

SERFF Tracking Number: PRDC-125773698 State: Arkansas  
 Filing Company: Professionals Direct Insurance Company State Tracking Number: EFT \$100  
 Company Tracking Number: 25585-0808-ARRR  
 TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability  
 Product Name: ProDirect Select and ProDirect Premier  
 Project Name/Number: Initial filing of rates and rules in AR/25585-0808-ARRR

## Filing at a Glance

Company: Professionals Direct Insurance Company

Product Name: ProDirect Select and ProDirect Premier SERFF Tr Num: PRDC-125773698 State: Arkansas

Premier

TOI: 17.1 Other Liability - Claims Made Only

SERFF Status: Closed

State Tr Num: EFT \$100

Sub-TOI: 17.1019 Professional Errors &

Co Tr Num: 25585-0808-ARRR

State Status: Fees verified and received

Omissions Liability

Filing Type: Rate/Rule

Co Status:

Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding

Authors: Mary Knaut, Gina Lorang

Disposition Date: 10/22/2008

Date Submitted: 08/27/2008

Disposition Status: Filed

Effective Date Requested (New): 10/01/2008

Effective Date (New):

Effective Date Requested (Renewal): 10/01/2008

Effective Date (Renewal):

State Filing Description:

## General Information

Project Name: Initial filing of rates and rules in AR

Status of Filing in Domicile: Authorized

Project Number: 25585-0808-ARRR

Domicile Status Comments:

Reference Organization: n/a

Reference Number: n/a

Reference Title: n/a

Advisory Org. Circular: n/a

Filing Status Changed: 10/22/2008

State Status Changed: 08/29/2008

Deemer Date:

Corresponding Filing Tracking Number: PRDC-125773696

Filing Description:

Professionals Direct Insurance Company received its Certificate of Authority on May 29, 2008.

This is our initial filing of rates and rules for lawyers professional liability.

The forms corresponding with this rate and rule filing are filed in PRDC 125773696.

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## Company and Contact

### Filing Contact Information

Mary Knaut, Regulatory Administrator mknaut@professionalsdirect.com  
 5211 Cascade Rd. SE (616) 233-2375 [Phone]  
 Grand Rapids, MI 49546 (616) 456-6875[FAX]

### Filing Company Information

Professionals Direct Insurance Company CoCode: 25585 State of Domicile: Michigan  
 5211 Cascade Rd. SE Group Code: 88 Company Type:  
 Grand Rapids, MI 49546 Group Name: Hanover Ins Grp State ID Number:  
 (616) 233-2375 ext. [Phone] FEIN Number: 38-2755799  
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## Filing Fees

Fee Required? Yes  
 Fee Amount: \$100.00  
 Retaliatory? No  
 Fee Explanation: Independent rate and rule filing fee per Arkansas filing fee schedule.  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Professionals Direct Insurance Company	\$100.00	08/27/2008	22166809

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	10/22/2008	10/22/2008

### Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending Industry Response	Edith Roberts	08/29/2008	08/29/2008	Mary Knaut	09/18/2008	09/18/2008

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## Disposition

Disposition Date: 10/22/2008  
 Effective Date (New):  
 Effective Date (Renewal):  
 Status: Filed  
 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:
Professionals Direct Insurance Company	0.000%	\$0	0	\$0	0.000%	0.000%	0.000%

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Rate	ProDirect Select Rules Manual	Filed	Yes
Rate (revised)	ProDirect Select Rate and Exceptions pages for Arkansas	Filed	Yes
Rate	ProDirect Select Rate and Exceptions pages for Arkansas	Filed	Yes
Rate	ProDirect Premier Rules Manual	Filed	Yes
Rate (revised)	ProDirect Premier Rate and Exceptions pages for Arkansas	Filed	Yes
Rate	ProDirect Premier Rate and Exceptions pages for Arkansas	Filed	Yes

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## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 08/29/2008  
Submitted Date 08/29/2008  
Respond By Date

Dear Mary Knaut,

This will acknowledge receipt of the captioned filing.

Please refer to page 2, Rule 4.2.4 of the ProDirect Select and Premium pages, increased limits factors. Also, please refer to Rule 4.1 of the AR State Rates and Exceptions.

Please reference AR Code Anno 23-79-307 (5) prohibiting defense within limits. This coverage is written with defense expenses payable within the limit of liability and can only be approved for risks with \$1,000,000 limits or greater. Please confirm and file a companion rule to that effect. This is pursuant to AR Code Anno 23-79-307 (5) and AID Order # 2007-046. You may also reference AID Order 92-1, which lowers the required limits to \$500,000 for lawyers participating in securities practice.

Please file amended rules.

Please feel free to contact me if you have questions.

Sincerely,

Edith Roberts

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 09/18/2008  
Submitted Date 09/18/2008

Dear Edith Roberts,

### Comments:

SERFF Tracking Number: PRDC-125773698 State: Arkansas  
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Per our discussion today:

## Response 1

Comments: Our rules manual is generic for all states and for both CEIL and CEOL rates. The rates pages show under 4.2.4 that there are no rates for CEIL. We do not sell any CEIL policies in Arkansas since there are no rates.

I have attached updated rate pages to help clarify this.

### Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

### Rate/Rule Schedule Item Changes

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
ProDirect Select Rate and Exceptions pages for Arkansas	entire manual	New	
<b>Previous Version</b>			
ProDirect Select Rate and Exceptions pages for Arkansas	entire manual	New	
<b>Previous Version</b>			
ProDirect Premier Rate and Exceptions pages for Arkansas	entire manual	New	
<b>Previous Version</b>			
ProDirect Premier Rate and Exceptions pages for Arkansas	entire manual	New	

Let me know if you have any questions.

Mary Knaut  
 616-233-2375

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Sincerely,  
Gina Lorang, Mary Knaut

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**Rate Information**

Rate data applies to filing.

**Filing Method:** file and use  
**Rate Change Type:** Neutral  
**Overall Percentage of Last Rate Revision:** 0.000%  
**Effective Date of Last Rate Revision:** 10/01/2008  
**Filing Method of Last Filing:** n/a

**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):
Professionals Direct Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	ProDirect Select Rulesentire manual Manual		New	Select Master Manual 2007.pdf
Filed	ProDirect Select Rate and Exceptions pages for Arkansas	entire manual	New	AR Select ratepgs 2008, 10-1.pdf
Filed	ProDirect Premier Rules Manual	entire manual	New	Premier Master Manual 2007.pdf
Filed	ProDirect Premier Rate and Exceptions pages for Arkansas	entire manual	New	AR Premier ratepgs 2008,10-1.pdf

**Professionals Direct® Insurance  
Company**

**ProDirect Select® Program**

**Manual of Rates and Rules**

Professionals Direct® Insurance Company  
5211 Cascade Road, SE  
Grand Rapids MI 49546

General Voice (616) 456-8899  
Toll Free (800) 558-6688  
Fax (616) 456-6875

## Manual of Rates and Rules

### **1. The Manual**

*1.1 Generally.* This Manual provides the rates and rules for the quoting, issuance and policy administration of the ProDirect Select® Program (the “Program”) of lawyers professional liability insurance policies (the “Program Policy” or “Program Policies”) offered and written by Professionals Direct® Insurance Company (“PDIC”). The Program Policies provide a broad form of lawyers professional liability coverage, including, but not limited to, coverage for all current insureds that is not limited to acts on behalf of the Named Insured firm; consent to settle; and a choice of deductible options. The State Rates and Exceptions (the “State Pages”) provide state specific information, coverage variations, notice requirements and premium charges for the Program Policies in a particular state or jurisdiction. The respective State Pages are incorporated by reference into the Manual.

*1.2 Effective Date.* This Manual applies to Program Policies with effective dates as of and after April 1, 2007 and until a subsequent modification is made to this Manual. The edition or printing date is not the effective date of the Manual.

### **2. Program Eligibility**

*2.1 Generally.* The Program Policies may be offered and issued to sole proprietorships, partnerships, professional corporations, professional associations, professional limited liability companies, or professional limited liability partnerships (“Named Insured”). To be eligible, at least one lawyer in the Named Insured law firm (each being an “Individual Insured”) must be licensed to practice law in the state or jurisdiction specified on the State Page and the Named Insured law firm must have its principal place of business in the state or jurisdiction specified on the State Page.

*2.2 Specific Criteria.* The Named Insured and the Individual Insureds must have the following characteristics:

- No firm may have more than 10 lawyers;

Renewals may be offered only to Named Insureds who continue to meet the above criteria.

### **3. Coverage and Forms**

*3.1 Forms.* Program Policies are written on a claims made and reported basis on Form S-LPL-J200. Program Policies may be applied for, issued, renewed, modified or changed by the following coverage documents:

*Policy Forms*

ProDirect Select ® Lawyers Professional Liability Coverage	S-LPL-J200
Lawyers Professional Liability Declarations Page	S-LPL-D201
Renewal Certificate	S-LPL-D202

*Endorsements*

General Purpose Endorsement	S-LPL-E204
Extended Reporting Period Endorsement - Named Insured	S-LPL-E206
Extended Reporting Period Endorsement - Individual Insured	S-LPL-E207
Aggregate Deductible Endorsement	S-LPL-E208
Certain Claim Expenses in Addition to Policy Limits Endorsement	S-LPL-E210
Deletion of Securities Exclusion Endorsement	S-LPL-E211
Independent Contractor or Employed Lawyer Endorsement	S-LPL-E212
Title Agent or Title Agency Endorsement	S-LPL-E213
Amendment of Deductible Endorsement	S-LPL-E214

*Applications*

ProDirect Select ® Application	S-LPL-A201
New Individual Lawyer Supplement	S-LPL-A202
Renewal Application	S-LPL-A203
Individual Lawyer Supplement	S-LPL-A207
Claim Information Supplement	S-LPL-A208
Intellectual Property Supplement	G-LPL-A004
Securities Supplement	G-LPL-A005
Real Estate Title Supplement	G-LPL-A006
Class Action/Mass Tort Litigation Supplement	G-LPL-A010
Representation Letter	G-LPL-A401

The following is a description of particular forms and their use:

S-LPL-E206 *Extended Reporting Period Endorsement (ERP) - Named Insured.* In case of cancellation or nonrenewal of the policy, or renewal of the policy under terms or conditions less favorable to the Named Insured, the Named Insured may, under certain conditions, have an ERP Endorsement issued providing coverage for claims first made subsequent to the termination of this policy.

S-LPL-E207 *Extended Reporting Period Endorsement - Individual Insured.* In the event an individual Insured ceases the private practice of law or leaves the Named Insured firm, the individual Insured may purchase an Individual ERP.

S-LPL-E208 *Aggregate Deductible Endorsement.* This endorsement limits the deductible amount that the Insured will pay during the policy period. See the appropriate State Rate and Exception Page for premium.

S-LPL-E210 *Certain Claim Expenses in Addition to Policy Limits Endorsement.* This endorsement provides claim expenses in addition to the policy Limit of Liability in an amount specified in the endorsement.

S-LPL-E211 *Deletion of Securities Exclusion Endorsement.* This endorsement deletes the securities exclusion in its entirety.

S-LPL-E212 *Independent Contractor or Employed Lawyer Endorsement.* This coverage will be available to lawyers employed by private sector companies, or public entities, such as city attorneys or prosecuting attorneys, and independent contractors who work for private sector companies but are not employees. See the appropriate State Page for the premium charge.

S-LPL-E213 *Title Agent or Title Agency Endorsement.* This endorsement adds a title agency as a Named Insured. One or more of the lawyer members of an Insured law firm must own 100% of the title agency in order to qualify for coverage. See the appropriate State Page for premium.

S-LPL-E214 *Amendment of Deductible Endorsement.* This endorsement removes first dollar defense. The deductible will apply to claim expenses as well as damages.

3.2 *Retroactive Date and Prior Acts Coverage.* The Retroactive Date is a specific date entered on the Declarations Page. The Program Policies cover claims made and reported in the policy period and which arise from acts or omissions which occurred after the Retroactive Date ("Prior Acts Coverage"). Prior Acts Coverage is provided back to the Retroactive Date if the Named Insured represents on the application that it has been continuously insured back to the requested Retroactive Date. Once a Retroactive Date is established for a Named Insured or for the Individual Insured, it will not be changed by PDIC during a period of continuous coverage with PDIC. When "Full Prior Acts" is entered on the Declarations Page of the Program Policy or the Schedule of Lawyers, then claims made and reported in the policy period arising from acts, errors, or omissions occurring prior to the policy inception date are covered without limitation to a particular Retroactive Date.

3.3 *Term.* Program Policies will be written for a term of 12 months. Policies may be written for a shorter or longer term, but not more than 36 months. Lawyers or law firms who have been continuously insured and claim-free for 5 years or more may be eligible for multiple-year policies up to 36 months.

3.4 *Limits.* Program Policies are offered at the limits of liability shown on the State Page. The inclusion of more than one individual insured shall not operate to increase the limits of liability. For the ProDirect Select ® Program, the minimum limit of liability is \$100,000 for each claim, and \$300,000 aggregate and the maximum limit of liability is \$5 million per claim and \$5 million in the aggregate. Increased limits of liability and the factors applicable to each limit are shown on the appropriate State Page. The inclusion of more than one Individual Insured shall not operate to increase the limits of liability.

3.5 *Deductible.* This is a method of coverage under which the Named Insured and the Individual Insured agree to contribute up to a specific sum per claim. Program Policies do not have aggregated deductibles. The deductible does not apply to defense costs incurred by PDIC as a claim expense.

#### 4. Premium Calculation

4.1 *Individual Insured Base Rate.* The Individual Insured Base Premium is stated on the State Page for Rate Group 10 for the \$100,000 per claim and \$300,000 aggregate coverage limit with a \$1,000 deductible and a 12-month term. The Individual Insured Base Premium is determined by the address and state of that Individual Insured’s primary place of business. The State Page shows the variables which apply to the calculation of the premium.

4.2 *Premium Calculation.* The premium for a Program Policy is calculated first taking the Individual Insured Base Premium and modifying it as follows to formulate the “Individual Insured Premium”. The rating factors and relativities are determined using the address and state of the Individual Insured’s primary place of business. The calculation is as follows:

4.2.1 *Area of Practice.* The first step is to determine the area of practice in which each Individual Insured practices and the estimated percentage of time spent in each area. The rating factors for each area of practice are stated on the State Page. Each Individual Insured is charged a weighted average area of practice factor by multiplying the percentage of time spent in each area by the particular factor. Certain areas of practice under this Program will be (a) rated. A file of all such risks will be maintained in the home office of PDIC for a period of at least 3 years from the expiration date of each risk.

4.2.2 *Rates for Eligible Part-Time Practitioners.* If the Individual Insured practices part-time, then the credit factors on the appropriate State Page may apply. If so, then the factor is applied to the Individual Insured Premium following Step 4.2.1 above.

4.2.3 *Step Rating.* The appropriate Rate Group is determined for each Individual Insured under the following schedule which equates to the step factor on the State Page. The step factor is applied to the Individual Insured Base Premium following Step 4.2.2 above. The Rate Group is determined as follows:

<i>Rate Group</i>	<i>Description</i>
1	First year on a claims made policy, the Retroactive Date coincides with the inception date of the policy.
2	Second year on a claims made policy, the Retroactive Date precedes the inception date by one year.
3	Third year on a claims made policy, the Retroactive Date precedes the inception date of the policy by two years.
4	Fourth year on a claims made policy, the Retroactive Date precedes the inception date of the policy by three years.
5	Fifth year on a claims made policy, the Retroactive Date precedes the inception date of the policy by four years.
6	Sixth year on a claims made policy, the Retroactive Date precedes the inception date of the policy by five years.
7	Seventh year on a claims made policy, the Retroactive Date precedes the inception date of the policy by six years.

8	Eighth year on a claims made policy, the Retroactive Date precedes the inception date of the policy by seven years.
9	Nine years on a claims made policy, the Retroactive Date precedes the inception date of the policy by eight years.
10	Ten or more years on a claims made policy, the Retroactive Date precedes the inception date of the policy by nine or more years.

*4.2.4 Increased Limit/Deductible Factors.* The appropriate State Page shows the increased limit factors for both claim expenses inside and outside the limits and for deductible factors. Add or subtract the appropriate deductible factor from the appropriate increased limit factor. Apply the resulting increased limit/deductible factor to the Individual Insured Base Premium determined in Step 3 above.

*4.2.5 Territorial Factors.* The appropriate State Page shows the territorial factors. The factor is applied to the appropriate territorial factor to the Individual Insured Base Premium determined in Step 4.2.4 above.

*4.2.6 Schedule Rating Plan.* The appropriate State Page shows the eligibility and factors. When applying the schedule rating factors, PDIC will not consider race, creed, national origin or religion of the applicant or insured. The factor is applied to the Individual Insured Base Premium developed in Step 4.2.5 above.

*4.2.7 Merit Rating Plan.* See the appropriate State Page for eligibility and factors. The factors are applied to the Individual Insured Base Premium developed in Step 7 above. The experience period claims include all claims with at least \$5,000 of total incurred indemnity and/or allocated loss adjustment expenses in the last 5 years. The merit rating modification factor is then determined by selecting the appropriate Insured Lawyer Years and selecting the Number of Chargeable Claims in the Experience Period from the merit rating plan table. Subtract or add the merit rating factor from or to 100. The factor is applied to the Individual Insured Base Premium developed in Step 4.2.6 above and the result is the Individual Insured Premium.

*4.2.8 Representative Expense.* The Representative Expense Factor determined by subtracting the Representative Expense for a particular agency in a particular jurisdiction (expressed as a percentage) from 1.00 and dividing the Individual Insured Premium by the Representative Expense Factor. For example, if the Representative Expense assigned to a particular agency is 11%, then the Representative Expense Factor is determined by subtracting .11 from 1.00 for a result of .89. The Individual Insured Premium developed in Step 4.2.7 above is then divided by .89 to produce the final Composite Premium.

*4.2.9 Composite Rate.* After applying the above calculations, add all of the Individual Insured Premiums to yield the result for the Named Insured (“Composite Premium”).

*4.2.10 Firm Size Factor.* See the appropriate State Page for the firm size factor. The factor is applied to the Composite Premium developed in Step 4.2.9 above.

*4.3 Rounding Table.* Round rates, factors and multipliers after the final calculation to 3 decimal places. Five-tenths or more of a mil shall be considered one mil; e.g., .1245 = .125. Round the premium to the nearest whole dollar. Round a premium involving \$.50 or more to the next higher whole dollar.

*4.4 Additional Premium.* If a coverage, exposure, or amount of insurance is changed, the earned premium shall be computed on a pro rata basis using the rates in effect at the inception of any Program Policy. When there is a material change in exposure, PDIC may charge additional premium or return premium.

*4.5 Other Rating Factors.*

*4.5.1 Independent Contractor or Employed Lawyer Endorsement.* This exposure consists mainly of providing only defense coverage. The charge is 66.6% of the Individual Insured Premium developed in Section 4.2 above.

*4.5.2 Real Estate Title Supplement.* For this feature, the Composite Premium will be increased by not less than \$500 based on the gross receipts of the Title Agency.

## **5. Extended Reporting Period Endorsements**

*5.1 Generally.* Extended Reporting Period Endorsements (“ERP”) are provided to the Named Insureds under the Program Policies (“Named Insured ERP”) and to individual lawyers who are insured under the Program Policies (“Individual ERP”).

*5.2 Named Insured ERP.* The premium charges for a Named Insured ERP is stated in the appropriate State Page. The factors are applied to the annual premium of the expired or canceled policy. Solo practitioners may not buy Named Insured ERP, but may buy Individual ERP (see below).

*5.3 Individual ERP.* Individual Insureds may purchase an Individual ERP even while the Named Insured (i.e. the law firm) continues to purchase and be covered under a Program Policy. The premium charges for an Individual ERP is found in the appropriate State Page. ERP is calculated by determining the annual premium at the inception of the policy for the individual insured lawyer, and then applying the factors to the individual premium. If the Individual Insured has been insured with PDIC on a ProDirect Select® or ProDirect Premier® policy form continuously for the 5 years immediately preceding his/her retirement and is at least 65 years of age, premium for an unlimited Individual ERP will be waived or will be as otherwise stated in the State Page for a particular state. In the event of death or disability of the Individual Insured, an unlimited Individual ERP will be offered as defined in the policy.

*5.4 Limitations.* If an Individual Insured leaves the practice of law because of disciplinary action by the governing authority for the legal profession in the state, that Insured is not eligible to purchase or receive an Individual Insured ERP. Death or disability may not be self-inflicted.

Professionals Direct Insurance Company  
ProDirect Select® Program  
Manual of Rates and Rules  
Effective on and after April 1, 2007

The Named Insured or Individual Insured must have been covered by PDIC for more than 12 months in order to qualify for Named Insured ERP or Individual ERP, respectively.

**6. Policy Administration**

The State Page states the terms and conditions of cancellation and nonrenewal. Upon cancellation or nonrenewal a Program Policy may be reinstated or offered at a later date at the discretion of PDIC.

**Professionals Direct Insurance Company**  
**ProDirect Select® Program**  
**Arkansas -- State Rates and Exceptions**

<b>ALL RULES APPLY TO CLAIMS EXPENSE OUTSIDE THE LIMIT.</b>
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The following shall apply as if stated in the section or paragraph noted in the Manual of Rules and Rates.

2.1 *General Eligibility.* All lawyers covered under a Program Policy must be licensed to practice law in Arkansas.

3.1 *Endorsements.* The following endorsement may be used in addition to the other endorsement forms.

<i>Endorsements</i>	S-LPL-AR
State Amendatory Endorsement	

4.1 *Individual Insured Base Premium.* The Individual Insured Base Premium is \$1,083 for a limit of \$100,000/\$300,000 with a \$1,000 deductible and a 12-month term.

4.2.1 *Area of Practice.* Use the following table to determine the area of practice factor for an Individual Insured.

<i>AREA OF PRACTICE</i>	<i>FACTOR</i>
Admiralty & Marine	1.98
Agent Practice /Entertainment Law	1.98
Business Formation	1.00
Business Transactions-General	1.00
Civil Litigation – General	0.83
Commercial & Corporate- General Litigation -Defense	0.75
Commercial & Corporate General Litigation-Plaintiff	0.75
Corporate Finance	1.97
Creditor Rights / Collections	1.37
Creditor Rights / General	0.67
Criminal Defense	0.31
Defense Litigation-Insurance Carrier Representation	0.51
Elder Law	0.61
Employee Benefit Plans, ERISA	0.75
Employment Law-Employee Representation	3.26
Employment Law-Management Representation	0.43
Employment Law-Union Representation	1.00
Environmental Regulatory	1.09
Estate & Probate - General	1.00
Estate Planning and Trust Administration	1.00
Family Law / Juvenile Rights	0.92
Immigration	1.00
Intellectual Property	2.04
Mediation, Arbitration	0.44
Mergers & Acquisitions	1.97
Municipal – General (not finance)	0.83

Professionals Direct Insurance Company  
 ProDirect Select® Program  
 Arkansas – State Rates and Exceptions  
 Effective on and after October 1, 2008

Municipal Finance or Bonds	1.97
Oil & Gas, Mineral Rights	1.66
Other (if more than 5%, explain)	1.00
Plaintiff Litigation-Class Actions	4.23
Plaintiff Litigation-Legal Malpractice	3.26
Plaintiff Litigation-Medical Malpractice	3.26
Plaintiff Litigation-Personal or Bodily Injury	3.26
Plaintiff Litigation-Social Security, Workers Comp	1.19
Public Utilities(not finance)	0.83
Real Estate Finance	1.97
Real Estate-Residential & Basic Commercial	1.15
Schools & Education (not finance)	0.83
Securities/Private Placement/Public Regist	2.95
Tax Preparation-Individual	1.00
Taxation (excluding estate tax & individual preparation)	2.08

4.2.2 *Part-Time Practitioner Rates.* The following factors apply for eligible part-time practitioners:

Less than 10 hours per week:	50% credit (0.50 factor)
From 10 to 25 hours per week:	25% credit (0.75 factor)
More than 25 hours per week:	No credit (1.00 factor)

4.2.3 *Step Rating.* Apply the appropriate step factor from the table below to the base premium for each individual lawyer.

<i>Rate Level</i>	<i>Step Factor</i>	<i>Rate Level</i>	<i>Step Factor</i>
1	0.50	6	.92
2	0.60	7	1.00
3	0.74	8	1.00
4	0.83	9	1.00
5	0.88	10	1.00

4.2.4 *Increased Limit Factors and Deductible Factors.* The tables below provide the increase limits factors for Claim Expenses Inside the Limits of Liability or for Claim Expense Outside the Limits of Liability.

<i>Limit of Liability</i>	<i>Increased Limits Factors- Claim Expense Inside the Limits of Liability</i>	<i>Increased Limits Factors- Claim Expense Outside the Limits of Liability</i>
100/300	N/A	1.248
250/750	N/A	1.669
300/600	N/A	1.739
500/1,500	N/A	1.900
1,000/2,000	N/A	2.040
2,000/4,000	N/A	2.111
3,000/4,000	N/A	2.131

Professionals Direct Insurance Company  
ProDirect Select® Program  
Arkansas – State Rates and Exceptions  
Effective on and after October 1, 2008

4,000/4,000	N/A	2.140
5,000/5,000	N/A	2.144

PDIC will (a) rate the above increased limit factors to charge for and recover the additional cost of reinsurance in the excess layers that is over and above the premium generated by the above increased limit factors alone. Factors for per claim or aggregate limits other than those shown above will be (a) rated.

The table below provides the deductible factor.

<i>Deductible</i>	<i>Factor</i>	<i>Deductible</i>	<i>Factor</i>
0	+0.016	10,000	-0.128
1,000	+0.000	15,000	-0.187
2,500	-0.023	20,000	-0.240
5,000	-0.060	25,000	-0.288
7,500	-0.095	50,000	-0.460

4.2.5 *Territorial Factors.* The table below provides the territorial factors.

<i>Territory</i>	<i>Counties</i>	<i>Factor</i>
I	N/A	N/A
II	N/A	N/A
III	Entire State	1.00

4.2.6 *Schedule Rating Plan.* The Individual Insured Premium may be increased or decreased up to a maximum of 25% to reflect risk management characteristics of the risk that are not reflected in the claim experience of an Individual Insured. Each of the characteristics may be subject to verification by underwriting or risk management personnel of PDIC. Factors considered may include, but are not limited to, the presence or absence of specialization and certification, the frequency and severity of claims, centralized management controls, docketing systems, conflicts checks, client intake and selection procedures, the adequacy of firm governance and management systems, and the presence or absence of grievances or disciplinary proceedings.

4.2.7 *Merit Rating Plan.* The table below provides the Merit Rating Factors.

*Merit Rating Factors*

Individual Insured Years	Number of Chargeable Claims in Experience Period					
	0	1	2	3	4	5+
1	-0.5%	+31.1%	+62.7%	+94.3%	+125.9%	+157.5%
2	-0.7%	+21.6%	+44.0%	+66.3%	+88.7%	+111.0%
3	-0.9%	+17.4%	+35.6%	+53.9%	+72.1%	+90.4%
4	-1.0%	+14.8%	+30.6%	+46.4%	+62.2%	+78.0%
5	-1.1%	+13.0%	+27.1%	+41.3%	+55.4%	+69.6%

*Note: Individual Insured Years is defined as experience years for the most recent 5 years*

In the event that the risk characteristics reflect exposures that dictate a greater or lesser total modification, an "a" rated factor may be applied or PDIC may decline to offer quotations or renewal terms.

4.2.10 *Firm Size Factor.* The table below provides the appropriate firm size factors.

<i>No. of Lawyers</i>	<i>Factor</i>
1	1.000
2-3	.975
4-5	.950
6	.925
7	.900
8	.825
9	.775
10	.750

5.2 *Named Insured ERP.* The Named Insured ERP charges are determined by taking the appropriate factor from the table below.

<i>Extension Period</i>	<i>Premium</i>
12 months	89% of last annual premium
24 months	149% of last annual premium
36 months	181% of last annual premium
84 months	220% of last annual premium
Unlimited	236% of last annual premium

5.3 *Individual ERP.* The Individual Insured ERP charges are determined by taking the appropriate factor from the table below.

<i>Extension Period</i>	<i>Premium</i>
12 months	89% of last annual premium
24 months	149% of last annual premium
36 months	181% of last annual premium
84 months	220% of last annual premium
Unlimited	236% of last annual premium

6.1 *Cancellation.* The Named Insured may cancel this policy at any time by mailing or delivering to us or any of our authorized agents advance written notice of cancellation. We will refund the excess of paid premium or assessment above the customary pro rata calculation for the expired time. Any unearned portion of any premium paid on the policy will be paid to the Named Insured.

We may cancel this policy for any reason if the policy is not a renewal and has been in effect for 60 days or less at the time the notice of cancellation is mailed, by mailing to the insured and the agent of record at least 20 days written notice of cancellation stating the actual reason(s) for cancellation, except where the reason for cancellation is nonpayment of premium, in which case not less than 10 days written notice.

If the policy has been in effect for more than 60 days or is a renewal policy, we may cancel this policy by mailing notice of cancellation stating the actual reason(s) for cancellation, by certified mail to the Named Insured and the agent of record, with postage fully prepaid, at the address last known to us not less than 20 days prior to the proposed effective date of cancellation for only one or more of the following reasons:

- a) nonpayment of premium (with not less than 10 days prior notice of cancellation);

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ProDirect Select® Program  
Arkansas – State Rates and Exceptions  
Effective on and after October 1, 2008

- b) fraud or material misrepresentation made by or with the knowledge of the Named Insured in obtaining the policy, continuing the policy, or in presenting a claim under the policy;
- c) the occurrence of a material change in the risk that substantially increases any hazard insured against after policy issuance;
- d) a material violation of a material provision of the policy.

The unearned portion of the premium the Named Insured paid us will be calculated on a pro rata basis and paid to the Named Insured.

6.2 *Nonrenewal.* If we decide not to renew this policy, we will mail written notice with a statement of actual reason(s) to the Named Insured and the agent of record at least 60 days before the expiration date. Changes in the terms available on renewal will not be considered a nonrenewal of this policy. The mailing by certified mail will be sufficient proof of notice.

6.3 *Renewal.* We may offer to renew this policy at the terms and rates applicable at the expiration date. We will not amend the retroactive date(s) during a period of continuous coverage. We will provide 30 day prior written notice to the Named Insured at the mailing address shown on the policy advising of the renewal terms and statement of premium due.

If we intend to revise the rates and/or factors determining rates by an amount equal to or greater than 25%, we will mail to the Named Insured and the agent of record not less than 30 days prior notice of our intent to increase the rates, specifically stating our intention to increase the premium by an amount equal to or greater than 25%. If notice is not given as stated, your policy will be extended 30 days from the date such notice is mailed or delivered. The earned premium for any period of coverage beyond the expiration date will be considered pro rata based upon the rates in effect at the inception date of the expiring policy. If the Named Insured accepts the renewal, the premium increase, if any, and other changes are effective the day following the prior policy's expiration or anniversary date.

**Professionals Direct® Insurance  
Company**

**ProDirect Premier® Program**

**Manual of Rates and Rules**

Professionals Direct® Insurance Company  
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## Manual of Rates and Rules

### 1. The Manual

*1.1 Generally.* This Manual provides the rates and rules for the quoting, issuance and policy administration of the ProDirect Premier® Program (the “Program”) of lawyers professional liability insurance policies (the “Program Policy” or “Program Policies”) offered and written by Professionals Direct® Insurance Company (“PDIC”). The Program Policies provide a broad form of lawyers professional liability coverage for larger law firms, including, but not limited to, coverage for all current insureds that is not limited to acts on behalf of the Named Insured firm; consent to settle; and a choice of deductible options. The State Rates and Exceptions (the “State Pages”) provide state specific information, coverage variations, notice requirements and premium charges for the Program Policies in a particular state or jurisdiction. The respective State Pages are incorporated by reference into the Manual.

*1.2 Effective Date.* This Manual applies to Program Policies with effective dates as of and after April 1, 2007 and until a subsequent modification is made to this Manual. The edition or printing date is not the effective date of the Manual.

### 2. Program Eligibility

*2.1 Generally.* The Program Policies may be offered and issued to partnerships, professional corporations, professional associations, professional limited liability companies, or professional limited liability partnerships (“Named Insured”). To be eligible, at least one lawyer in the Named Insured law firm (each being an “Individual Insured”) must be licensed to practice law in the state or jurisdiction specified on the State Page and the Named Insured law firm must have its principal place of business in the state or jurisdiction specified on the State Page.

*2.2 Specific Criteria.* The Named Insured and the Individual Insureds must have the following characteristics:

- No firm may have less than 11 lawyers;

Renewals may be offered only to Named Insureds who continue to meet the above criteria.

### 3. Coverage and Forms

*3.1 Forms.* Program Policies are written on a claims made and reported basis on Form P-LPL-J300. Program Policies may be applied for, issued, renewed, modified or changed by the following coverage documents:

<i>Policy Forms</i>	
ProDirect Premier® Lawyers Professional Liability Coverage	P-LPL-J300
Lawyers Professional Liability Declarations Page	P-LPL-D301
Renewal Certificate	P-LPL-D302

<i>Endorsements</i>	
General Purpose Endorsement	P-LPL-E304

Extended Reporting Period Endorsement - Named Insured	P-LPL-E306
Extended Reporting Period Endorsement - Individual Insured	P-LPL-E307
Aggregate Deductible Endorsement	P-LPL-E308
Certain Claim Expenses in Addition to Policy Limits Endorsement	P-LPL-E310
Independent Contractor or Employed Lawyer Endorsement	P-LPL-E312
Title Agency Endorsement	P-LPL-E313
Amendment of Deductible Endorsement	P-LPL-E314
Mortgage Loan Endorsement	P-LPL-E318
Securities Exclusion	P-LPL-E319

*Applications*

ProDirect Premier® Application	P-LPL-A301
New Individual Lawyer Supplement	P-LPL-A302
Renewal Application	P-LPL-A303
Individual Lawyer Supplement	P-LPL-A307
Claim Information Supplement	P-LPL-A308
Intellectual Property Supplement	G-LPL-A004
Securities Supplement	G-LPL-A005
Real Estate Title Supplement	G-LPL-A006
Claim Action/Mass Tort Litigation Supplement	G-LPL-A010
Representation Letter	G-LPL-A401

The following is a description of particular forms and their use:

P-LPL-E306 *Extended Reporting Period Endorsement (ERP) - Named Insured.* In case of cancellation or nonrenewal of the policy, or renewal of the policy under terms or conditions less favorable to the Named Insured, the Named Insured may, under certain conditions, have an ERP Endorsement issued providing coverage for claims first made subsequent to the termination of this policy.

P-LPL-E307 *Extended Reporting Period Endorsement - Individual Insured.* In the event an individual Insured ceases the private practice of law or leaves the Named Insured firm, the individual Insured may purchase an Individual ERP.

P-LPL-E308 *Aggregate Deductible Endorsement.* This endorsement limits the deductible amount that the Insured will pay during the policy period. See the appropriate State Rate and Exception Page for premium.

P-LPL-E310 *Certain Claim Expenses in Addition to Policy Limits Endorsement.* This endorsement provides claim expenses in addition to the policy Limit of Liability in an amount specified on the endorsement.

P-LPL-E312 *Independent Contractor or Employed Lawyer Endorsement.* This coverage will be available to lawyers employed by private sector companies, or public entities, such as city attorneys or prosecuting attorneys, and independent contractors who work for private sector companies but are not employees. See the appropriate State Page for premium.

P-LPL-E313 *Title Agency Endorsement.* This endorsement adds a title agency as a Named Insured. One or more of the lawyer members of an Insured law firm must own 100% of the title agency in order to qualify for coverage. See the appropriate State Page for premium.

P-LPL-E314 *Amendment of Deductible Endorsement.* This endorsement removes first dollar defense. The deductible will apply to claim expenses as well as damages.

P-LPL-E318 *Mortgage Loan Endorsement.* This endorsement reduces the deductible that applies to mortgage loan closings done on behalf of the governmental agency that is named on the endorsement.

P-LPL-E319 *Securities Exclusion.* This endorsement allows restriction of securities coverage.

3.2 *Retroactive Date and Prior Acts Coverage.* The Retroactive Date is a specific date entered on the Declarations Page. The Program Policies cover claims made and reported in the policy period and which arise from acts or omissions which occurred after the Retroactive Date ("Prior Acts Coverage"). Prior Acts Coverage is provided back to the Retroactive Date if the Named Insureds represents on the application that it has been continuously insured back to the requested Retroactive Date. Once a Retroactive Date is established for a Named Insured or for the Individual Insured, it will not be changed by PDIC during a period of continuous coverage with PDIC. When "Full Prior Acts" is entered on the Declarations Page of the Program Policy or the Schedule of Lawyers, then claims made and reported in the policy period arising from acts, errors, or omissions occurring prior to the policy inception date are covered without limitation to a particular Retroactive Date.

3.3 *Term.* Program Policies will be written for a term of 12 months. Policies may be written for a shorter or longer term, but not more than 36 months. Lawyers or law firms who have been continuously insured and claim-free for 5 years or more may be eligible for multiple-year policies up to 36 months.

3.4 *Limits.* Program Policies are offered at the limits of liability shown on the State Page. The inclusion of more than one individual insured shall not operate to increase the limits of liability. For the ProDirect Premier® Program, the minimum limit of liability is \$100,000 for each claim, and \$300,000 aggregate and the maximum standard limit of liability is \$5 million per claim and \$5 million in the aggregate. Excess limits options over \$5 million per claim and in the aggregate may be offered. However, these limits are subject to the availability of facultative reinsurance and the charges for the excess coverage are (a) rated. An underlying limit of \$5 million per claim and \$5 million in the aggregate with PDIC is required for the excess limits to be offered. Increased limits of liability and the factors applicable to each limit are shown on the appropriate State Page. The inclusion of more than one Individual Insured shall not operate to increase the limits of liability.

3.5 *Deductible.* This is a method of coverage under which the Named Insured and the Individual Insured agree to contribute up to a specific sum per claim or an aggregate sum per policy period toward the amount paid to claimants as damages (indemnity). The deductible does not apply to defense costs incurred by PDIC as a claim expense, unless otherwise endorsed.

**4. Premium Calculation**

*4.1 Individual Insured Base Rate.* The Individual Insured Base Premium is stated on the State Page for Rate Group 10 for the \$100,000 per claim and \$300,000 aggregate coverage limit with a \$1,000 deductible and a 12-month term. The Individual Insured Base Premium is determined by the address and state of that Individual Insured’s primary place of business. The State Page shows the variables which apply to the calculation of the premium.

*4.2 Premium Calculation.* The premium for a Program Policy is calculated first taking the Individual Insured Base Premium and modifying it as follows to formulate the “Individual Insured Premium”. The rating factors and relativities are determined using the address and state of the Individual Insured’s primary place of business. The calculation is as follows:

*4.2.1 Area of Practice.* The first step is to determine the area of practice in which each Individual Insured practices and the estimated percentage of time spent in each area. The rating factors for each area of practice are stated on the State Page. Each Individual Insured is charged a weighted average area of practice factor by multiply the percentage of time spent in each area by the particular factor. Certain areas of practice under this Program will be (a) rated. A file of all such risks will be maintained in the home office of PDIC for a period of at least 3 years from the expiration date of each risk.

*4.2.2 Rates for Eligible Part-Time Practitioners.* If the Individual Insured practices part-time, then the credit factors on the appropriate State Page may apply. If so, then the factor is applied to the Individual Insured’s base premium following Step 4.2.1 above.

*4.2.3 Step Rating.* The appropriate Rate Group is determined for each Individual Insured under the following schedule which equates to the step factor on the State Page. The step factor is applied to the Individual Insured’s base premium following Step 4.2.2 above. The Rate Group is determined as follows:

<i>Rate Group</i>	<i>Description</i>
1	First year on a claims made policy, the Retroactive Date coincides with the inception date of the policy.
2	Second year on a claims made policy, the Retroactive Date precedes the inception date by one year.
3	Third year on a claims made policy, the Retroactive Date precedes the inception date of the policy by two years.
4	Fourth year on a claims made policy, the Retroactive Date precedes the inception date of the policy by three years.
5	Fifth year on a claims made policy, the Retroactive Date precedes the inception date of the policy by four years.
6	Sixth year on a claims made policy, the Retroactive Date precedes the inception date of the policy by five years.
7	Seventh year on a claims made policy, the Retroactive Date precedes the inception date of the policy by six years.

8	Eighth year on a claims made policy, the Retroactive Date precedes the inception date of the policy by seven years.
9	Nine years on a claims made policy, the Retroactive Date precedes the inception date of the policy by eight years.
10	Ten or more years on a claims made policy, the Retroactive Date precedes the inception date of the policy by nine or more years.

*4.2.4 Increased Limit/Deductible Factors.* The appropriate State Page shows the increased limit factors for both claim expenses inside and outside the limits and for deductible factors. Add or subtract the appropriate deductible factor from the appropriate increased limit factor. Apply the resulting increased limit/deductible factor to the Individual Insured Base Premium determined in Step 4.2.3 above.

*4.2.5 Territorial Factors.* The appropriate State Page shows the territorial factors. The factor is applied to the appropriate territorial factor to the Individual Insured Base Premium determined in Step 4.2.4 above.

*4.2.6 Schedule Rating Plan.* The appropriate State Page shows the eligibility and factors. When applying the schedule rating factors, PDIC will not consider race, creed, national origin or religion of the applicant or insured. The factor is applied to the Composite Premium developed in Step 4.2.5 above.

*4.2.7 Merit Rating Plan.* See the appropriate State Page for eligibility and factors. The factors are applied to the Individual Insured Base Premium developed in Step 4.2.5 above. The experience period claims include all claims with at least \$5,000 of total incurred indemnity and/or allocated loss adjustment expenses in the last 5 years. The merit rating modification factor is then determined by selecting the appropriate Insured Lawyer Years and selecting the Number of Chargeable Claims in the Experience Period from the merit rating plan table. Subtract or add the merit rating factor from or to 100. The factor is applied to the Individual Insured Premium developed in Step 4.2.6 above.

*4.2.8 Composite Rate.* After applying the above factors to the base premium for each lawyer, add all of the Individual Insured Premiums (collectively the “Composite Premium”) which may be modified for all Individual Insureds on a group basis as follows:

*4.2.9 Firm Size Factor.* See the appropriate State Page for the firm size factor. The factor is applied to the Composite Premium developed in Step 4.2.8 above.

*4.2.10 Transition Factor.* Transition credits or debits are applied to the Composite Premium developed in Step 4.2.9 above for renewals only. See the appropriate State Page for the credits or debits which are applicable, the limit to increases or decreases and the length of time such limits are applicable. Transition credits or debits do not apply to Program Policies which have premium increases due to changes in merit rating, changes in step rating factor, or where the premium increase was due to increased cost of reinsurance in the excess layers. The transition credit or debit may be applied until either: (a) the maximum transition credit or debit is reached, or (b) the annual renewal premium change increase or decrease is reached, whichever occurs first.

The transition plan does not require PDIC to continue to write Program Policies in a particular state or jurisdiction and does not require PDIC to write a particular attorney or law firm.

**4.3 Rounding Table.** Round rates, factors and multipliers after the final calculation to 3 decimal places. Five-tenths or more of a mil shall be considered one mil; e.g., .1245 = .125. Round the premium to the nearest whole dollar. Round a premium involving \$.50 or more to the next higher whole dollar.

**4.4 Additional Premium.** If a coverage, exposure, or amount of insurance is changed, the earned premium shall be computed on a pro rata basis using the rates in effect at the inception of any Program Policy. When there is a material change in exposure, PDIC may charge additional premium or return premium.

**4.5 Other Rating Factors.**

**4.5.1 Aggregate Deductible Endorsement.** For this feature, the Composite Premium will be increased by 10%.

**4.5.2 Independent Contractor or Employed Lawyer Endorsement.** This exposure consists mainly of providing only defense coverage. The charge is 66.6% of the Individual Insured Premium developed in Section 4.2 above.

**4.5.3 Title Agency Endorsement.** For this feature, the Composite Premium will be increased by not less than \$500 based on the gross receipts of the title agency.

**4.5.4 Representative Expense.** The expense of a representative, broker or an agent is included in the premium charge.

## **5. Extended Reporting Period Endorsements**

**5.1 Generally.** Extended Reporting Period Endorsements (“ERP”) are provided to the Named Insureds under the Program Policies (“Named Insured ERP”) and to individual lawyers who are insured under the Program Policies (“Individual ERP”).

**5.2 Named Insured ERP.** The premium charges for a Named Insured ERP is stated in the appropriate State Page. The factors are applied to the annual premium of the expired or canceled policy. Solo practitioners may not buy Named Insured ERP, but may buy Individual ERP (see below).

**5.3 Individual ERP.** Individual Insureds may purchase an Individual ERP even while the Named Insured (i.e. the law firm) continues to purchase and be covered under a Program Policy. The premium charges for an Individual ERP is found in the appropriate State Page. ERP is calculated by determining the annual premium at the inception of the policy for the individual insured lawyer, and then applying the factors to the individual premium. If the Individual Insured has been insured with PDIC on a ProDirect Select® or ProDirect Premier® policy form continuously for the 5 years immediately preceding his/her retirement and is at least 65 years of age, premium for an unlimited Individual ERP will be waived or will be as otherwise stated in the

State Page for a particular state. In the event of death or disability of the Individual Insured, an unlimited Individual ERP will be offered as defined in the policy.

*5.4 Limitations.* If an Individual Insured leaves the practice of law because of disciplinary action by the governing authority for the legal profession in the state, that Insured is not eligible to purchase or receive an Individual Insured ERP. Death or disability may not be self-inflicted. The Named Insured or Individual Insured must have been covered by PDIC for more than 12 months in order to qualify for Named Insured ERP or Individual ERP, respectively.

## **6. Policy Administration**

The State Page states the terms and conditions of cancellation and nonrenewal. Upon cancellation or nonrenewal a Program Policy may be reinstated or offered at a later date at the discretion of PDIC.

**Professionals Direct Insurance Company**  
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**Arkansas -- State Rates and Exceptions**

<b>ALL RULES APPLY TO CLAIMS EXPENSE OUTSIDE THE LIMIT.</b>
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The following shall apply as if stated in the section or paragraph noted in the Manual of Rules and Rates.

3.1 *Endorsements.* The following endorsement may be used in addition to the other endorsement forms.

<i>Endorsements</i>	P-LPL-AR
<i>State Amendatory Endorsement</i>	

4.1 *Individual Insured Base Premium.* The Individual Insured Base Premium is \$829 for a limit of \$100,000/\$300,000 with a \$1,000 deductible and a 12-month term.

4.2.1 *Area of Practice.* The following table is used to determine the area of practice factor for an Individual Insured.

<i>AREA OF PRACTICE</i>	<i>FACTOR</i>
Admiralty & Marine	1.98
Agent Practice /Entertainment Law	1.98
Business Formation	1.00
Business Transactions-General	1.00
Civil Litigation – General	0.83
Commercial & Corporate- General Litigation -Defense	0.75
Commercial & Corporate General Litigation-Plaintiff	0.75
Corporate Finance	1.97
Creditor Rights / Collections	1.37
Creditor Rights / General	0.67
Criminal Defense	0.31
Defense Litigation-Insurance Carrier Representation	0.51
Elder Law	0.61
Employee Benefit Plans, ERISA	0.75
Employment Law-Employee Representation	3.26
Employment Law-Management Representation	0.43
Employment Law-Union Representation	1.00
Environmental Regulatory	1.09
Estate & Probate - General	1.00
Estate Planning and Trust Administration	1.00
Family Law / Juvenile Rights	0.92
Immigration	1.00
Intellectual Property	2.04
Mediation, Arbitration	0.44
Mergers & Acquisitions	1.97
Municipal – General (not finance)	0.83

Professionals Direct Insurance Company  
 ProDirect Premier® Program  
 Arkansas– State Rates and Exceptions  
 Effective on and after October 1, 2008

Municipal Finance or Bonds	1.97
Oil & Gas, Mineral Rights	1.66
Other (if more than 5%, explain)	1.00
Plaintiff Litigation-Class Actions	4.23
Plaintiff Litigation-Legal Malpractice	3.26
Plaintiff Litigation-Medical Malpractice	3.26
Plaintiff Litigation-Personal or Bodily Injury	3.26
Plaintiff Litigation-Social Security, Workers Comp	1.19
Public Utilities(not finance)	0.83
Real Estate Finance	1.97
Real Estate-Residential & Basic Commercial	1.15
Schools & Education (not finance)	0.83
Securities/Private Placement/Public Regist	2.95
Tax Preparation-Individual	1.00
Taxation (excluding estate tax & individual preparation)	2.08

4.2.2 *Part-Time Practitioner Rates.* The following factors apply for eligible part-time practitioners:

Less than 10 hours per week:	50% credit (0.50 factor)
From 10 to 25 hours per week:	25% credit (0.75 factor)
More than 25 hours per week:	No credit (1.00 factor)

4.2.3 *Step Rating.* Apply the appropriate step factor from the table below to the base premium for each individual lawyer.

<i>Rate Level</i>	<i>Step Factor</i>	<i>Rate Level</i>	<i>Step Factor</i>
1	0.50	6	0.92
2	0.60	7	1.00
3	0.74	8	1.00
4	0.83	9	1.00
5	0.88	10	1.00

4.2.4 *Increased Limit Factors and Deductible Factors.* The tables below provide the increase limits factors for Claim Expenses Inside the Limits of Liability or for Claim Expense Outside the Limits of Liability.

<i>Limit of Liability</i>	<i>Increased Limits Factors- Claim Expense Inside the Limits of Liability</i>	<i>Increased Limits Factors- Claim Expense Outside the Limits of Liability</i>
100/300	N/A	1.323
250/750	N/A	2.068
300/600	N/A	2.216
500/1,500	N/A	2.604
1,000/2,000	N/A	3.024
2,000/4,000	N/A	3.295

Professionals Direct Insurance Company  
ProDirect Premier® Program  
Arkansas– State Rates and Exceptions  
Effective on and after October 1, 2008

3,000/4,000	N/A	3.391
4,000/4,000	N/A	3.438
5,000/5,000	N/A	3.465
5,000/10,000	N/A	3.716
6,000/6,000	N/A	3.968
7,000/7,000	N/A	4.262
7,500/7,500	N/A	4.487
8,000/8,000	N/A	4.574
9,000/9,000	N/A	4.643
10,000/10,000	N/A	4.747
10,000/20,000	N/A	4.847

PDIC will (a) rate the above increased limit factors to charge for and recover the additional cost of reinsurance in the excess layers that is over and above the premium generated by the above increased limit factors alone. Factors for per claim or aggregate limits other than those shown above will be (a) rated.

The table below provides the deductible factor.

<i>Deductible</i>	<i>Factor</i>	<i>Deductible</i>	<i>Factor</i>
0	+0.016	20,000	-0.240
1,000	+0.000	25,000	-0.288
2,500	-0.023	50,000	-0.460
5,000	-0.060	75,000	-0.570
7,500	-0.095	100,000	-0.647
10,000	-0.128	250,000	-0.903
15,000	-0.187		

4.2.5 *Territorial Factors.* The table below provides the territorial factors.

<i>Territory</i>	<i>Counties</i>	<i>Factor</i>
I	N/A	N/A
II	N/A	N/A
III	Entire State	1.00

4.2.6 *Schedule Rating Plan.* The Composite Premium may be increased or decreased up to a maximum of 40% to reflect risk management characteristics of the risk that are not reflected in the claim experience of an Individual Insured. Each of the characteristics may be subject to verification by underwriting or risk management personnel of PDIC. Factors considered may include, but are not limited to, the presence or absence of specialization and certification, the frequency and severity of claims, centralized management controls, docketing systems, conflicts checks, client intake and selection procedures, the adequacy of firm governance and management systems, and the presence or absence of grievances or disciplinary proceedings.

Professionals Direct Insurance Company  
ProDirect Premier® Program  
Arkansas– State Rates and Exceptions  
Effective on and after October 1, 2008

4.2.7 *Merit Rating Plan.* The table below provides the Merit Rating Factors.

Individual Insured Years	<i>Merit Rating Factors</i>					
	Number of Chargeable Claims in Experience Period					
	0	1	2	3	4	5+
1	-0.5%	+31.1%	+62.7%	+94.3%	+125.9%	+157.5%
2	-0.7%	+21.6%	+44.0%	+66.3%	+88.7%	+111.0%
3	-0.9%	+17.4%	+35.6%	+53.9%	+72.1%	+90.4%
4	-1.0%	+14.8%	+30.6%	+46.4%	+62.2%	+78.0%
5	-1.1%	+13.0%	+27.1%	+41.3%	+55.4%	+69.6%

*Note: Individual Insured Years is defined as experience years for the most recent 5 years*

In the event that the risk characteristics reflect exposures that dictate a greater or lesser total modification, an "a" rated factor may be applied or PDIC may decline to offer quotations or renewal terms.

4.2.9 *Firm Size Factor.* The table below provides the appropriate firm size factors.

<i>No. of Lawyers</i>	<i>Factor</i>
11	1.00
12	0.92
13	0.84
14	0.76
15	0.68
16 and over	0.60

4.2.10 *Transition Factor.*

<i>Credit or Debit</i>		<i>Annual Renewal Premium Change</i>		<i>Length of Time</i>
<i>Minimum</i>	<i>Maximum</i>	<i>Decrease</i>	<i>Increase</i>	
0%	40%	5%	25%	1 Renewal Period

5.2 *Named Insured ERP.* The Named Insured ERP charges are determined by taking the appropriate factor from the table below.

<i>Extension Period</i>	<i>Premium</i>
12 months	89% of last annual premium
24 months	149% of last annual premium
36 months	181% of last annual premium
84 months	220% of last annual premium
Unlimited	236% of last annual premium

5.3 *Individual ERP.* The Individual Insured ERP charges are determined by taking the appropriate factor from the table below.

<i>Extension Period</i>	<i>Premium</i>
12 months	89% of last annual premium
24 months	149% of last annual premium
36 months	181% of last annual premium
84 months	220% of last annual premium
Unlimited	236% of last annual premium

6.1 *Cancellation.* The Named Insured may cancel this policy at any time by mailing or delivering to us or any of our authorized agents advance written notice of cancellation. We will refund the excess of paid premium or assessment above the customary pro rata calculation for the expired time. Any unearned portion of any premium paid on the policy will be paid to the Named Insured.

We may cancel this policy for any reason if the policy is not a renewal and has been in effect for 60 days or less at the time the notice of cancellation is mailed, by mailing to the insured and the agent of record at least 20 days written notice of cancellation stating the actual reason(s) for cancellation, except where the reason for cancellation is nonpayment of premium, in which case not less than 10 days written notice.

If the policy has been in effect for more than 60 days or is a renewal policy, we may cancel this policy by mailing notice of cancellation stating the actual reason(s) for cancellation, by certified mail to the Named Insured and the agent of record, with postage fully prepaid, at the address last known to us not less than 20 days prior to the proposed effective date of cancellation for only one or more of the following reasons:

- a) nonpayment of premium (with not less than 10 days prior notice of cancellation);
- b) fraud or material misrepresentation made by or with the knowledge of the Named Insured in obtaining the policy, continuing the policy, or in presenting a claim under the policy;
- c) the occurrence of a material change in the risk that substantially increases any hazard insured against after policy issuance;
- d) a material violation of a material provision of the policy.

The unearned portion of the premium the Named Insured paid us will be calculated on a pro rata basis and paid to the Named Insured.

6.2 *Nonrenewal.* If we decide not to renew this policy, we will mail written notice with a statement of actual reason(s) to the Named Insured and the agent of record at least 60 days before the expiration date. Changes in the terms available on renewal will not be considered a nonrenewal of this policy. The mailing by certified mail will be sufficient proof of notice.

6.3 *Renewal.* We may offer to renew this policy at the terms and rates applicable at the expiration date. We will not amend the retroactive date(s) during a period of continuous coverage. We will provide 30 day prior written notice to the Named Insured at the mailing address shown on the policy advising of the renewal terms and statement of premium due.

Professionals Direct Insurance Company  
ProDirect Premier® Program  
Arkansas– State Rates and Exceptions  
Effective on and after October 1, 2008

If we intend to revise the rates and/or factors determining rates by an amount equal to or greater than 25%, we will mail to the Named Insured and the agent of record not less than 30 days prior notice of our intent to increase the rates, specifically stating our intention to increase the premium by an amount equal to or greater than 25%. If notice is not given as stated, your policy will be extended 30 days from the date such notice is mailed or delivered. The earned premium for any period of coverage beyond the expiration date will be considered pro rata based upon the rates in effect at the inception date of the expiring policy. If the Named Insured accepts the renewal, the premium increase, if any, and other changes are effective the day following the prior policy's expiration or anniversary date.

SERFF Tracking Number: PRDC-125773698 State: Arkansas  
 Filing Company: Professionals Direct Insurance Company State Tracking Number: EFT \$100  
 Company Tracking Number: 25585-0808-ARRR  
 TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability  
 Product Name: ProDirect Select and ProDirect Premier  
 Project Name/Number: Initial filing of rates and rules in AR/25585-0808-ARRR

## Supporting Document Schedules

**Satisfied -Name:** Uniform Transmittal Document- Property & Casualty **Review Status:** Filed 10/22/2008

**Comments:**

Attached is the Transmittal for rates and rules for our lawyers professional liability lines.

**Attachment:**

P&C Transmittal-AR rates distilled.pdf

**Bypassed -Name:** NAIC Loss Cost Filing Document for OTHER than Workers' Comp **Review Status:** Filed 10/22/2008

**Bypass Reason:** This is an independent filing.

**Comments:**

**Satisfied -Name:** NAIC loss cost data entry document **Review Status:** Filed 10/22/2008

**Comments:**

**Attachment:**

07 CountrywidePremium Expense Exhibits.pdf

Property & Casualty Transmittal Document

Reset Form

**1. Reserved for Insurance Dept. Use Only**

**2. Insurance Department Use only**

a. Date the filing is received:

b. Analyst:

c. Disposition:

d. Date of disposition of the filing:

e. Effective date of filing:

New Business	
Renewal Business	

f. State Filing #:

g. SERFF Filing #:

h. Subject Codes

<b>3. Group Name</b>	The Hanover Insurance Group				<b>Group NAIC #</b>	0088
<b>4. Company Name(s)</b>	<b>Domicile</b>	<b>NAIC #</b>	<b>FEIN #</b>	<b>State #</b>		
Professionals Direct Insurance Company	MI	25585	38-2755799	2882		

**5. Company Tracking Number** 25585-0808-ARRR

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

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Mary Knaut 5211 Cascade Rd. SE Grand Rapids, MI 49546	Reg & Compliance Supervisor, Specialty	616-456-8899 x1375	616-456-6875	mknaut@professionalsdirect.com
	Stephen M. Tuuk, President 5211 Cascade Rd. SE Grand Rapids, MI 49546	President	616-456-8899 x1363	616-456-6875	stuuk@professionalsdirect.com
7.	Signature of authorized filer				
8.	Please print name of authorized filer		Mary J. Knaut		

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

9.	Type of Insurance (TOI)	17.1 Other Liability-Claims Made Only
10.	Sub-Type of Insurance (Sub-TOI)	17.1019 Professional Errors and Omissions Liability
11.	State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12.	Company Program Title (Marketing title)	ProDirect Select and ProDirect Premier
13.	Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" 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: October 1, 2008    Renewal: October 1, 2008
15.	Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16.	Reference Organization (if applicable)	n/a
17.	Reference Organization # & Title	n/a
18.	Company's Date of Filing	August 27, 2008
19.	Status of filing in domicile	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input checked="" type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

# Property & Casualty Transmittal Document—

20. This filing transmittal is part of Company Tracking # 25585-0808-ARRR

21. Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

See attached Filing Memorandum

[View Complete Filing Description](#)

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]

Check #: EFT

Amount: 100.00

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.)**

<b>1.</b>	<b>This filing transmittal is part of Company Tracking #</b>	25585-0808-ARRR
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<b>2.</b>	<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	25585-0808-ARF
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Rate Increase     
  Rate Decrease     
  Rate Neutral (0%)

<b>3.</b>	<b>Filing Method (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	File & Use
-----------	--	------------

<b>4a.</b>	<b>Rate Change by Company (As Proposed)</b>
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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)
Professionals Direct Ins.	n/a	n/a	0	0	0	0	0

<b>4b.</b>	<b>Rate Change by Company (As Accepted) For State Use Only</b>
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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	Minimum % Change

<b>5.</b>	<b>Overall Rate Information (Complete for Multiple Company Filings only)</b>
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		COMPANY USE	STATE USE
<b>5a</b>	<b>Overall percentage rate indication (when applicable)</b>	n/a	
<b>5b</b>	<b>Overall percentage rate impact for this filing</b>	n/a	
<b>5c</b>	<b>Effect of Rate Filing – Written premium change for this program</b>	0	
<b>5d</b>	<b>Effect of Rate Filing – Number of policyholders affected</b>	0	

<b>6.</b>	<b>Overall percentage of last rate revision</b>	n/a
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<b>7.</b>	<b>Effective Date of last rate revision</b>	n/a
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<b>8.</b>	<b>Filing Method of Last filing (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	n/a this is our initial filing.
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<b>9.</b>	<b>Rule # or Page # Submitted for Review</b>	<b>Replacement or withdrawn?</b>	<b>Previous state filing number, if required by state</b>
01	ProDirect Select Rules Manual entire manual	<input checked="" type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02	ProDirect Select Rates and Exceptions pages for Arkansas	<input checked="" type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03	ProDirect Premier Rules Manual entire manual	<input checked="" type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

g.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	ProDirect Premier Rates and Exceptions pages for Arkansas	<input checked="" type="checkbox"/> New <input 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	
04		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
05		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
06		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
07		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
08		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
09		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
10		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

## **Filing Memorandum**

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### **PROFESSIONALS DIRECT INSURANCE COMPANY**

#### **OTHER PROFESSIONAL LIABILITY (LAWYERS)**

Professionals Direct Insurance Company (“PDIC”) is a Michigan domiciled insurance company, formerly known as Michigan Lawyers Mutual Insurance Company (“MLMIC”). MLMIC was incorporated in 1987 and was demutualized into PDIC in 2001. In February 2002, A.M. Best granted PDIC an A- (Excellent), Financial Size Category Class IV with a stable outlook. Since this time we have maintained an A- (Excellent) rating and are now in the Financial Size Category Class V.

PDIC is a specialist in providing lawyers professional liability (“LPL”) insurance and is licensed in 43 states and the District of Columbia. It has been, and continues to be, the leading carrier for this product in Michigan and other states.

Professionals Direct, Inc. (the “Holding Company”) was purchased by The Hanover Insurance Group, Inc. (“Hanover”) based in Worcester, Massachusetts, on September 14, 2007. PDIC is a wholly-owned subsidiary of the Holding Company. The Hanover Group anticipates that the current staff will use the current platform to grow and expand LPL and other professional lines.

PDIC approaches its underwriting of LPL insurance with a focus on data analysis and actuarial rate making. We have a large amount of loss data from underwriting LPL insurance for more than 20 years. Our rates are driven by our claims results and exposures. Rate relativities are annually reviewed by our independent actuaries. By this analysis, we take much of the subjective guesswork out of the pricing and underwriting of LPL insurance.

#### **RATE REVIEW**

##### **Overall Actuarial Review**

Milliman USA performed an actuarial review of PDIC’s loss reserves at the end of the second quarter, 2007. The Milliman loss reserve study is the basis for our annual review of underwriting rates and rating relativities (the “2008 Rate Study”). The 2008 Rate Study reviewed the rates and relativities as of June 30, 2007 using the loss information in the five (5) preceding report years. We started the process in 2001 with Milliman USA and accepted virtually all of their suggested changes. This year, we are reviewing rates using the claim and loss information from 2002, 2003, 2004, 2005 and 2006, all updated as of June 30, 2007. Next year, we will roll one year forward using the information as of June 30, 2008. By this method, we expect that our rates will be as accurately matched to the overall loss exposures as possible.

With respect to our rate formulation, we have eliminated much of the subjectivity from our rating through our unique classification procedure. The factors we propose to use are those promulgated by our actuaries, Milliman USA, in its complete review of our programs. The rate

study reviews our overall premium levels and rating relativities for the prior five (5) report years using loss information as of June 30 of the year in which the study is performed. For example, this year, Milliman will review the premium and losses for the 2003 and through the 2007 report years. Under our proposed rating plan, we will rate each attorney individually according to his/her **composite-rated** classification. Generally, PDIC accepts the indicated rates and rate relativities that are proposed by Milliman USA.

Arkansas is a new market entry for PDIC. The rate factors here filed are the same factors currently filed and approved in Oklahoma.

### **Merit Rating Plan**

The merit modification for ProDirect Select® and ProDirect Premier® risks will be determined in accordance with the merit rating procedures described in this plan. The merit modification will be determined using 5 years of professional liability claims experience. The experience period will be 5 years (60 months) prior to the date for which the merit modification is established.

### **Area of Practice Modifiers**

Area of practice modifiers are based on actual claim and loss information divided by the premium earned from a given practice area. To be credible, the area of practice must have a sufficient level of premium derived from it. The areas of practice with sufficient premium and loss information are reviewed on a loss ratio basis by Milliman USA in PDIC's annual rate review. Increases and decreases to the area of practice modifiers are made based upon the experience within the area of practice.

### **Firm Size Factor**

We are using the firm size factors recommended by Milliman but graduating the firm size credits for the Premier program. See the attached Explanation of the Firm Size Factor.

## **PROGRAMS**

Starting in 1997, PDIC separated its LPL product line into three separate policies that today are known as: ProDirect Essentials® ("Essentials"), ProDirect Select® ("Select"), and ProDirect Premier® ("Premier"). The Essentials and Select programs target firms with up to 10 members, and the Premier program targets firms with more than 10 members.

We are filing the Select and Premier programs in Arkansas.

### **Select**

The Select policy covers the largest segment of PDIC's business. Coverages include multiple deductible options (including zero), CEIL and CEOL, and the maximum policy limit is \$5 million per claim and \$5 million in the aggregate. Our objectives in designing this program were to:

- Develop plain English professional liability policies designed to provide broad coverage for attorneys;

- Rate each attorney individually by area of practice and prior acts exposure; and
- Eliminate subjective judgment from area of practice classifications.

Our Select rates start with the individual attorney. Most of our competitors would rate the firm as a whole on a sliding scale using one area of practice set of rates. For this policy, PDIC places a heavy emphasis on the areas of practice relativities, firm size, geography and other diagnostics. We rate each individual attorney and then combine the individual attorney rates for a firm composite rate.

### **Premier**

In our Premier policy, PDIC uses a traditional account-by-account underwriting approach. Claim history, areas of practice, quality of firm management, stability and other more subjective factors are used to determine whether to accept a risk. In this segment, PDIC is oriented toward law firms with up to around 50 lawyers.

### **ANTI-FRAUD POLICIES AND PRACTICES**

PDIC writes policies that protect from third party claims, not first party claims. Incidents, claims and lawsuits are presented by clients of insured attorneys who believe that the insured attorney committed some form of legal malpractice. A high majority of the claimants engage attorneys to present the claim against the insured attorney. At that point, our claim administrators investigate the claim, reviewing the merits of the claim, the supporting documents and the level of damages and losses. If the claim is litigated, PDIC hires and pays an attorney to defend the claim for the insured attorney. Given the levels of review and the differing interests of each party, the likelihood of fraudulent claims being paid is relatively low. Our claim administrators remain vigilant to protect both the interests of the insured attorney and PDIC in order to pay only those claims that are legitimate.

**Explanation of the Firm Size Factor:**

This chart gives examples of three different size firms.

<p>Cost per lawyer is calculated individually based on area of practice, full or part-time status, years insured (step factor), limits and deductible selected, territory, and number of chargeable claims in the year insured. The individual insureds premiums are totaled to result in the Composite Premium for the firm. The firm size factor is multiplied times the Composite Premium.</p>	
<p>Ex: \$1,000 premium per lawyer, \$2 mil/\$4 mil limits purchased:</p>	
<p><b>One (1) member firm</b></p>	<p>This <b>lawyer</b> is covered for \$2 million per claim and an aggregate of \$4 million per year for a \$1,000 premium.</p>
<p><b>Three (3) member firm</b></p>	<p>This <b>firm</b> is covered for \$2 million per claim and an aggregate of \$4 million per year. Theoretically, if lawyer #1 has a \$2 million claim and lawyer #2 has a \$2 million claim, there is no coverage left for lawyer #3 since the firm aggregate is \$4 million. The 3 person firm has paid \$3,000 for the same \$ coverage that a one person firm has paid \$1,000. A 3 person firm presents more exposure than a 1 person firm; but according to our actuaries, not 3 times the exposure. Thus the discount.</p>
<p><b>16 member firm</b></p>	<p>This <b>firm</b> is also covered for \$2 million per claim and an aggregate of \$4 million per year. Theoretically, if lawyer #1 has a \$2 million claim and lawyer #2 has a \$2 million claim, there is no coverage left for lawyers #3-16 since the firm aggregate is \$4 million. The 16 person firm has paid \$16,000 for the same \$ coverage that a one person firm has paid \$1,000. A 16 person firm presents more exposure than a 1 person firm; but according to our actuaries, not 16 times the exposure. Thus the discount.</p>
<p>Our Premier base rate includes consideration for the size of the firm compared to the Select base rate. Though our actuaries do not recommend a firm size discount until the firm has 16 members, we are filing a graduated discount factor for the firms of 12-15 members. Our reasoning is that if a 16 member firm lost one member, the firm price would actually increase by 40% for losing one lawyer, contrary to the actual risk presented.</p>	

# Professionals Direct Insurance Company

## Countrywide

Program Line	Lawyers Professional Liability		Other Liability -- Line 17								Combined Years	
	<u>2007</u> <u>Dollars</u>	<u>2007</u> <u>Ratio</u>	<u>2006</u> <u>Dollars</u>	<u>2006</u> <u>Ratio</u>	<u>2005</u> <u>Dollars</u>	<u>2005</u> <u>Ratio</u>	<u>2004</u> <u>Dollars</u>	<u>2004</u> <u>Ratio</u>	<u>2003</u> <u>Dollars</u>	<u>2003</u> <u>Ratio</u>	<u>Dollars</u>	<u>Ratio</u>
Direct Premiums Written	26,081,196		25,180,861		25,902,349		24,009,329		24,294,320		125,468,055	
Direct Premiums Earned	25,957,261		25,171,981		24,864,142		23,739,218		19,342,356		119,074,958	
Assumed Premiums Written	-		-		-		-		-		-	
Assumed Premiums Earned	-		-		-		-		-		-	
Ceded Premiums Written	7,934,884		9,475,959		9,500,570		9,924,560		4,175,859		41,011,832	
Ceded Premiums Earned	8,861,156		9,350,519		9,488,728		7,536,056		3,415,737		38,652,196	
Net Premiums Written	18,146,312		15,704,902		16,401,779		14,084,769		20,118,461		84,456,223	
Net Premiums Earned	17,096,105		15,821,462		15,375,414		16,203,162		15,926,619		80,422,762	
Losses Incurred (E)*	7,868,187	46.0%	5,965,268	37.7%	7,444,106	48.4%	6,880,988	42.5%	4,605,800	28.9%	32,764,349	40.7%
Loss Expenses Incurred (E)*	6,329,087	37.0%	5,275,358	33.3%	6,196,484	40.3%	4,359,723	26.9%	3,224,109	20.2%	25,384,761	31.6%
Acquisition Expense Incurred (W)**	2,340,557	12.9%	2,207,319	14.1%	745,594	4.5%	1,073,483	7.6%	2,758,873	13.7%	9,125,826	10.8%
General Expenses (E)*	1,350,324	7.9%	1,051,577	6.6%	2,444,829	15.9%	3,155,803	19.5%	2,906,807	18.3%	10,909,340	13.6%
Taxes, Licenses & Fees Incurred (W)**	621,137	3.4%	619,737	3.9%	561,840	3.4%	550,086	3.9%	533,212	2.7%	2,886,012	3.4%
Total Loss and Expense (C)***	18,509,292	107.3%	15,119,259	95.7%	17,392,853	112.6%	16,020,083	100.4%	14,028,801	83.8%	81,070,288	100.1%

\* (E) Ratio based on Net Earned Premium

\*\* (W) Ratio based on Net Written Premium

\*\*\* (C) Ratio reflects the combined ratio as the sum of all of the above

All Premiums on this exhibit are actual premiums collected (not adjusted to manual rates if written at a deviation)

Professionals Direct Insurance Company  
Expense Exhibit  
Countrywide

Program Line	Lawyers Professional Liability		Other Liability -- Line 17			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>Five Year Average</u>
A. Acquisition Expense	12.9%	14.1%	4.5%	7.6%	13.7%	10.8%
B. General Expenses	7.9%	6.6%	15.9%	19.5%	18.3%	13.6%
C. Taxes, Licenses & Fees	<u>3.4%</u>	<u>3.9%</u>	<u>3.4%</u>	<u>3.9%</u>	<u>2.7%</u>	<u>3.4%</u>
D. Total Expenses	<u>24.2%</u>	<u>24.6%</u>	<u>23.9%</u>	<u>31.0%</u>	<u>34.6%</u>	<u>27.8%</u>
Expected Loss Ratio (100 - D)	<u>75.8%</u>	<u>75.4%</u>	<u>76.1%</u>	<u>69.0%</u>	<u>65.4%</u>	<u>72.2%</u>

SERFF Tracking Number: PRDC-125773698 State: Arkansas  
 Filing Company: Professionals Direct Insurance Company State Tracking Number: EFT \$100  
 Company Tracking Number: 25585-0808-ARRR  
 TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1019 Professional Errors & Omissions Liability  
 Product Name: ProDirect Select and ProDirect Premier  
 Project Name/Number: Initial filing of rates and rules in AR/25585-0808-ARRR

## Superseded Attachments

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Original Date:	Schedule	Document Name	Replaced Date	Attach Document
No original date	Rate and Rule	ProDirect Select Rate and Exceptions pages for Arkansas	08/27/2008	AR Select ratepgs 2008, 10-1.pdf
No original date	Rate and Rule	ProDirect Premier Rate and Exceptions pages for Arkansas	08/27/2008	AR Premier ratepgs 2008,10-1.pdf

**Professionals Direct Insurance Company**  
**ProDirect Select® Program**  
**Arkansas -- State Rates and Exceptions**

The following shall apply as if stated in the section or paragraph noted in the Manual of Rules and Rates.

2.1 *General Eligibility.* All lawyers covered under a Program Policy must be licensed to practice law in Arkansas.

3.1 *Endorsements.* The following endorsement may be used in addition to the other endorsement forms.

	<i>Endorsements</i>	
State Amendatory Endorsement		S-LPL-AR

4.1 *Individual Insured Base Premium.* The Individual Insured Base Premium is \$1,083 for a limit of \$100,000/\$300,000 with a \$1,000 deductible and a 12-month term and claim expense inside the limit of liability.

4.2.1 *Area of Practice.* Use the following table to determine the area of practice factor for an Individual Insured.

<i>AREA OF PRACTICE</i>	<i>FACTOR</i>
Admiralty & Marine	1.98
Agent Practice /Entertainment Law	1.98
Business Formation	1.00
Business Transactions-General	1.00
Civil Litigation – General	0.83
Commercial & Corporate- General Litigation -Defense	0.75
Commercial & Corporate General Litigation-Plaintiff	0.75
Corporate Finance	1.97
Creditor Rights / Collections	1.37
Creditor Rights / General	0.67
Criminal Defense	0.31
Defense Litigation-Insurance Carrier Representation	0.51
Elder Law	0.61
Employee Benefit Plans, ERISA	0.75
Employment Law-Employee Representation	3.26
Employment Law-Management Representation	0.43
Employment Law-Union Representation	1.00
Environmental Regulatory	1.09
Estate & Probate - General	1.00
Estate Planning and Trust Administration	1.00
Family Law / Juvenile Rights	0.92
Immigration	1.00
Intellectual Property	2.04
Mediation, Arbitration	0.44
Mergers & Acquisitions	1.97
Municipal – General (not finance)	0.83
Municipal Finance or Bonds	1.97
Oil & Gas, Mineral Rights	1.66

Professionals Direct Insurance Company  
 ProDirect Select® Program  
 Arkansas – State Rates and Exceptions  
 Effective on and after October 1, 2008

Other (if more than 5%, explain)	1.00
Plaintiff Litigation-Class Actions	4.23
Plaintiff Litigation-Legal Malpractice	3.26
Plaintiff Litigation-Medical Malpractice	3.26
Plaintiff Litigation-Personal or Bodily Injury	3.26
Plaintiff Litigation-Social Security, Workers Comp	1.19
Public Utilities(not finance)	0.83
Real Estate Finance	1.97
Real Estate-Residential & Basic Commercial	1.15
Schools & Education (not finance)	0.83
Securities/Private Placement/Public Regist	2.95
Tax Preparation-Individual	1.00
Taxation (excluding estate tax & individual preparation)	2.08

4.2.2 *Part-Time Practitioner Rates.* The following factors apply for eligible part-time practitioners:

Less than 10 hours per week:	50% credit (0.50 factor)
From 10 to 25 hours per week:	25% credit (0.75 factor)
More than 25 hours per week:	No credit (1.00 factor)

4.2.3 *Step Rating.* Apply the appropriate step factor from the table below to the base premium for each individual lawyer.

<i>Rate Level</i>	<i>Step Factor</i>	<i>Rate Level</i>	<i>Step Factor</i>
1	0.50	6	.92
2	0.60	7	1.00
3	0.74	8	1.00
4	0.83	9	1.00
5	0.88	10	1.00

4.2.4 *Increased Limit Factors and Deductible Factors.* The tables below provide the increase limits factors for Claim Expenses Inside the Limits of Liability or for Claim Expense Outside the Limits of Liability.

<i>Limit of Liability</i>	<i>Increased Limits Factors- Claim Expense Inside the Limits of Liability</i>	<i>Increased Limits Factors- Claim Expense Outside the Limits of Liability</i>
100/300	N/A	1.248
250/750	N/A	1.669
300/600	N/A	1.739
500/1,500	N/A	1.900
1,000/2,000	N/A	2.040
2,000/4,000	N/A	2.111
3,000/4,000	N/A	2.131
4,000/4,000	N/A	2.140
5,000/5,000	N/A	2.144

Professionals Direct Insurance Company  
ProDirect Select® Program  
Arkansas – State Rates and Exceptions  
Effective on and after October 1, 2008

PDIC will (a) rate the above increased limit factors to charge for and recover the additional cost of reinsurance in the excess layers that is over and above the premium generated by the above increased limit factors alone. Factors for per claim or aggregate limits other than those shown above will be (a) rated.

The table below provides the deductible factor.

<i>Deductible</i>	<i>Factor</i>	<i>Deductible</i>	<i>Factor</i>
0	+0.016	10,000	-0.128
1,000	+0.000	15,000	-0.187
2,500	-0.023	20,000	-0.240
5,000	-0.060	25,000	-0.288
7,500	-0.095	50,000	-0.460

4.2.5 *Territorial Factors.* The table below provides the territorial factors.

<i>Territory</i>	<i>Counties</i>	<i>Factor</i>
I	N/A	N/A
II	N/A	N/A
III	Entire State	1.00

4.2.6 *Schedule Rating Plan.* The Individual Insured Premium may be increased or decreased up to a maximum of 25% to reflect risk management characteristics of the risk that are not reflected in the claim experience of an Individual Insured. Each of the characteristics may be subject to verification by underwriting or risk management personnel of PDIC. Factors considered may include, but are not limited to, the presence or absence of specialization and certification, the frequency and severity of claims, centralized management controls, docketing systems, conflicts checks, client intake and selection procedures, the adequacy of firm governance and management systems, and the presence or absence of grievances or disciplinary proceedings.

4.2.7 *Merit Rating Plan.* The table below provides the Merit Rating Factors.

<i>Merit Rating Factors</i>						
Individual Insured Years	Number of Chargeable Claims in Experience Period					
	0	1	2	3	4	5+
1	-0.5%	+31.1%	+62.7%	+94.3%	+125.9%	+157.5%
2	-0.7%	+21.6%	+44.0%	+66.3%	+88.7%	+111.0%
3	-0.9%	+17.4%	+35.6%	+53.9%	+72.1%	+90.4%
4	-1.0%	+14.8%	+30.6%	+46.4%	+62.2%	+78.0%
5	-1.1%	+13.0%	+27.1%	+41.3%	+55.4%	+69.6%

*Note: Individual Insured Years is defined as experience years for the most recent 5 years*

In the event that the risk characteristics reflect exposures that dictate a greater or lesser total modification, an "a" rated factor may be applied or PDIC may decline to offer quotations or renewal terms.

4.2.10 *Firm Size Factor.* The table below provides the appropriate firm size factors.

<i>No. of Lawyers</i>	<i>Factor</i>
1	1.000
2-3	.975
4-5	.950
6	.925
7	.900
8	.825
9	.775
10	.750

5.2 *Named Insured ERP.* The Named Insured ERP charges are determined by taking the appropriate factor from the table below.

<i>Extension Period</i>	<i>Premium</i>
12 months	89% of last annual premium
24 months	149% of last annual premium
36 months	181% of last annual premium
84 months	220% of last annual premium
Unlimited	236% of last annual premium

5.3 *Individual ERP.* The Individual Insured ERP charges are determined by taking the appropriate factor from the table below.

<i>Extension Period</i>	<i>Premium</i>
12 months	89% of last annual premium
24 months	149% of last annual premium
36 months	181% of last annual premium
84 months	220% of last annual premium
Unlimited	236% of last annual premium

6.1 *Cancellation.* The Named Insured may cancel this policy at any time by mailing or delivering to us or any of our authorized agents advance written notice of cancellation. We will refund the excess of paid premium or assessment above the customary pro rata calculation for the expired time. Any unearned portion of any premium paid on the policy will be paid to the Named Insured.

We may cancel this policy for any reason if the policy is not a renewal and has been in effect for 60 days or less at the time the notice of cancellation is mailed, by mailing to the insured and the agent of record at least 20 days written notice of cancellation stating the actual reason(s) for cancellation, except where the reason for cancellation is nonpayment of premium, in which case not less than 10 days written notice.

If the policy has been in effect for more than 60 days or is a renewal policy, we may cancel this policy by mailing notice of cancellation stating the actual reason(s) for cancellation, by certified mail to the Named Insured and the agent of record, with postage fully prepaid, at the address last known to us not less than 20 days prior to the proposed effective date of cancellation for only one or more of the following reasons:

- a) nonpayment of premium (with not less than 10 days prior notice of cancellation);

Professionals Direct Insurance Company  
ProDirect Select® Program  
Arkansas – State Rates and Exceptions  
Effective on and after October 1, 2008

- b) fraud or material misrepresentation made by or with the knowledge of the Named Insured in obtaining the policy, continuing the policy, or in presenting a claim under the policy;
- c) the occurrence of a material change in the risk that substantially increases any hazard insured against after policy issuance;
- d) a material violation of a material provision of the policy.

The unearned portion of the premium the Named Insured paid us will be calculated on a pro rata basis and paid to the Named Insured.

6.2 *Nonrenewal.* If we decide not to renew this policy, we will mail written notice with a statement of actual reason(s) to the Named Insured and the agent of record at least 60 days before the expiration date. Changes in the terms available on renewal will not be considered a nonrenewal of this policy. The mailing by certified mail will be sufficient proof of notice.

6.3 *Renewal.* We may offer to renew this policy at the terms and rates applicable at the expiration date. We will not amend the retroactive date(s) during a period of continuous coverage. We will provide 30 day prior written notice to the Named Insured at the mailing address shown on the policy advising of the renewal terms and statement of premium due.

If we intend to revise the rates and/or factors determining rates by an amount equal to or greater than 25%, we will mail to the Named Insured and the agent of record not less than 30 days prior notice of our intent to increase the rates, specifically stating our intention to increase the premium by an amount equal to or greater than 25%. If notice is not given as stated, your policy will be extended 30 days from the date such notice is mailed or delivered. The earned premium for any period of coverage beyond the expiration date will be considered pro rata based upon the rates in effect at the inception date of the expiring policy. If the Named Insured accepts the renewal, the premium increase, if any, and other changes are effective the day following the prior policy's expiration or anniversary date.

**Professionals Direct Insurance Company**  
**ProDirect Premier® Program**  
**Arkansas -- State Rates and Exceptions**

The following shall apply as if stated in the section or paragraph noted in the Manual of Rules and Rates.

3.1 *Endorsements.* The following endorsement may be used in addition to the other endorsement forms.

	<i>Endorsements</i>	
<i>State Amendatory Endorsement</i>		P-LPL-AR

4.1 *Individual Insured Base Premium.* The Individual Insured Base Premium is \$829 for a limit of \$100,000/\$300,000 with a \$1,000 deductible and a 12-month term and claim expense inside the limit of liability.

4.2.1 *Area of Practice.* The following table is used to determine the area of practice factor for an Individual Insured.

<b><i>AREA OF PRACTICE</i></b>	<b><i>FACTOR</i></b>
Admiralty & Marine	1.98
Agent Practice /Entertainment Law	1.98
Business Formation	1.00
Business Transactions-General	1.00
Civil Litigation – General	0.83
Commercial & Corporate- General Litigation -Defense	0.75
Commercial & Corporate General Litigation-Plaintiff	0.75
Corporate Finance	1.97
Creditor Rights / Collections	1.37
Creditor Rights / General	0.67
Criminal Defense	0.31
Defense Litigation-Insurance Carrier Representation	0.51
Elder Law	0.61
Employee Benefit Plans, ERISA	0.75
Employment Law-Employee Representation	3.26
Employment Law-Management Representation	0.43
Employment Law-Union Representation	1.00
Environmental Regulatory	1.09
Estate & Probate - General	1.00
Estate Planning and Trust Administration	1.00
Family Law / Juvenile Rights	0.92
Immigration	1.00
Intellectual Property	2.04
Mediation, Arbitration	0.44
Mergers & Acquisitions	1.97
Municipal – General (not finance)	0.83
Municipal Finance or Bonds	1.97
Oil & Gas, Mineral Rights	1.66

Professionals Direct Insurance Company  
ProDirect Premier® Program  
Arkansas– State Rates and Exceptions  
Effective on and after October 1, 2008

Other (if more than 5%, explain)	1.00
Plaintiff Litigation-Class Actions	4.23
Plaintiff Litigation-Legal Malpractice	3.26
Plaintiff Litigation-Medical Malpractice	3.26
Plaintiff Litigation-Personal or Bodily Injury	3.26
Plaintiff Litigation-Social Security, Workers Comp	1.19
Public Utilities(not finance)	0.83
Real Estate Finance	1.97
Real Estate-Residential & Basic Commercial	1.15
Schools & Education (not finance)	0.83
Securities/Private Placement/Public Regist	2.95
Tax Preparation-Individual	1.00
Taxation (excluding estate tax & individual preparation)	2.08

4.2.2 *Part-Time Practitioner Rates.* The following factors apply for eligible part-time practitioners:

Less than 10 hours per week:	50% credit (0.50 factor)
From 10 to 25 hours per week:	25% credit (0.75 factor)
More than 25 hours per week:	No credit (1.00 factor)

4.2.3 *Step Rating.* Apply the appropriate step factor from the table below to the base premium for each individual lawyer.

<i>Rate Level</i>	<i>Step Factor</i>	<i>Rate Level</i>	<i>Step Factor</i>
1	0.50	6	0.92
2	0.60	7	1.00
3	0.74	8	1.00
4	0.83	9	1.00
5	0.88	10	1.00

4.2.4 *Increased Limit Factors and Deductible Factors.* The tables below provide the increase limits factors for Claim Expenses Inside the Limits of Liability or for Claim Expense Outside the Limits of Liability.

<i>Limit of Liability</i>	<i>Increased Limits Factors- Claim Expense Inside the Limits of Liability</i>	<i>Increased Limits Factors- Claim Expense Outside the Limits of Liability</i>
100/300	N/A	1.323
250/750	N/A	2.068
300/600	N/A	2.216
500/1,500	N/A	2.604
1,000/2,000	N/A	3.024
2,000/4,000	N/A	3.295
3,000/4,000	N/A	3.391
4,000/4,000	N/A	3.438
5,000/5,000	N/A	3.465

Professionals Direct Insurance Company  
ProDirect Premier® Program  
Arkansas– State Rates and Exceptions  
Effective on and after October 1, 2008

5,000/10,000	N/A	3.716
6,000/6,000	N/A	3.968
7,000/7,000	N/A	4.262
7,500/7,500	N/A	4.487
8,000/8,000	N/A	4.574
9,000/9,000	N/A	4.643
10,000/10,000	N/A	4.747
10,000/20,000	N/A	4.847

PDIC will (a) rate the above increased limit factors to charge for and recover the additional cost of reinsurance in the excess layers that is over and above the premium generated by the above increased limit factors alone. Factors for per claim or aggregate limits other than those shown above will be (a) rated.

The table below provides the deductible factor.

<i>Deductible</i>	<i>Factor</i>	<i>Deductible</i>	<i>Factor</i>
0	+0.016	20,000	-0.240
1,000	+0.000	25,000	-0.288
2,500	-0.023	50,000	-0.460
5,000	-0.060	75,000	-0.570
7,500	-0.095	100,000	-0.647
10,000	-0.128	250,000	-0.903
15,000	-0.187		

4.2.5 *Territorial Factors.* The table below provides the territorial factors.

<i>Territory</i>	<i>Counties</i>	<i>Factor</i>
I	N/A	N/A
II	N/A	N/A
III	Entire State	1.00

4.2.6 *Schedule Rating Plan.* The Composite Premium may be increased or decreased up to a maximum of 40% to reflect risk management characteristics of the risk that are not reflected in the claim experience of an Individual Insured. Each of the characteristics may be subject to verification by underwriting or risk management personnel of PDIC. Factors considered may include, but are not limited to, the presence or absence of specialization and certification, the frequency and severity of claims, centralized management controls, docketing systems, conflicts checks, client intake and selection procedures, the adequacy of firm governance and management systems, and the presence or absence of grievances or disciplinary proceedings.

Professionals Direct Insurance Company  
ProDirect Premier® Program  
Arkansas– State Rates and Exceptions  
Effective on and after October 1, 2008

4.2.7 *Merit Rating Plan.* The table below provides the Merit Rating Factors.

Individual Insured Years	<i>Merit Rating Factors</i>					
	Number of Chargeable Claims in Experience Period					
	0	1	2	3	4	5+
1	-0.5%	+31.1%	+62.7%	+94.3%	+125.9%	+157.5%
2	-0.7%	+21.6%	+44.0%	+66.3%	+88.7%	+111.0%
3	-0.9%	+17.4%	+35.6%	+53.9%	+72.1%	+90.4%
4	-1.0%	+14.8%	+30.6%	+46.4%	+62.2%	+78.0%
5	-1.1%	+13.0%	+27.1%	+41.3%	+55.4%	+69.6%

*Note: Individual Insured Years is defined as experience years for the most recent 5 years*

In the event that the risk characteristics reflect exposures that dictate a greater or lesser total modification, an "a" rated factor may be applied or PDIC may decline to offer quotations or renewal terms.

4.2.9 *Firm Size Factor.* The table below provides the appropriate firm size factors.

<i>No. of Lawyers</i>	<i>Factor</i>
11	1.00
12	0.92
13	0.84
14	0.76
15	0.68
16 and over	0.60

4.2.10 *Transition Factor.*

<i>Credit or Debit</i>		<i>Annual Renewal Premium Change</i>		<i>Length of Time</i>
<i>Minimum</i>	<i>Maximum</i>	<i>Decrease</i>	<i>Increase</i>	
0%	40%	5%	25%	1 Renewal Period

5.2 *Named Insured ERP.* The Named Insured ERP charges are determined by taking the appropriate factor from the table below.

<i>Extension Period</i>	<i>Premium</i>
12 months	89% of last annual premium
24 months	149% of last annual premium
36 months	181% of last annual premium
84 months	220% of last annual premium
Unlimited	236% of last annual premium

5.3 *Individual ERP.* The Individual Insured ERP charges are determined by taking the appropriate factor from the table below.

<i>Extension Period</i>	<i>Premium</i>
12 months	89% of last annual premium
24 months	149% of last annual premium
36 months	181% of last annual premium
84 months	220% of last annual premium
Unlimited	236% of last annual premium

6.1 *Cancellation.* The Named Insured may cancel this policy at any time by mailing or delivering to us or any of our authorized agents advance written notice of cancellation. We will refund the excess of paid premium or assessment above the customary pro rata calculation for the expired time. Any unearned portion of any premium paid on the policy will be paid to the Named Insured.

We may cancel this policy for any reason if the policy is not a renewal and has been in effect for 60 days or less at the time the notice of cancellation is mailed, by mailing to the insured and the agent of record at least 20 days written notice of cancellation stating the actual reason(s) for cancellation, except where the reason for cancellation is nonpayment of premium, in which case not less than 10 days written notice.

If the policy has been in effect for more than 60 days or is a renewal policy, we may cancel this policy by mailing notice of cancellation stating the actual reason(s) for cancellation, by certified mail to the Named Insured and the agent of record, with postage fully prepaid, at the address last known to us not less than 20 days prior to the proposed effective date of cancellation for only one or more of the following reasons:

- a) nonpayment of premium (with not less than 10 days prior notice of cancellation);
- b) fraud or material misrepresentation made by or with the knowledge of the Named Insured in obtaining the policy, continuing the policy, or in presenting a claim under the policy;
- c) the occurrence of a material change in the risk that substantially increases any hazard insured against after policy issuance;
- d) a material violation of a material provision of the policy.

The unearned portion of the premium the Named Insured paid us will be calculated on a pro rata basis and paid to the Named Insured.

6.2 *Nonrenewal.* If we decide not to renew this policy, we will mail written notice with a statement of actual reason(s) to the Named Insured and the agent of record at least 60 days before the expiration date. Changes in the terms available on renewal will not be considered a nonrenewal of this policy. The mailing by certified mail will be sufficient proof of notice.

6.3 *Renewal.* We may offer to renew this policy at the terms and rates applicable at the expiration date. We will not amend the retroactive date(s) during a period of continuous coverage. We will provide 30 day prior written notice to the Named Insured at the mailing address shown on the policy advising of the renewal terms and statement of premium due.

Professionals Direct Insurance Company  
ProDirect Premier® Program  
Arkansas– State Rates and Exceptions  
Effective on and after October 1, 2008

If we intend to revise the rates and/or factors determining rates by an amount equal to or greater than 25%, we will mail to the Named Insured and the agent of record not less than 30 days prior notice of our intent to increase the rates, specifically stating our intention to increase the premium by an amount equal to or greater than 25%. If notice is not given as stated, your policy will be extended 30 days from the date such notice is mailed or delivered. The earned premium for any period of coverage beyond the expiration date will be considered pro rata based upon the rates in effect at the inception date of the expiring policy. If the Named Insured accepts the renewal, the premium increase, if any, and other changes are effective the day following the prior policy's expiration or anniversary date.