

SERFF Tracking Number: HNVR-125885310 State: Arkansas
Filing Company: The Hanover Insurance Company State Tracking Number: EFT \$100
Company Tracking Number: PXS-AR-08102-01R
TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0021 Personal Umbrella and Excess
Product Name: Personal Umbrella
Project Name/Number: Personal Umbrella/PXS-AR-08102-01R

Filing at a Glance

Company: The Hanover Insurance Company

Product Name: Personal Umbrella

TOI: 17.0 Other Liability - Claims

Made/Occurrence

Sub-TOI: 17.0021 Personal Umbrella and Excess

Filing Type: Rate/Rule

SERFF Tr Num: HNVR-125885310 State: Arkansas

SERFF Status: Closed

State Tr Num: EFT \$100

Co Tr Num: PXS-AR-08102-01R

State Status: Fees verified and received

Co Status:

Reviewer(s): Becky Harrington, Betty Montesi

Authors: Eleanor Doherty, Kathryn Husson, Cheryl Richards, Susan Whitworth

Disposition Date: 11/24/2008

Date Submitted: 11/10/2008

Disposition Status: Filed

Effective Date Requested (New): 01/26/2009

Effective Date (New): 01/26/2009

Effective Date Requested (Renewal): 01/26/2009

Effective Date (Renewal): 01/26/2009

State Filing Description:

General Information

Project Name: Personal Umbrella

Project Number: PXS-AR-08102-01R

Reference Organization:

Reference Title:

Filing Status Changed: 11/24/2008

State Status Changed: 11/10/2008

Corresponding Filing Tracking Number:

Filing Description:

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

With this filing we submit a revision to our Personal Lines Umbrella Program with a proposed effective date of 01/26/2009 for new and renewal business. We are revising base rates, increasing minimum premiums and adding an Annual Rate Factor Rule. Please refer to the Explanatory Memorandum for specifics regarding this filing.

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Company and Contact

Filing Contact Information

Eleanor Doherty, Product Specialist elfdoherty@hanover.com
 440 Lincoln Street (508) 855-3251 [Phone]
 Worcester, MA 01653 (508) 855-4311[FAX]

Filing Company Information

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

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: \$100 per Rate Filing
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
The Hanover Insurance Company	\$100.00	11/10/2008	23815661

SERFF Tracking Number: *HNVR-125885310* State: *Arkansas*
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	11/24/2008	11/24/2008

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	Becky Harrington	11/12/2008	11/12/2008	Eleanor Doherty	11/20/2008	11/20/2008

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Disposition

Disposition Date: 11/24/2008
 Effective Date (New): 01/26/2009
 Effective Date (Renewal): 01/26/2009
 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:
The Hanover Insurance Company	10.000%	\$8,553	534	\$85,529	10.000%	10.000%	14.000%

SERFF Tracking Number: HNVR-125885310 State: Arkansas
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 Product Name: Personal Umbrella
 Project Name/Number: Personal Umbrella/PXS-AR-08102-01R

Item Type	Item Name	Item Status	Public Access
Supporting Document (revised)	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty		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
Supporting Document (revised)	Explanatory Memorandum	Filed	Yes
Supporting Document	Explanatory Memorandum		Yes
Supporting Document (revised)	Actuarial Support Package	Filed	Yes
Supporting Document	Actuarial Support Package		Yes
Rate (revised)	Manual	Filed	Yes
Rate	Manual		Yes
Rate (revised)	Manual	Filed	Yes
Rate	Manual		Yes
Rate (revised)	Annual Rate Factor	Filed	Yes
Rate	Manual		Yes
Rate	Manual	Filed	Yes

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Product Name: Personal Umbrella
Project Name/Number: Personal Umbrella/PXS-AR-08102-01R

Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 11/12/2008
Submitted Date 11/12/2008
Respond By Date

Dear Eleanor Doherty,

This will acknowledge receipt of the captioned filing.

Objection 1

- Actuarial Support Package (Supporting Document)

Comment: Arkansas Code Annotated § 23-67-209 requires the most recent 5-years experience be used. Exhibit A contains only 4-years data.

Objection 2

- Actuarial Support Package (Supporting Document)

Comment: Explain the N/A shown in Exhibit D.

Objection 3

- Manual (Rate)

Comment: The annual rate factor does not comply with AR statutes. Pursuant to Arkansas Code Annotated 23-67-211 all rates, supplementary rate information and supporting information must be filed with the Department. The proposed factor allows for a future unknown/undetermined component. The factor and supporting justification used to determine it must be filed each year. Please withdraw the rule and make appropriate rate filings at such times as they are needed.

Please feel free to contact me if you have questions.

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Sincerely,

Becky Harrington

Response Letter

Response Letter Status Submitted to State
Response Letter Date 11/20/2008
Submitted Date 11/20/2008

SERFF Tracking Number: HNVN-125885310 State: Arkansas
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Product Name: Personal Umbrella
Project Name/Number: Personal Umbrella/PXS-AR-08102-01R

Dear Becky Harrington,

Comments:

Response 1

Comments: Objection 1 Actuarial Support Package (Supporting Document)

Comment: Arkansas Code Annotated § 23-67-209 requires the most recent 5-years experience be used. Exhibit A contains only 4-years data.

Response: The exhibit has been updated to include 5 years. Please see attached.

Objection 2 Actuarial Support Package (Supporting Document)

Comment: Explain the N/A shown in Exhibit D.

Response: The N/A was to symbolize 0.0%. This has been changed in Exhibit D of the attached.

Objection 3 Manual, General Rules (Rate)

Comment: The annual rate factor does not comply with AR statutes. Pursuant to Arkansas Code Annotated 23-67-211 all rates, supplementary rate information and supporting information must be filed with the Department. The proposed factor allows for a future unknown/undetermined component. The factor and supporting justification used to determine it must be filed each year. Please withdraw the rule and make appropriate rate filings at such times as they are needed.

Response: We are withdrawing the Annual Rate factor rule. Reference to this rule has been removed from the Transmittal Forms and marked as withdrawn on the rate/rule schedule tab.

Related Objection 1

Applies To:

- Actuarial Support Package (Supporting Document)

Comment:

Arkansas Code Annotated § 23-67-209 requires the most recent 5-years experience be used. Exhibit A contains only 4-years data.

Related Objection 2

Applies To:

- Actuarial Support Package (Supporting Document)

Comment:

Explain the N/A shown in Exhibit D.

SERFF Tracking Number: HNVN-125885310 State: Arkansas
 Filing Company: The Hanover Insurance Company State Tracking Number: EFT \$100
 Company Tracking Number: PXS-AR-08102-01R
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 Project Name/Number: Personal Umbrella/PXS-AR-08102-01R

Related Objection 3

Applies To:

- Manual (Rate)

Comment:

The annual rate factor does not comply with AR statutes. Pursuant to Arkansas Code Annotated 23-67-211 all rates, supplementary rate information and supporting information must be filed with the Department. The proposed factor allows for a future unknown/undetermined component. The factor and supporting justification used to determine it must be filed each year. Please withdraw the rule and make appropriate rate filings at such times as they are needed.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Uniform Transmittal Document-Property & Casualty

Comment:

Satisfied -Name: Explanatory Memorandum

Comment:

Satisfied -Name: Actuarial Support Package

Comment:

No Form Schedule items changed.

Rate/Rule Schedule Item Changes

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
Manual	Cover Page	Replacement	
Previous Version			
Manual	Cover Page	Replacement	
Manual	Table of Contents	Replacement	
Previous Version			
Manual	Table of Contents	Replacement	
Annual Rate Factor	General Rules	Withdrawn	
Previous Version			
Manual	General Rules	Replacement	

Sincerely,

Cheryl Richards, Eleanor Doherty, Kathryn Husson, Susan Whitworth

SERFF Tracking Number: *HNVR-125885310* State: *Arkansas*
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 TOI: *17.0 Other Liability - Claims Made/Occurrence* Sub-TOI: *17.0021 Personal Umbrella and Excess*
 Product Name: *Personal Umbrella*
 Project Name/Number: *Personal Umbrella/PXS-AR-08102-01R*

Rate Information

Rate data applies to filing.

Filing Method: File and Use
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 1.000%
Effective Date of Last Rate Revision: 11/01/2002
Filing Method of Last Filing: File and Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
The Hanover Insurance Company	14.000%	10.000%	\$8,553	534	\$85,529	10.000%	10.000%

SERFF Tracking Number: *HNVR-125885310* State: *Arkansas*
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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Manual	Cover Page	Replacement	AR Umbrella Cover Page - 1-26-09 FINAL.pdf
Filed	Manual	Table of Contents	Replacement	AR Umbrella TOC - 1-26-09 FINAL.pdf
Filed	Annual Rate Factor	General Rules	Withdrawn	AR Umbrella GR-2 - 1-26-09 FINAL.pdf
Filed	Manual	Rates and Rules Replacement		AR Umbrella RR-1 - 1-26-09.pdf

ANNOUNCEMENT OF REVISIONS

Personal Umbrella Manual

STATE OF ARKANSAS

MANUAL PAGES INCLUDED HEREWITH:

Table of Contents.....AR TC-1
Rates and Rules.....AR RR-1

SUMMARY OF CHANGES

- Revise Base Rates
- Increase Minimum Premium Amount

NEW BUSINESS AND RENEWAL EFFECTIVE DATE: 1/26/2009

PERSONAL UMBRELLA

CATEGORIZED LISTING

A. RISK SELECTION STANDARDS

	Page No.
1. Risk Selection Standards New Business	AR RS-1

B. GENERAL RULES

1. Coverage (Product Description)	AR GR-1
2. Application	AR GR-1
3. Policy Term	AR GR-1
4. Whole Dollar Premium	AR GR-1
5. Limits of Liability	AR GR-1
6. Higher Retained Limit (Self-Insured Retention)	AR GR-1
7. Underlying Insurance Requirements	AR GR-2
8. Secondary / Seasonal Homes	AR GR-2

C. RATES AND RULES

1. Exposure Charges	AR RR-1
2. Minimum Premiums	AR RR-1
3. Premium Credits – Higher Self-Insured Retention Limits	AR RR-2
4. Increased Limits	AR RR-2
5. Automobile Insurance Surcharge	AR RR-2

7. Underlying Insurance Requirements

Umbrella Coverage is intended to apply only after the insured's underlying coverage is exhausted. Therefore, all risks must carry at least the minimum underlying limits that are outlined in our Required Minimum Underlying Limits section of the Risk Selection Standards. Higher underlying limits are available for those insureds who may want additional protection from financial loss due to the exposure of his or her automobile, property ownership and watercraft & recreational vehicle usage. All homeowners or personal liability policies must be endorsed to cover personal injury coverage as part of the underlying liability coverages

We must decline to write risks with inadequate underlying limits. Underlying limits must meet any minimum limit requirement found in this manual. The underlying limit requirements are displayed in the Risk Selection Standards section of this manual.

8. Secondary / Seasonal Homes

In situations where the applicant owns a secondary or seasonal home, the liability for that property must be extended from the underlying homeowners policy which covers the insureds primary residence.

C. RATES AND RULES

1. Exposure Charges - for the first \$1,000,000 of Coverage Limits

Note: The lower underlying limits of 100/300/100 only apply to policies written prior to 02/01/2006.

Automobile Underlying Limit of Liability	100/300/100 or 300 CSL	250/500/100 or 500 CSL	500/500/100
Initial Auto	83	50	39
Additional Auto	66	33	22
INEXPERIENCED DRIVER			
Less than 3 years	39	39	39
Over 3, less than 6 years	17	17	17

The following premium charges anticipate that the underlying limit meets or exceeds required minimum eligibility amounts.

Homeowners		Recreational Vehicle	
Initial Residence	55	Not Licensed	39
Add'l residences or farms (each)	28	Licensed	55
Office, Private School or studio	11	Watercraft	
Home Entrepreneur Coverage	50	Group I 16' or under motorized only	33
Rental Property		Group II Over 16' to 26'	50
Per each living unit.	11	Group III Over 26' to 40'	110
Example: Duplex = 2 units. 4 Plex = 4 units.		Group IV Over 40'	165

Call your underwriter prior to quoting a Group III or IV Boat

2. Minimum Premiums

Note: The lower underlying limits of 100/300/100 only apply to policies written prior to 02/01/2006.

Underlying	1M	2M	3M	4M	5M
100/300/100	\$165	\$289	\$399	\$510	\$620
250/500/100	\$138	\$248	\$358	\$468	\$578
500/500/100	\$138	\$248	\$358	\$468	\$578

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Product Name: Personal Umbrella
Project Name/Number: Personal Umbrella/PXS-AR-08102-01R

Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-Property & Casualty **Review Status:** Filed 11/24/2008

Comments:

Attachments:

AR Umbrella Transmittal Document FINAL.pdf
AR Rate_Rule Filing Schedule FINAL.pdf

Satisfied -Name: NAIC loss cost data entry document **Review Status:** Filed 11/24/2008

Comments:

Attachment:

AR RF-1 loss_cost_data_entry.pdf

Satisfied -Name: Explanatory Memorandum **Review Status:** Filed 11/24/2008

Comments:

Attachment:

Explanatory Memo - AR Umb FINAL.pdf

Satisfied -Name: Actuarial Support Package **Review Status:** Filed 11/24/2008

Comments:

Attachment:

AR Umbrella Actuarial Support FINAL.pdf

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	PXS-AR-08102-01R
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21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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General Philosophy: Hanover writes about \$11 million in Personal Umbrella countrywide, of which Arkansas comprises about 0.7%. Due to the very small credibility of Hanover data, within the state of Arkansas, countrywide data was used in its place.

Support for Overall Increase: Our proposal of a 10.0% increase, supported by a 14.0% rate indication, is effected through base rate changes only, as no other aspects of the rating structure were revised. The effective dates for the proposal are 01/26/2009 for new and renewal business.

Minimum Premium Increase: In line with the base rate increase, we are also proposing to increase the minimum premium amount by the same magnitude.

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.)

1.	This filing transmittal is part of Company Tracking #	PXS-AR-08102-01R
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	NA
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Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	File and Use
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4a.	Rate Change by Company (As Proposed)
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Hanover	14.0%	10.0%	8,553	534	85,529	10.0%	10.0%

4b.	Rate Change by Company (As Accepted) For State Use Only
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)

Overall Rate Information (Complete for Multiple Company Filings only)
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		COMPANY USE	STATE USE
5a.	Overall percentage rate indication (when applicable)	14.0%	
5b.	Overall percentage rate impact for this filing	10.0%	
5c.	Effect of Rate Filing – Written premium change for this program	8,553	
5d.	Effect of Rate Filing – Number of policyholders affected	534	

6.	Overall percentage of last rate revision	1.0%
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7.	Effective Date of last rate revision	11/01/2002
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8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File and Use
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9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Manual Pages (Cover Page, AR TC-1 and AR RR-1)	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

NAIC LOSS COST DATA ENTRY DOCUMENT (EFFECTIVE AUG. 16, 2004)

1.	This filing transmittal is part of Company Tracking #	PXS-AR-08102-01R
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of advisory organization and Reference/Item Filing Number	NA
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Company Name		Company NAIC Number	
3.	A.	The Hanover Insurance Company	B. 0088-22292

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
4.	A.	17.0 Other Liability - Claims Made/Occurrence	B. 17.0021 Personal Umbrella and Excess

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Personal Umbrella	14.0%	10.0%					
TOTAL OVERALL EFFECT	14.0%	10.0%					

6.		5 Year History		Rate Change History			
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2004	500	0		83	0	0	
2005	505	0		82	375	4.57	41.8
2006	500	0		82	0	0	36.2
2007	534	0		83	0	0	67.9
2008*	526	0		64	0	0	58.0
* 2008 is based on policies through September							

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	16.8%
B. General Expense	15.5%
C. Taxes, License & Fees	2.2%
D. Underwriting Profit & Contingencies	0.5%
E. Other (ULAE)	6.2%
F. TOTAL	41.2%

8. N Apply Lost Cost Factors to Future filings? (Y or N)
9. 10.0% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____
10. 10.0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

THE HANOVER INSURANCE GROUP
ARKANSAS PERSONAL UMBRELLA
RATE PROPOSAL EFFECTIVE 01/26/2009
OVERALL INDICATION DESCRIPTION

General Philosophy: Hanover writes about \$11 million in Personal Umbrella countrywide, of which Arkansas comprises about 0.7%. Due to the very small credibility of Hanover data, within the state of Arkansas, countrywide data was used in its place.

Support for Overall Increase: Our proposal of a 10.0% increase, supported by a 17.9% rate indication, is effected through base rate changes only, as no other aspects of the rating structure were revised. The effective dates for the proposal are 01/26/2009 for new and renewal business.

Minimum Premium Increase: In line with the base rate increase, we are also proposing to increase the minimum premium amount by the same magnitude.

Description of Actuarial Calculations:

The underlying experience is that of the Hanover Insurance Companies. Experience for the most recently available four year review period (07/01/2003 to 06/30/2008) is on a calendar/accident year basis.

Full credibility standard of 60,000 Earned Exposures is used. Partial credibility is determined using the square root rule.

On-Level Premiums

Reported premiums are adjusted to current rate level by using the parallelogram method. During the four-year experience period, no rate changes took place.

Premium Trend

Exhibit B calculates the average exponential premium trend rate used in the indications. First, earned premium is adjusted to current rate level in column (4). Next, average on-level premium for each experience period is computed in column (5). After looking at premium trend for the three most recent years, we have made a selection of 1.5%.

Loss Trend

An average of Hanover's Loss Trend for 12 prior quarters for Private Passenger Auto Bodily Injury and Homeowner's Liability data was used (Exhibit C) to calculate the loss trend component. A pure premium trend of 10.6% and 6.5% were selected for PPA BI and HO Liability respectively. An average of the two trends gave a pure premium trend of +8.6% for Personal Umbrella. Loss trend factors project losses from the midpoint of each accident year to one year past the assumed renewal effective date (01/26/2010).

Expense Provisions

Exhibit D lists expense provision in the rates. Our Personal Umbrella business is coded to line 17 (Other Liability) of the Annual Statement. We are using the commission ratio for countrywide policies. Since Personal Umbrella business is only about 10% of the "Other Liability" business, we believe that expenses coded to line 17 are not reflective of Personal Umbrella expenses. Hence, we are using estimates from our planning department for general and other acquisition expenses. Expected Premium Taxes were based on a review of the Annual Statement.

Profit and Contingency Factor

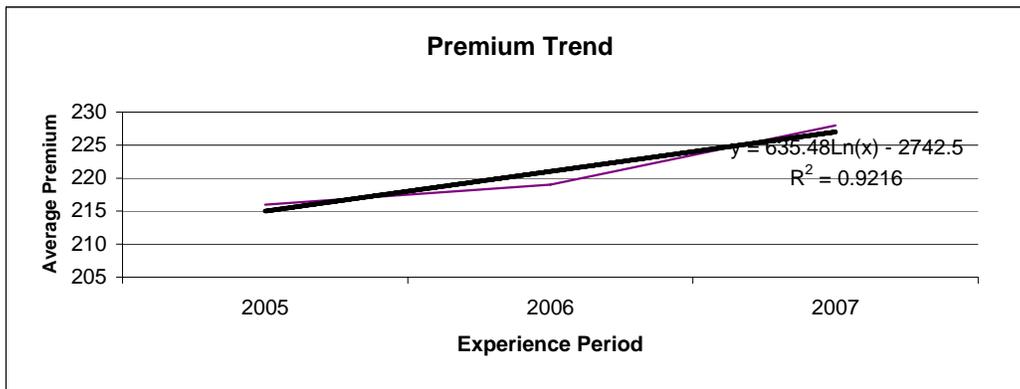
The profit and contingency factor is outlined in Exhibit E.

**The Hanover Insurance Group
Countrywide
Personal Umbrella
Indication for Rates Effective 01/26/2009**

	<u>06/30/04</u>	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/07</u>	<u>06/30/08</u>
1 Premium Trend					1.5%
2 Loss Trend					8.6%
3= $(1+(2))/(1+(1))-1$ Loss Ratio Trend					7.0%
4 Trend Period	6.1	5.1	4.1	3.1	2.1
5= $((3)+1)^4$ Loss Ratio Trend Factor	1.505	1.407	1.316	1.230	1.150
6 Ultimate Loss Ratio	70.5%	41.8%	36.2%	67.9%	58.0%
7=5*6 Trended Projected Loss Ratio	106.1%	58.8%	47.7%	83.5%	66.7%
8 ALAE (% of Loss)	2.8%	2.8%	2.8%	2.8%	2.8%
9=7*(1+8) Trended Loss & ALAE Ratio	109.1%	60.4%	49.0%	85.8%	68.6%
10 Accident Year Weights	10%	15%	20%	25%	30%
11= $\text{sum}(9*10)$ Weighted Projected Loss & ALAE Ratio					71.8%
12 Target Loss & ALAE Ratio					58.8%
13=3*12 Trended Target Loss & ALAE Ratio					62.9%
14 Estimated Exposures	49,534	47,961	48,541	49,297	49,132
15 Estimated Exposure Weights	10%	15%	20%	25%	30%
16 Fixed Expenses					14.0%
17 Variable Expenses					27.2%
18= $\min(1, \text{sqrt}(\text{sum}(14)/60000))$ Credibility					100.0%
19=18*11+(1-18)*13 Credibility Weighted Loss Ratio					71.8%
20= $((19+16)/(1-17))-1$ Indicated Rate Change					17.9%

The Hanover Insurance Group Countrywide Personal Umbrella Premium Trend Calculation

Calendar Year Ending	(1) Earned Exposures	(2) Earned Premiums	(3) Current Rate Level Factors	(4)=(2)x(3) On-Level Earned Premium	(5)=(4)/(1)x1000 Average Adjusted Premium	Avg EP
12/31/2003	52,000	10,776,773	1	10,776,773	207	207
12/31/2004	49,534	10,686,379	1	10,686,379	216	216
12/31/2005	47,961	10,337,366	1	10,337,366	216	216
12/31/2006	48,541	10,643,670	1	10,643,670	219	219
12/31/2007	49,297	11,254,021	1	11,254,021	228	228



Fitting an exponential curve to the data above yields a premium Trend of: 1.8%.

Fitted Trend 1.8%

Select: **1.5%**

Note: Data come from Imart. Earned exposures is estimated from year-end PIF counts.

The Hanover Insurance Group
Countrywide
Personal Umbrella
Loss Trend Selections, Hanover Data

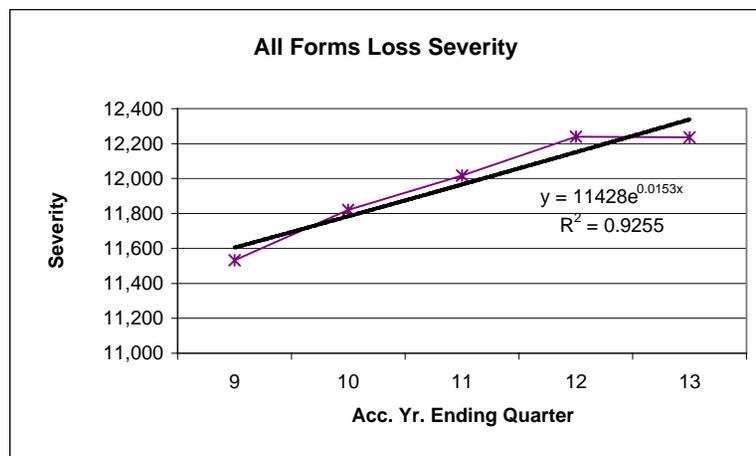
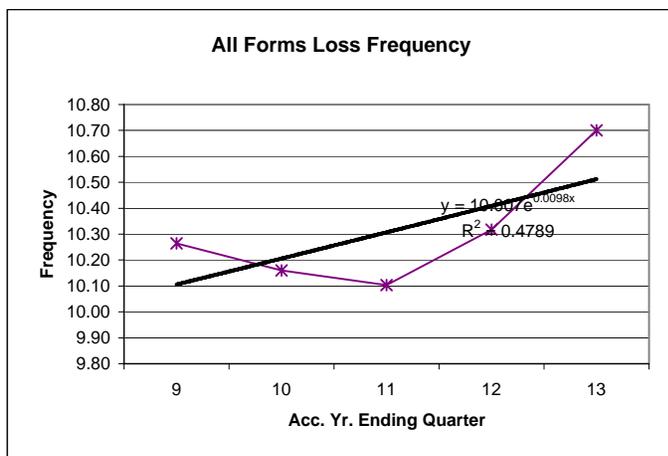
Coverage	Selected Loss Trend
PPA BI	10.6%
Home Liab	6.5%
Loss Trend (average)	8.6%

The Hanover Insurance Group
Countrywide
Personal Umbrella
Loss Trend Selections, Private Passenger Auto Bodily Injury, Hanover Data
Excluding Catastrophes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rolling 12 Month	Quarter X Value	Exposure	Claims	Paid Losses	=(4)/(3) Frequency per 1000	=(5)/(4) Severity
3	2005/03	1	1,114,086	15,975	165,840,069	14.34	10,381
6	2005/06	2	1,079,380	15,034	165,648,669	13.93	11,018
9	2005/09	3	1,054,183	14,109	160,270,749	13.38	11,359
12	2005/12	4	1,041,510	13,406	152,607,408	12.87	11,384
3	2006/03	5	1,041,664	12,725	150,046,895	12.22	11,792
6	2006/06	6	1,049,950	12,168	142,159,954	11.59	11,683
9	2006/09	7	1,064,363	11,921	138,814,521	11.20	11,645
12	2006/12	8	1,082,502	11,552	135,890,028	10.67	11,763
3	2007/03	9	1,099,679	11,288	130,174,762	10.26	11,532
6	2007/06	10	1,114,597	11,324	133,857,627	10.16	11,821
9	2007/09	11	1,125,111	11,367	136,598,698	10.10	12,017
12	2007/12	12	1,129,229	11,651	142,598,061	10.32	12,239
3	2008/03	13	1,130,268	12,094	147,982,671	10.70	12,236

Latest Year 4.0% 6.3%
Selected Trends (frequency, severity, loss): 4.0% 6.3%

10.6%



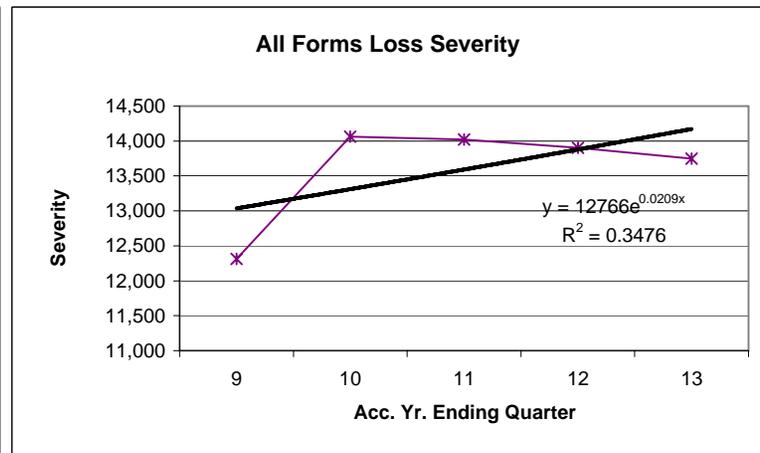
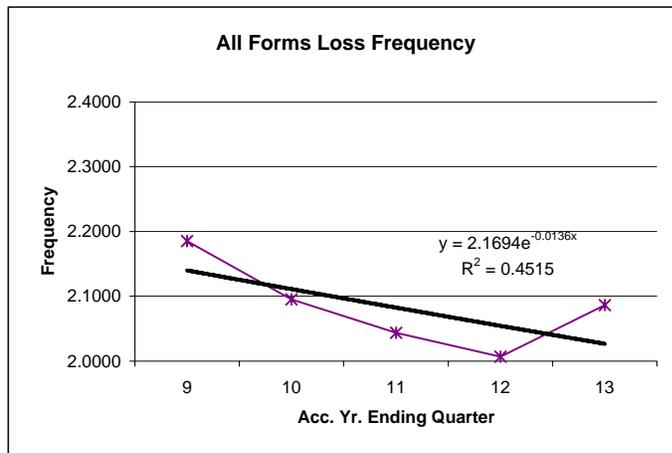
Note: Data is Hanover Data

**The Hanover Insurance Group
Countrywide
Personal Umbrella
Loss Trend Selections, All HO Policy Forms Combined, Hanover Data
Liability Losses Excluding Catastrophes**

	(1)	(2)	(3)	(4)	(5)	(6) =(4)/(3)	(7) =(5)/(4)
	Rolling <u>12 Month</u>	Quarter <u>X Value</u>	<u>Exposure</u>	<u>Claims</u>	<u>Paid</u> <u>Losses</u>	<u>Frequency</u> <u>per 1000</u>	<u>Severity</u>
3	2005/03	1	594,583	1,496	18,049,028	2.52	12,065
6	2005/06	2	583,121	1,508	19,506,737	2.59	12,936
9	2005/09	3	575,827	1,456	18,101,755	2.53	12,433
12	2005/12	4	570,799	1,389	18,876,799	2.43	13,590
3	2006/03	5	567,404	1,425	19,213,230	2.51	13,483
6	2006/06	6	565,349	1,353	17,137,218	2.39	12,666
9	2006/09	7	564,027	1,344	17,106,220	2.38	12,728
12	2006/12	8	562,557	1,343	16,665,948	2.39	12,409
3	2007/03	9	560,514	1,225	15,080,920	2.19	12,311
6	2007/06	10	557,906	1,169	16,440,799	2.10	14,064
9	2007/09	11	554,928	1,134	15,898,540	2.04	14,020
12	2007/12	12	551,622	1,107	15,388,610	2.01	13,901
3	2008/03	13	548,811	1,145	15,739,768	2.09	13,747

Latest Year -5.3% 8.7%
Selected Trends (frequency, severity, loss): -2.0% 8.7%

6.5%



Note: Data is Hanover Data

The Hanover Insurance Group
Countrywide
Personal Umbrella
PROSPECTIVE EXPENSE PROVISIONS (% OF PREMIUM):

(41)	(42)	(43)	(44)
Category of Expected Expense	Fixed Expense Loading	Variable Expense Loading	Total Expense Loading
Commissions	0.0%	16.8%	16.8%
General and Other Acquisition	7.8%	7.8%	15.5%
Premium Taxes	0.0%	2.2%	2.2%
Misc. Licenses & Fees	0.0%	0.0%	0.0%
Profit & Contingency		0.5%	0.5%
Reins. Cost	0.0%	0.0%	0.0%
ULAE (% of Premium)	6.2%	0.0%	6.2%
Other Expense (Specify)	0.0%	0.0%	0.0%
TOTAL EXPENSES	14.0%	27.2%	41.2%
PERMISSIBLE LOSS & ALAE Ratio			58.8%

Reflection of Investment Income in Rates CW Personal Umbrella

Hanover Insurance Group utilizes an Internal Rate of Return (IRR) model to determine the profit provision for our various lines of business. The IRR is the expected rate of return generated from modeling insurance company operations. Hanover Insurance Group targets a 15% after-tax rate of return. This implies that the underwriting and investment income attributable to the insurance transaction yields a 15% return on the required equity to support the insurance writings.

The results for the Personal Umbrella Line of Business are shown in the following pages. The total combined ratio is 99.5%, which yields underwriting profit provisions of 0.5%.

The IRR model is a single policyholder model. This means the profit provision is determined by modeling the cash flows for a hypothetical policyholder. The cash flows in the IRR model can be segregated into three categories: Premium, Loss and Expense.

Listed below are the expense percentages. The split of General and Other Acquisition expenses between fixed and variable was based on a review of our Insurance Expense Exhibit.

Expense	
ULAE	6.2%
Commission	16.8%
Other Acquisition	7.8%
General Expense	7.8%
Taxes	2.2%
Dividends	0.0%

To properly model the cash flows requires estimating when the premium is collected and expenses are paid. The premium collection pattern is based on a countrywide analysis of the payment plans for the Personal Umbrella book of business. Premium is earned evenly over the policy term. The acquisition expenses are paid as premium is collected with all other expenses, excluding dividends, paid as premium is earned. Dividends are not applicable to this line of business.

The Loss and ALAE payment pattern is based on a countrywide analysis of our direct paid and incurred loss development triangles. The forecast Loss Ratio (including expected CAT losses) is an input to the model and represents the actuarial expected losses at the same premium level as the Premium-to-Surplus ratio (needed for consistency within the model). The undiscounted Loss and ALAE reserve represents the difference between the incurred Loss and ALAE and any payments made to date. The published IRS discount factors are used to determine the Discounted Loss Reserve used in the income tax calculation.

The unearned premium and loss reserves were determined from the expense and loss payment patterns. The required surplus is based on the Personal Umbrella Reserve-to-Surplus assumption. This analysis assumed overall Premium-to-Surplus ratios of 1.65. The total surplus was allocated to individual lines of business based on the risk associated with a particular line. For Personal Umbrella, 4.04 Reserve-to-Surplus ratios were assumed. The Total Assets is the sum of the Unearned Premium and Loss Reserves plus Required Surplus. The assets available for investment are the Total Assets less any Premium Receivable and Paid Expense.

The investment income is that attributable to the Average Invested Assets from the balance sheet. A pre-tax investment yield of 5.2% was used. The Statutory Underwriting Income represents the difference between earned premium and incurred loss and expense. The model assumes expense is incurred based on each expense component's assumed patterns. The Change in Surplus represents the difference between the ending and beginning Required Surplus from the Balance Sheet. The Post-tax Equity Flow is the difference between the Statutory Pre-tax Income and the Change in Surplus adjusted for the estimated Income Tax. These equity flows are what is evaluated to determine the implied internal rate of return.

The tax rate assumed in the model is 31.5%.

SERFF Tracking Number: HNVN-125885310 State: Arkansas
 Filing Company: The Hanover Insurance Company State Tracking Number: EFT \$100
 Company Tracking Number: PXS-AR-08102-01R
 TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0021 Personal Umbrella and Excess
 Product Name: Personal Umbrella
 Project Name/Number: Personal Umbrella/PXS-AR-08102-01R

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	Manual	11/04/2008	AR Umbrella Cover Page - 1-26-09.pdf
No original date	Rate and Rule	Manual	11/06/2008	AR Umbrella AR TC-1 - 1-26-09.pdf
No original date	Rate and Rule	Manual	11/06/2008	AR Umbrella GR-2 - 1-26-09.pdf
No original date	Supporting Document	Uniform Transmittal Document-Property & Casualty	11/03/2008	AR Umbrella Transmittal Document.pdf AR Rate_Rule Filing Schedule.pdf
No original date	Supporting Document	Explanatory Memorandum	11/06/2008	AR Umbrella Explanatory Memo.pdf
No original date	Supporting Document	Actuarial Support Package	11/10/2008	AR Umbrella Actuarial Support.pdf

ANNOUNCEMENT OF REVISIONS

Personal Umbrella Manual

STATE OF ARKANSAS

MANUAL PAGES INCLUDED HEREWITH:

Table of Contents.....	AR TC-1
General Rules.....	AR GR-2
Rates and Rules.....	AR RR-1

SUMMARY OF CHANGES

- Revise Base Rates
- Increase Minimum Premium Amount
- Addition of Annual Rate Factor Rule

NEW BUSINESS AND RENEWAL EFFECTIVE DATE: 1/26/2009

PERSONAL UMBRELLA

CATEGORIZED LISTING

A. RISK SELECTION STANDARDS

	Page No.
1. Risk Selection Standards New Business	AR RS-1

B. GENERAL RULES

1. Coverage (Product Description)	AR GR-1
2. Application	AR GR-1
3. Policy Term	AR GR-1
4. Whole Dollar Premium	AR GR-1
5. Limits of Liability	AR GR-1
6. Higher Retained Limit (Self-Insured Retention)	AR GR-1
7. Underlying Insurance Requirements	AR GR-2
8. Secondary / Seasonal Homes	AR GR-2
9. Annual Rate Factor	AR GR-2

C. RATES AND RULES

1. Exposure Charges	AR RR-1
2. Minimum Premiums	AR RR-1
3. Premium Credits – Higher Self-Insured Retention Limits	AR RR-2
4. Increased Limits	AR RR-2
5. Automobile Insurance Surcharge	AR RR-2

7. Underlying Insurance Requirements

Umbrella Coverage is intended to apply only after the insured's underlying coverage is exhausted. Therefore, all risks must carry at least the minimum underlying limits that are outlined in our Required Minimum Underlying Limits section of the Risk Selection Standards. Higher underlying limits are available for those insureds who may want additional protection from financial loss due to the exposure of his or her automobile, property ownership and watercraft & recreational vehicle usage. All homeowners or personal liability policies must be endorsed to cover personal injury coverage as part of the underlying liability coverages

We must decline to write risks with inadequate underlying limits. Underlying limits must meet any minimum limit requirement found in this manual. The underlying limit requirements are displayed in the Risk Selection Standards section of this manual.

8. Secondary / Seasonal Homes

In situations where the applicant owns a secondary or seasonal home, the liability for that property must be extended from the underlying homeowners policy which covers the insureds primary residence.

9. Annual Rate Factor

The rate calculation for the adjusted base premium will include an annual rate factor multiplied by the number of years that the last approved rates have been effective. This adjustment factor will be selected based on the annual projected trend for the product line.

	<u>Annual Rate Factor</u>
<u># of Years since rate revision</u>	<u>@ 5.0% loss ratio trend</u>
0	1.000
1	1.050
2	1.103
3	1.158
4	1.216
> 5	1.276

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	PXS-AR-08102-01R
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21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
------------	--

General Philosophy: Hanover writes about \$11 million in Personal Umbrella countrywide, of which Arkansas comprises about 0.7%. Due to the very small credibility of Hanover data, within the state of Arkansas, countrywide data was used in its place.

Support for Overall Increase: Our proposal of a 10.0% increase, supported by a 14.0% rate indication, is effected through base rate changes only, as no other aspects of the rating structure were revised. The effective dates for the proposal are 01/26/2009 for new and renewal business.

Annual Rate Factor: We are also filing a new rule that adjusts the premiums based on the number of years since the rate revision to account for the loss ratio trend and maintain rate level adequacy. The details can be found on manual page AR GR-2.

Minimum Premium Increase: In line with the base rate increase, we are also proposing to increase the minimum premium amount by the same magnitude.

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.)

1.	This filing transmittal is part of Company Tracking #	PXS-AR-08102-01R
-----------	--	------------------

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

Rate Increase
 Rate Decrease
 Rate Neutral (0%)

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

4a.	Rate Change by Company (As Proposed)
------------	---

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Hanover	14.0%	10.0%	8,553	534	85,529	10.0%	10.0%

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

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

Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE

5a.	Overall percentage rate indication (when applicable)	14.0%	
5b.	Overall percentage rate impact for this filing	10.0%	
5c.	Effect of Rate Filing – Written premium change for this program	8,553	
5d.	Effect of Rate Filing – Number of policyholders affected	534	

6.	Overall percentage of last rate revision	1.0%
-----------	--	------

7.	Effective Date of last rate revision	11/01/2002
-----------	--------------------------------------	------------

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

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Manual Pages (Cover Page, AR TC-1, AR GR-2 and AR RR-1)	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

THE HANOVER INSURANCE GROUP
ARKANSAS PERSONAL UMBRELLA
RATE PROPOSAL EFFECTIVE 01/26/2009
OVERALL INDICATION DESCRIPTION

General Philosophy: Hanover writes about \$11 million in Personal Umbrella countrywide, of which Arkansas comprises about 0.7%. Due to the very small credibility of Hanover data, within the state of Arkansas, countrywide data was used in its place.

Support for Overall Increase: Our proposal of a 10.0% increase, supported by a 14.0% rate indication, is effected through base rate changes only, as no other aspects of the rating structure were revised. The effective dates for the proposal are 01/26/2009 for new and renewal business.

Annual Rate Factor: We are also filing a new rule that adjusts the premiums based on the number of years since the last rate revision to account for the loss ratio trend and maintain rate level adequacy. The details can be found on manual page AR GR-2.

Minimum Premium Increase: In line with the base rate increase, we are also proposing to increase the minimum premium amount by the same magnitude.

Description of Actuarial Calculations:

The underlying experience is that of the Hanover Insurance Companies. Experience for the most recently available four year review period (07/01/2004 to 06/30/2008) is on a calendar/accident year basis.

Full credibility standard of 60,000 Earned Exposures is used. Partial credibility is determined using the square root rule.

On-Level Premiums

Reported premiums are adjusted to current rate level by using the parallelogram method. During the four-year experience period, no rate changes took place.

Premium Trend

Exhibit B calculates the average exponential premium trend rate used in the indications. First, earned premium is adjusted to current rate level in column (4). Next, average on-level premium for each experience period is computed in column (5). After looking at premium trend for the three most recent years, we have made a selection of 1.5%.

Loss Trend

An average of Hanover's Loss Trend for 12 prior quarters for Private Passenger Auto Bodily Injury and Homeowner's Liability data was used (Exhibit C) to calculate the loss trend component. A pure premium trend of 10.6% and 6.5% were selected for PPA BI and HO Liability respectively. An average of the two trends gave a pure premium trend of +8.6% for Personal Umbrella. Loss trend factors project losses from the midpoint of each accident year to one year past the assumed renewal effective date (01/26/2010).

Expense Provisions

Exhibit D lists expense provision in the rates. Our Personal Umbrella business is coded to line 17 (Other Liability) of the Annual Statement. We are using the commission ratio for countrywide policies. Since Personal Umbrella business is only about 10% of the "Other Liability" business, we believe that expenses

coded to line 17 are not reflective of Personal Umbrella expenses. Hence, we are using estimates from our planning department for general and other acquisition expenses. Expected Premium Taxes were based on a review of the Annual Statement.

Profit and Contingency Factor

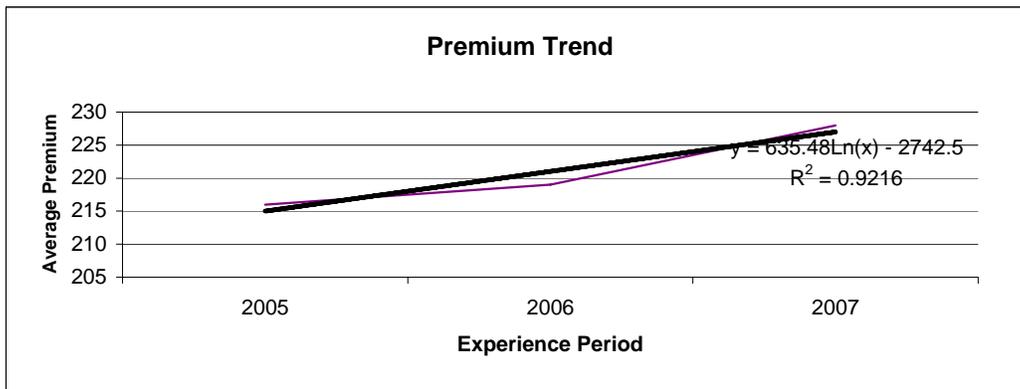
The profit and contingency factor is outlined in Exhibit E.

**The Hanover Insurance Group
Countrywide
Personal Umbrella
Indication for Rates Effective 01/26/2009**

	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/07</u>	<u>06/30/08</u>
1 Premium Trend				1.5%
2 Loss Trend				8.6%
3= $(1+(2))/(1+(1))-1$ Loss Ratio Trend				7.0%
4 Trend Period	5.1	4.1	3.1	2.1
5= $((3)+1)^4$ Loss Ratio Trend Factor	1.407	1.316	1.230	1.150
6 Ultimate Loss Ratio	41.8%	36.2%	67.9%	58.0%
7=5*6 Trended Projected Loss Ratio	58.8%	47.7%	83.5%	66.7%
8 ALAE (% of Loss)	2.8%	2.8%	2.8%	2.8%
9=7*(1+8) Trended Loss & ALAE Ratio	60.4%	49.0%	85.8%	68.6%
10 Accident Year Weights	10%	20%	30%	40%
11= $\text{sum}(9*10)$ Weighted Projected Loss & ALAE Ratio				69.0%
12 Target Loss & ALAE Ratio				58.8%
13=3*12 Trended Target Loss & ALAE Ratio				62.9%
14 Estimated Exposures	47,961	48,541	49,297	49,132
15 Estimated Exposure Weights	10%	20%	30%	40%
16 Fixed Expenses				14.0%
17 Variable Expenses				27.2%
18= $\min(1, \text{sqrt}(\text{sum}(14)/60000))$ Credibility				100.0%
19=18*11+(1-18)*13 Credibility Weighted Loss Ratio				69.0%
20= $((19+16)/(1-17))-1$ Indicated Rate Change				14.0%

The Hanover Insurance Group Countrywide Personal Umbrella Premium Trend Calculation

Calendar Year Ending	(1) Earned Exposures	(2) Earned Premiums	(3) Current Rate Level Factors	(4)=(2)x(3) On-Level Earned Premium	(5)=(4)/(1)x1000 Average Adjusted Premium	Avg EP
12/31/2003	52,000	10,776,773	1	10,776,773	207	207
12/31/2004	49,534	10,686,379	1	10,686,379	216	216
12/31/2005	47,961	10,337,366	1	10,337,366	216	216
12/31/2006	48,541	10,643,670	1	10,643,670	219	219
12/31/2007	49,297	11,254,021	1	11,254,021	228	228



Fitting an exponential curve to the data above yields a premium Trend of: 1.8%.

Fitted Trend 1.8%

Select: **1.5%**

Note: Data come from Imart. Earned exposures is estimated from year-end PIF counts.

The Hanover Insurance Group
Countrywide
Personal Umbrella
Loss Trend Selections, Hanover Data

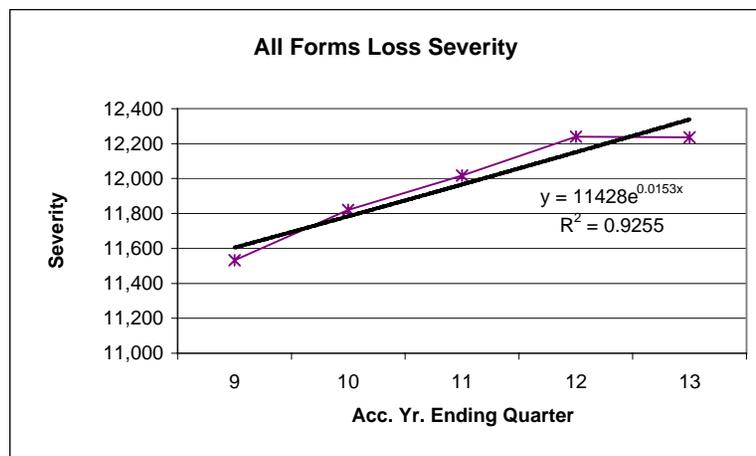
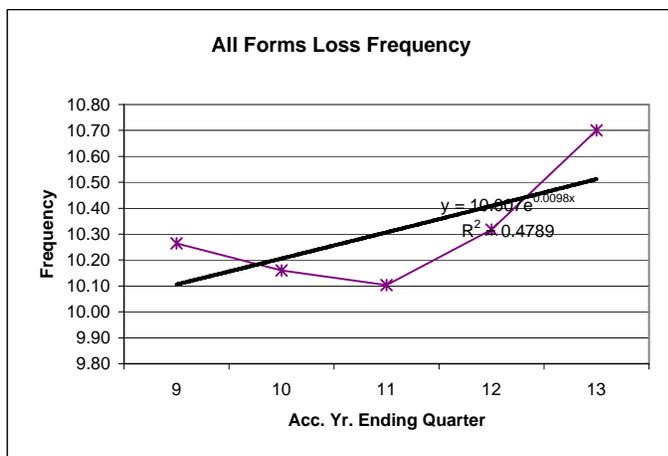
Coverage	Selected Loss Trend
PPA BI	10.6%
Home Liab	6.5%
Loss Trend (average)	8.6%

The Hanover Insurance Group
Countrywide
Personal Umbrella
Loss Trend Selections, Private Passenger Auto Bodily Injury, Hanover Data
Excluding Catastrophes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rolling 12 Month	Quarter X Value	Exposure	Claims	Paid Losses	=(4)/(3) Frequency per 1000	=(5)/(4) Severity
3	2005/03	1	1,114,086	15,975	165,840,069	14.34	10,381
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9	2006/09	7	1,064,363	11,921	138,814,521	11.20	11,645
12	2006/12	8	1,082,502	11,552	135,890,028	10.67	11,763
3	2007/03	9	1,099,679	11,288	130,174,762	10.26	11,532
6	2007/06	10	1,114,597	11,324	133,857,627	10.16	11,821
9	2007/09	11	1,125,111	11,367	136,598,698	10.10	12,017
12	2007/12	12	1,129,229	11,651	142,598,061	10.32	12,239
3	2008/03	13	1,130,268	12,094	147,982,671	10.70	12,236

Latest Year 4.0% 6.3%
Selected Trends (frequency, severity, loss): 4.0% 6.3%

10.6%



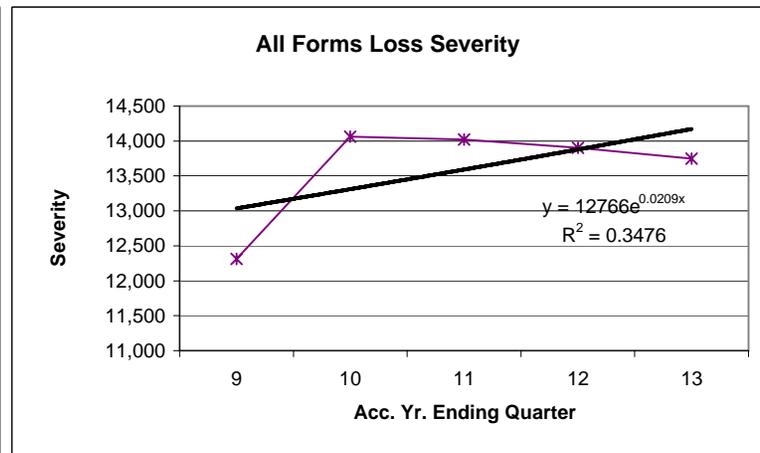
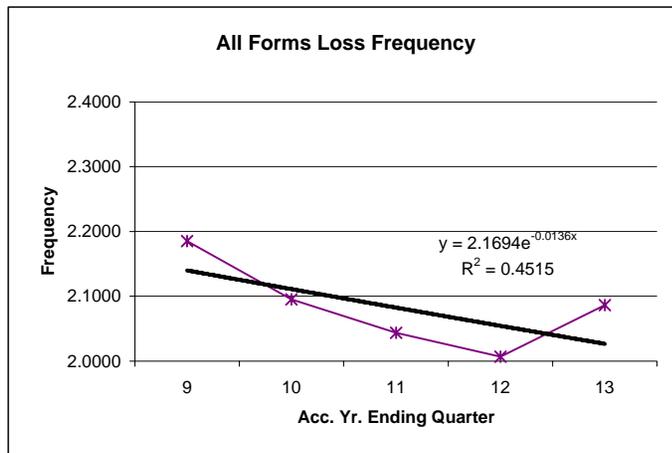
Note: Data is Hanover Data

**The Hanover Insurance Group
Countrywide
Personal Umbrella
Loss Trend Selections, All HO Policy Forms Combined, Hanover Data
Liability Losses Excluding Catastrophes**

	(1)	(2)	(3)	(4)	(5)	(6) =(4)/(3)	(7) =(5)/(4)
	Rolling <u>12 Month</u>	Quarter <u>X Value</u>	<u>Exposure</u>	<u>Claims</u>	<u>Paid Losses</u>	<u>Frequency per 1000</u>	<u>Severity</u>
3	2005/03	1	594,583	1,496	18,049,028	2.52	12,065
6	2005/06	2	583,121	1,508	19,506,737	2.59	12,936
9	2005/09	3	575,827	1,456	18,101,755	2.53	12,433
12	2005/12	4	570,799	1,389	18,876,799	2.43	13,590
3	2006/03	5	567,404	1,425	19,213,230	2.51	13,483
6	2006/06	6	565,349	1,353	17,137,218	2.39	12,666
9	2006/09	7	564,027	1,344	17,106,220	2.38	12,728
12	2006/12	8	562,557	1,343	16,665,948	2.39	12,409
3	2007/03	9	560,514	1,225	15,080,920	2.19	12,311
6	2007/06	10	557,906	1,169	16,440,799	2.10	14,064
9	2007/09	11	554,928	1,134	15,898,540	2.04	14,020
12	2007/12	12	551,622	1,107	15,388,610	2.01	13,901
3	2008/03	13	548,811	1,145	15,739,768	2.09	13,747

Latest Year -5.3% 8.7%
Selected Trends (frequency, severity, loss): -2.0% 8.7%

6.5%



Note: Data is Hanover Data

**The Hanover Insurance Group
Countrywide
Personal Umbrella**

PROSPECTIVE EXPENSE PROVISIONS (% OF PREMIUM):

(41)	(42)	(43)	(44)
Category of Expected Expense	Fixed Expense Loading	Variable Expense Loading	Total Expense Loading
Commissions	#N/A	16.8%	16.8%
General and Other Acquisition	7.8%	7.8%	15.5%
Premium Taxes	#N/A	2.2%	2.2%
Misc. Licenses & Fees	0.0%	0.0%	0.0%
Profit & Contingency	#N/A	0.5%	0.5%
Reins. Cost	#N/A	0.0%	0.0%
ULAE (% of Premium)	6.2%		6.2%
Other Expense (Specify)	0.0%	0.0%	0.0%
TOTAL EXPENSES	14.0%	27.2%	41.2%
PERMISSIBLE LOSS & ALAE Ratio			58.8%

Reflection of Investment Income in Rates CW Personal Umbrella

Hanover Insurance Group utilizes an Internal Rate of Return (IRR) model to determine the profit provision for our various lines of business. The IRR is the expected rate of return generated from modeling insurance company operations. Hanover Insurance Group targets a 15% after-tax rate of return. This implies that the underwriting and investment income attributable to the insurance transaction yields a 15% return on the required equity to support the insurance writings.

The results for the Personal Umbrella Line of Business are shown in the following pages. The total combined ratio is 99.5%, which yields underwriting profit provisions of 0.5%.

The IRR model is a single policyholder model. This means the profit provision is determined by modeling the cash flows for a hypothetical policyholder. The cash flows in the IRR model can be segregated into three categories: Premium, Loss and Expense.

Listed below are the expense percentages. The split of General and Other Acquisition expenses between fixed and variable was based on a review of our Insurance Expense Exhibit.

Expense	
ULAE	6.2%
Commission	16.8%
Other Acquisition	7.8%
General Expense	7.8%
Taxes	2.2%
Dividends	0.0%

To properly model the cash flows requires estimating when the premium is collected and expenses are paid. The premium collection pattern is based on a countrywide analysis of the payment plans for the Personal Umbrella book of business. Premium is earned evenly over the policy term. The acquisition expenses are paid as premium is collected with all other expenses, excluding dividends, paid as premium is earned. Dividends are not applicable to this line of business.

The Loss and ALAE payment pattern is based on a countrywide analysis of our direct paid and incurred loss development triangles. The forecast Loss Ratio (including expected CAT losses) is an input to the model and represents the actuarial expected losses at the same premium level as the Premium-to-Surplus ratio (needed for consistency within the model). The undiscounted Loss and ALAE reserve represents the difference between the incurred Loss and ALAE and any payments made to date. The published IRS discount factors are used to determine the Discounted Loss Reserve used in the income tax calculation.

The unearned premium and loss reserves were determined from the expense and loss payment patterns. The required surplus is based on the Personal Umbrella Reserve-to-Surplus assumption. This analysis assumed overall Premium-to-Surplus ratios of 1.65. The total surplus was allocated to individual lines of business based on the risk associated with a particular line. For Personal Umbrella, 4.04 Reserve-to-Surplus ratios were assumed. The Total Assets is the sum of the Unearned Premium and Loss Reserves plus Required Surplus. The assets available for investment are the Total Assets less any Premium Receivable and Paid Expense.

The investment income is that attributable to the Average Invested Assets from the balance sheet. A pre-tax investment yield of 5.2% was used. The Statutory Underwriting Income represents the difference between earned premium and incurred loss and expense. The model assumes expense is incurred based on each expense component's assumed patterns. The Change in Surplus represents the difference between the ending and beginning Required Surplus from the Balance Sheet. The Post-tax Equity Flow is the difference between the Statutory Pre-tax Income and the Change in Surplus adjusted for the estimated Income Tax. These equity flows are what is evaluated to determine the implied internal rate of return.

The tax rate assumed in the model is 31.5%.

