006 Directors & Officers Liability
 Product Name: Not-For-Profit Directors and Officers Advantage
 Project Name/Number: Not-For-Profit Directors and Officers Advantage/DO-CW-08529-01

Filing at a Glance

Companies: The Hanover Insurance Company, Professionals Direct Insurance Company

Product Name: Not-For-Profit Directors and Officers Advantage SERFF Tr Num: HNVR-125824663 State: Arkansas

Officers Advantage

TOI: 17.0 Other Liability - Claims Made/Occurrence SERFF Status: Closed State Tr Num: EFT \$125

Sub-TOI: 17.0006 Directors & Officers Liability

Co Tr Num: DO-CW-08529-01R State Status: Fees verified and received

Filing Type: Rate/Rule

Co Status:

Reviewer(s): Betty Montesi, Edith Roberts

Author: Ann-Marie Blute

Disposition Date: 10/13/2008

Date Submitted: 09/29/2008

Disposition Status: Exempt from Review

Effective Date Requested (New): 10/29/2008

Effective Date (New):

Effective Date Requested (Renewal): 10/29/2008

Effective Date (Renewal):

State Filing Description:

General Information

Project Name: Not-For-Profit Directors and Officers Advantage

Status of Filing in Domicile:

Project Number: DO-CW-08529-01

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 10/13/2008

Deemer Date:

State Status Changed: 10/13/2008

Corresponding Filing Tracking Number:

Filing Description:

Effective October 29, 2008, for both new and renewal policies, our companies wish to file rates and rules for our Non-Profit Directors and Officers Advantage, a broad, new and independent product for non-profit organizations. The associated forms are exempt from filing requirements and will be maintained in our offices in a "desk" filing.

Non-Profit Directors and Officers Advantage packages Directors and Officers Liability (Coverage A), Employment

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Practices Liability (Coverage B) and Employee Benefits Liability (Coverage C). The following documents are attached in support of our filing:

- The Non Profit Directors and Officers Liability Rate and Rule Pages (Pages 1-9, Ed. 09 08).
- Actuarial Explanatory Memorandum

If you should have any questions or require additional information, please do not hesitate to contact this office. Thank you for your time and attention to this matter.

Company and Contact

Filing Contact Information

Ann-Marie T. Blute, State Filings Consultant Ablute@hanover.com
 440 Lincoln Street (508) 855-3234 [Phone]
 Worcester, MA 01653 (508) 855-4786[FAX]

Filing Company Information

The Hanover Insurance Company	CoCode: 22292	State of Domicile: New Hampshire
440 Lincoln Street	Group Code: 88	Company Type: Property & Casualty
Worcester, MA 01653	Group Name: The Hanover Ins Group	State ID Number:
(508) 855-1000 ext. [Phone]	FEIN Number: 13-5129825	

Professionals Direct Insurance Company	CoCode: 25585	State of Domicile: Michigan
440 Lincoln Street	Group Code: 88	Company Type: Casualty
Worcester, MA 01653	Group Name: The Hanover Ins Group	State ID Number:
(508) 853-1000 ext. [Phone]	FEIN Number: 38-2755799	

Filing Fees

Fee Required? Yes
 Fee Amount: \$125.00

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Retaliatory? **No**
Fee Explanation: **\$100 flat fee for rates + \$25 flat fee for rules = \$125.**
Per Company: **No**

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COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
The Hanover Insurance Company	\$125.00	09/29/2008	22800381
Professionals Direct Insurance Company	\$0.00	09/29/2008	

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Edith Roberts	10/13/2008	10/13/2008

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Disposition

Disposition Date: 10/13/2008
 Effective Date (New):
 Effective Date (Renewal):
 Status: Exempt from Review
 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:
The Hanover Insurance Company	0.000%	\$0	0	\$0	0.000%	0.000%	0.000%
Professionals Direct Insurance Company	0.000%	\$0	0	\$0	0.000%	0.000%	0.000%

Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing 0.000%
 Overall Percentage Rate Impact For This Filing 0.000%
 Effect of Rate Filing-Written Premium Change For This Program \$0
 Effect of Rate Filing - Number of Policyholders Affected 0

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Actuarial Explanatory Filing Memorandum	Accepted for Informational Purposes	Yes
Rate	Arkansas Rate Pages Directors and Officers Liability Company Additional Rules Non Profit Directors and Officers Liability	Accepted for Informational Purposes	Yes

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Rate Information

Rate data applies to filing.

Filing Method:

Rate Change Type:

Neutral

Overall Percentage of Last Rate Revision:

Neutral

Effective Date of Last Rate Revision:

Filing Method of Last Filing:

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):
The Hanover Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%
Professionals Direct Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

Overall Rate Information for Multiple Company Filings

Overall % Rate Indicated:

0.000%

Overall Percentage Rate Impact For This Filing:

0.000%

Effect of Rate Filing - Written Premium Change For This Program:

\$0

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Effect of Rate Filing - Number of Policyholders Affected: **0**

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	Arkansas Rate Pages Directors and Officers Liability Company Additional Rules Non Profit Directors and Officers Liability	Pages 1- 9 Ed. 09 08	New	Human Services DO rules page - AR.pdf

DIRECTORS AND OFFICERS LIABILITY
COMPANY ADDITIONAL RULES
Non Profit Directors and Officers Liability

1. Not-for-Profit Organization Directors and Officers Liability Insurance Policy 421-0556

This coverage form provides Directors and Officers Liability coverage for Not-for-Profit organizations.

Pricing: See attached rating tables

2. Most Favorable Venue for Punitive Damages Endorsement 421-0558

This optional endorsement provides that whether or not punitive damages are covered depends on their insurability in the jurisdiction most favorable to the insurability of such damages that has a substantial relationship to the claim.

3. Defense Expenses included in Limits of Insurance Endorsement 421-0559

This optional endorsement includes defense expenses in the limits of liability; payment of defense expenses reduces the limits of liability.

Pricing: 15% Credit applied to full premium.

4. Exclusion of Third Party "Wrongful Acts" Endorsement 421-0560

This optional endorsement excludes claims for non-employees from EPLI.

Pricing: 15% Credit applied only to EPLI portion of the premium.

5. Amended Definition of Claim Exclusion of Non-Monetary Relief Endorsement 421-0561

This optional endorsement excludes coverage for petitions for non-monetary relief by removing non-monetary relief from the definition of Claim.

6. Professional Services Exclusion Endorsement 421-0562

This optional endorsement excludes professional services but contains an exception for the management of an insured organization by an executive.

7. Loans to Insured Individuals Exclusion 421-0563

This optional endorsement excludes losses due to loans made to insured individuals.

8. Optional Reporting Period Endorsement 421-0564

When attached to the policy, this endorsement provides an optional reporting period when purchased by the insured.

Pricing: See attached rating tables

9. Order of Payments Endorsement 421-0565

This optional endorsement gives priority of payment of an individual Coverage A claim to individuals over the organization; subject to limits applied by law or any courts with jurisdiction.

10. Amendment of Definition of Loss - Exclusion of ERISA Fines and Penalties Endorsement 421-0566

This optional endorsement excludes fines and penalties assessed by the DOL under sections 502(i) and 502(l) of ERISA.

11. Amendment of Exclusions - Final, Non-appealable Judgment Endorsement 421-0567

This optional endorsement expands coverage by suspending the application of exclusions 1 and 2 until the insured's responsibility for the excluded actions has been determined by a final and non-appealable judgment or similar event.

12. Amendment of Insured Individuals Endorsement 421-0568

This optional endorsement modifies the definition of Insured Individuals to include leased and temporary workers and, solely with respect to Coverage B, independent contractors, but only if certain conditions are met.

13. Broadened Coverage for Defense Expenses Endorsement 421-0569

This optional endorsement extends the policy to provide broadened coverage for defense expenses.

14. Aggregate Retention Endorsement 421-0570

This optional endorsement limits insured's payments through the retention of a single aggregate amount.

Pricing: See attached rating tables

15. Coverage C: Employee Benefits Insurance - Waiver of Recourse Endorsement 421-0571

This optional endorsement extends coverage by waiving recourse against individual insured fiduciaries, subject to legal limits. Without this, ERISA requires us to pursue recourse for claim payments on behalf of a plan from insured individuals responsible for the loss.

16. Broadened Coverage for Insured Individuals Endorsement 421-0572

This optional endorsement extends the policy by making exceptions to the pollution and contractual liability exclusions for Part 1 of Coverage A.

17. Accidental Death Benefit for Scheduled Individual Endorsement 421-0573

In the event of death of a key executive, this optional endorsement provides to the Insured a payment to defray the cost of executive search and advertising.

Pricing: 10% surcharge applied only to D&O portion of the premium.

18. Addition(s) to "Insured Organization" Endorsement 421-0574

This optional endorsement is used to add non-profit organizations and benefit plans not included in the definition of Insured Organization.

19. Punitive, Exemplary and Multiple Damages Exclusion Endorsement 421-0576

This optional endorsement deletes coverage for punitive, exemplary and multiple damages.

Pricing:

Level 1: State does not permit coverage for any Punitive Damages – No credit

Level 2: State permits coverage for Vicarious Punitive Damages only – 10% credit to full premium

Level 3: State permits coverage for All Punitive Damages - 15% credit to full premium

20. Antitrust Violations and Unfair Business Practices Exclusion 421-0577

This optional endorsement excludes various unfair trade practices and violations of anti-trust laws.

21. Coverage Extension: Amended Definition of Claim Endorsement 421-0578

This optional endorsement expands coverage by adding criminal actions to the definition of Claim; it also clarifies that EEOC actions are claims.

22. Scheduled Program(s), Services(s), or Operation(s) Exclusion 421-0579

This optional endorsement excludes scheduled programs, services or operations from coverage under Coverage A.

23. Standard Setting, Peer Review, Certification, Accreditation, Credentialing and Disciplinary Acts Exclusion 421-0581

This is an optional exclusion of standard setting or enforcement, peer review, certification, accreditation, credentialing or related disciplinary activities that are occasionally performed by non-profit organizations.

24. Adoption or Foster Care Exclusion 421-0583

This optional endorsement is used to supplement the BI exclusion and completely exclude losses arising out of these operations.

25. Terrorism Exclusion Endorsement 421-0584

This endorsement excludes coverage for acts of terrorism.

26. Not-for-Profit Organization Directors and Officers Liability Insurance Policy Declarations 421-0585

Declarations pages for the Not-for-Profit Organization Directors and Officers Liability Insurance Policy 421-0556.

27. Exclusion of Sexual and Child Abuse Endorsement 421-0586

This optional endorsement excludes sexual and child abuse.

28. Coverage for Scheduled "Outside Organization" Endorsement 421-0587

This optional endorsement is used to cover service by an insured individual on the board of an organization that is not an outside organization.

29. Scheduled Organizations Exclusion 421-0588

This optional endorsement is used to remove from coverage a specified organization, its subsidiaries and individuals associated with it.

30. Change for Employee Benefits Liability: Managed Care Plan Coverage Endorsement 421-0600

This optional endorsement extends coverage by applying an exception to the exclusion of Bodily Injury and Property Damage for managed care services which are not provided by an Insured.

31. Insured's Refusal to Consent to Settlement Endorsement 421-0601

This optional endorsement modifies the policy so the insured shares in additional loss beyond the settlement amount after the insured refuses to consent to a settlement.

32. Coverage Extension: HIPAA 421-0602

This optional endorsement extends coverage under Coverage C to apply to civil penalties for violations of HIPAA.

33. Exclusion of the Violations of the Racketeer Influenced and Corrupt Organizations Act and The Federal False Claims Act Endorsement 421-0603

This optional endorsement excludes violations of the Racketeer Influenced and Corrupt Organizations Act (RICO) and the Federal False Claims Act.

34. Bankruptcy, Insolvency, and Creditors Exclusion 421-0604

This optional endorsement excludes wrongful acts which cause bankruptcy.

35. Excess Benefit Transaction Tax Coverage Endorsement 421-0605

This optional endorsement expands coverage by adding a sub-limited coverage for excess benefit transaction taxes assessed against insured individuals by the IRS.

36. Duty to Indemnify Endorsement 421-0606

This optional endorsement provides that if an Insured Organization refuses to indemnify an Insured Individual for loss due to a D&O claim, when it is legally permitted for it to do so, the retention applicable to the organization applies to that claim.

37. Voluntary Settlement Program Fees Endorsement 421-0625

This optional endorsement extends coverage under Coverage C, Employee Benefits Liability Insurance, to apply to voluntary settlement program fees and associated defense costs subject to a sublimit.

38. Coverage Extension - Personal and Advertising Injury 421-0626

This optional endorsement extends Coverage A to apply to Personal and Advertising injury.

39. Knowledge of "Wrongful Act" Amendment Endorsement 421-0627

This optional endorsement removes an exclusion for a "wrongful act" where any Insured had previous knowledge and from which such insured could reasonably expect a "claim" to arise.

40. Arkansas Amendatory Endorsement 421-0639

This mandatory endorsement revises policy provisions to meet state requirements.

Rules

Step 1: Establish the Base Premium Charges

- A. Determine the Estimated Exposure Base for the Coverage:
- B. Establish the Base Premiums for the Coverages (Include Adjustment for Hazard Group)

Formula: Base Premium = Base Charge + (Exposure - Min) * Rate

Sample Rating:

Assets		\$	5,500,000
Salary Expense		\$	1,200,000
Coverage A	D&O	\$	2,297.47
Coverage B	EPLI	\$	1,358.96

All Limits are at a Base Shared Limit of \$1M for all coverages

Example contemplates a Nursing Home Facility, RG II

Step 2: Determine Adjusted Base Rate

- A. Select the Retro Modification Factor
- B. Select the Claims Modification Factor
- C. Calculate the Adjusted Premium by Part

Formula: Adjusted Premium = Base Premium x (1 + (Retro Mod) + (Claims Mod))

Sample Rating (based on prior example):

Part A	\$ 2,642.09
Part B	\$ 1,562.80

Step 3: Determine Alternate Limits Premium

- A. Determine Whether the Limits are Shared or Separate
 - For an Aggregate Limit without differing Coverage limits: Apply the factor to each adjusted premium
 - For Separate Limits by Coverage: Select a limit option from the table
- B. Apply the EBL charge - 10-20% for Shared; 25-35% for Separate.
 - Limit should match the Non-EPL portion.
 - Aggregate is extended by EBL portion

Sample Rating (based on prior example):

	Limit	Factor	x	Premium	=	Adj. Premium
Aggregate = Coverage Limits	\$ 2,000,000	1.500		\$ 4,205	=	\$ 6,307
Coverage C		EBL:		15.0%	=	\$ 946
Split Coverage Limits	\$ 500,000	0.900	x	\$ 4,205	=	\$ 3,784
Coverage C		EBL:		30.0%	=	\$ 1,135

Step 4: Determine Alternate Retention Premium

- A. Each risk will be assigned a minimum retention as given on the Rate Pages, based on Hazard Group
If an optional quote is desired, which has a retention that differs from the minimum retention, the premium is to be credited or debited. This optional retention may vary by coverage part - D&O, EPLI, and EBL
- B. Determine the amount of credit/debit to be applied to the premium when quoting an alternate retention.
Formula: Premium Adjustment Factor= [(Optional Retention Factor)/(Minimum Retention Factor)]

Sample Rating (based on prior example):

Assets:	\$ 5,500,000	⇒	\$ 5,000	Standard Retention
Part A	\$ 5,000			Optional Retention
Part B	\$ 10,000			
Part C	\$ 2,500			
Part A			1.000	Prem. Adjustment Factor
Part B			0.941	
Part C			1.053	

Step 5: Add Ratable Endorsement Charges

- A. Adjust Coverage-level Premiums by endorsements that broaden or limit coverage applying specifically to a coverage part, such as Directors & Officers.

Form Name	Coverage Part	Debit/Credit	Coverage Change
Exclusion of Third Party Wrongful Acts	Part B - EPL	-15%	Reduces

- B. Add the Premium for all Coverage Parts, adjusted for 5.A

- C. Adjust the Premium from 5.B for charges associated with endorsements that broaden or limit coverage of base form

Form Name	Debit/Credit	Coverage Change
Exclusions of Punitive, Exemplary, and Multiplied Damages	-15% or -10%	Reduces
Defense Expenses Included in Limits of Liability	-15%	Reduces

- D. Calculate Premium for additional forms & endorsements that add new coverages, such as Accidental Death Benefit.

Form Name	Debit/Credit	Coverage Change
Accidental Death Benefit for Scheduled Individual	10%	New Coverage

- E. Add Premiums from 5.C and 5.D to calculate the Final Premium for all coverage.

Base Rate & Premium Charges

Coverage A: D&O - Asset-Based

Assets	Base Charge	Rate*
Under \$1M	\$633	n/a
\$1 - 5M	\$633	\$ 0.1208
\$5 - 25M	\$1,116	\$ 0.0665
\$25 - 100M	\$2,445	\$ 0.0332
\$100 - 200M	\$4,938	\$ 0.0150
\$200 - 500M	\$6,433	\$ 0.0060
\$500M - \$1B	\$8,227	\$ 0.0024
\$1 - 5B	\$9,435	\$ 0.0008
Over \$5B	\$12,655	\$ 0.0002

* Per \$1,000 above minimum in range

Coverage B: EPLI - Salary-Based

Salary	Base Charge	Rate*
Under \$100K	\$374	n/a
\$100 - \$300K	\$374	\$ 2.1850
\$300K - \$1M	\$811	\$ 0.9258
\$1 - 5M	\$1,459	\$ 0.5173
\$5 - 20M	\$3,528	\$ 0.3161
\$20 - 50M	\$8,271	\$ 0.1423
\$50 - 150M	\$12,538	\$ 0.0569
\$150 - 250M	\$18,231	\$ 0.0228
Over \$250M	\$20,508	\$ 0.0079

* Per \$1,000 above minimum in range

Coverage C:

Employee Benefits

10-20% Coverage Limit = Aggregate

25-35% Separate Coverage Limit

Applied to A & B Combined Base

Premiums

Coverage A Rates are adjusted based on the Adjustment Factors by the groups below:

Hazard Group I

1.000	Water Supply Companies
	Chamber of Commerce / Business Leagues
	Clubs and Fraternities
	Cemeteries
	Grant Making Foundations / Trusts
	Veteran Groups
	Communication / Public Broadcasting
	Animal Related Organizations
	Art, Culture and Humanities
	Food, Nutrition

Hazard Group II

2.300	Trade Associations
	Human Service / Public Education
	Public Safety, Relief, and Emergency
	Recreation / Leisure / Sporting
	Civil Rights / Social Actions
	Religious Organizations
	Job Training and Placement Orgs
	Environmental Issues
	Camps / Daycare Facilities
	Rehab / Counseling Facilities
	Group Legal / Medical Facilities
	Scientific Technology / R&D
	Testing Facilities
	Temporary Housing / Shelters
Community Redevelop./Low-Income Housing	
Retirement/Mentally Handicapped Communities	
Certification Boards	
2.000	Hospitals / Clinics / Nursing Homes

Limit Options - Coverage Limit

Coverage Limit		Aggregate Limit	Factor
EPL	Non-EPL		
100,000	100,000	100,000	0.500
250,000	250,000	250,000	0.600
500,000	500,000	500,000	0.750
500,000	500,000	1,000,000	0.900
1,000,000	1,000,000	1,000,000	1.000
1,000,000	1,000,000	2,000,000	1.150
1,000,000	2,000,000	3,000,000	1.290
1,000,000	3,000,000	4,000,000	1.390
2,000,000	2,000,000	2,000,000	1.500
2,000,000	1,000,000	3,000,000	1.640
2,000,000	2,000,000	4,000,000	1.750
2,000,000	3,000,000	5,000,000	1.800
2,000,000	4,000,000	6,000,000	1.860
2,000,000	5,000,000	7,000,000	1.910
3,000,000	3,000,000	3,000,000	1.950
3,000,000	1,000,000	4,000,000	2.090
3,000,000	2,000,000	5,000,000	2.120
3,000,000	3,000,000	6,000,000	2.180
3,000,000	4,000,000	7,000,000	2.220
3,000,000	5,000,000	8,000,000	2.270
4,000,000	4,000,000	4,000,000	2.300
4,000,000	1,000,000	5,000,000	2.360
4,000,000	2,000,000	6,000,000	2.420
4,000,000	3,000,000	7,000,000	2.470
5,000,000	5,000,000	5,000,000	2.500
4,000,000	4,000,000	8,000,000	2.510
4,000,000	5,000,000	9,000,000	2.560
5,000,000	2,000,000	7,000,000	2.610
5,000,000	3,000,000	8,000,000	2.640
6,000,000	6,000,000	6,000,000	2.700
5,000,000	4,000,000	9,000,000	2.700
5,000,000	5,000,000	10,000,000	2.740
7,000,000	7,000,000	7,000,000	2.900
8,000,000	8,000,000	8,000,000	3.100
9,000,000	9,000,000	9,000,000	3.300
10,000,000	10,000,000	10,000,000	3.500

For Limits not shown above, refer to company

Retention Options - Shared / Separate

Standard Retentions		
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Assets	Group I	Group II
Under \$1M	\$1,000	\$1,000
\$1 - 5M	\$2,500	\$2,500
\$5 - 25M	\$2,500	\$5,000
\$25 - 100M	\$5,000	\$15,000
\$100 - 200M	\$10,000	\$25,000
\$200 - 500M	\$25,000	\$35,000
\$500M - \$1B	\$35,000	\$50,000

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Factors	
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Retention	Factor
\$500	1.0785
\$1,000	1.0510
\$2,000	1.0125
\$2,500	1.0000
\$5,000	0.9500
\$10,000	0.8938
\$15,000	0.8780
\$25,000	0.8498
\$35,000	0.8288
\$50,000	0.8013
\$75,000	0.7713
\$100,000	0.7540

Retro Modification Factor

# Years in Prior Acts Coverage	Modification Factor
New	-12.5%
1 Year	-10.0%
2 Years	-7.5%
3 Years	-5.0%
4 Years	-2.5%
5+ Yrs / Formation	0.0%

Optional Extended Reporting Period	% of Prior Year Prem
1-Year	50.0%
2-Year	75.0%
3-Year	100.0%

Claim Modification Factors

Claims filed in past year:	30%	per Claim
1-2 years ago	25%	per Claim
2-3 years ago	20%	per Claim
3-4 years ago	15%	per Claim
4-5 years ago	10%	per Claim

This applies to overall premium and is cumulative

SERFF Tracking Number: HNVN-125824663 State: Arkansas
First Filing Company: The Hanover Insurance Company, ... State Tracking Number: EFT \$125
Company Tracking Number: DO-CW-08529-01R
TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0006 Directors & Officers Liability
Product Name: Not-For-Profit Directors and Officers Advantage
Project Name/Number: Not-For-Profit Directors and Officers Advantage/DO-CW-08529-01

Supporting Document Schedules

Satisfied -Name: Actuarial Explanatory Filing
Memorandum

Review Status:

Accepted for Informational 10/13/2008
Purposes

Comments:

An Actuarial Explanatory Memorandum is attached.

Attachment:

D&O Actuarial Memorandum FINAL.pdf

The Hanover Insurance Group Actuarial Explanatory Memorandum

NON-PROFIT ORGANIZATIONS DIRECTORS & OFFICERS LIABILITY

Rate & Methodology Determination

The Hanover is introducing a Directors and Officers Product designed to meet the unique needs of non profit organizations.

The procedure for determining rates was based on the rating methodology used by the Not-For-Profit (NFP) Rate Plan for the Great American Insurance Company. While the base coverage forms provided by The Hanover and Great American had some differences, the rate plan had the desired flexibility that fit well with the Hanover product offering:

- It allowed for split base rates for the D&O and Employment Practices coverage
- It provided pricing for a shared aggregate limit ("shared limits") as well as individual coverage limits ("separate limits")
- It provided additional rating guidance for the inclusion of the Fiduciary (Employee Benefits) coverage
- It provided rating for by claim retention/deductible factors

Generally, base pricing of split limits and shared limits, as well as retention pricing, were selected as the Great American factors. Adjustments to these factors were made if consistency tests were not passed.

Selected rates for endorsements were based on similar endorsements filed by our competitors. The competitors reviewed included, but was not limited to, Travelers, The Hartford, Liberty International Underwriters, and Philadelphia Indemnity Insurance Company.

The proposed base rates for D&O (Coverage A) and Employment Practices (Coverage B) were based on a competitor comparison of similar levels of product coverage. For instance, one material difference between The Hanover and Great American base forms is that The Hanover provides coverage for Punitive, Exemplary or Multiple damages in jurisdictions that allow this. Great American base coverage form does not provide for these types of damages. Competitor analysis showed that the additional credit for removing this coverage was 9-15% applying to the full premium and our endorsement was selected at 15%. Therefore, The Hanover base premiums, where applicable, should be 15% higher than Great American.