

SERFF Tracking Number: AGMK-125929457 State: Arkansas
Filing Company: The Insurance Company of the State of Pennsylvania State Tracking Number: EFT \$100
Company Tracking Number: 08-03-815-510
TOI: 19.0 Personal Auto Sub-TOI: 19.0001 Private Passenger Auto (PPA)
Product Name: Private Passenger Automobile
Project Name/Number: /08-03-815-510

Filing at a Glance

Company: The Insurance Company of the State of Pennsylvania

Product Name: Private Passenger Automobile SERFF Tr Num: AGMK-125929457 State: Arkansas
TOI: 19.0 Personal Auto SERFF Status: Closed State Tr Num: EFT \$100
Sub-TOI: 19.0001 Private Passenger Auto (PPA) Co Tr Num: 08-03-815-510 State Status: Fees verified and received
Filing Type: Rate/Rule Co Status: Reviewer(s): Alexa Grissom, Betty Montesi
Authors: Linda Maier, Deb Small Disposition Date: 12/11/2008
Date Submitted: 12/03/2008 Disposition Status: Filed
Effective Date Requested (New): 01/05/2009 Effective Date (New): 01/05/2009
Effective Date Requested (Renewal): 03/06/2009 Effective Date (Renewal):

State Filing Description:

General Information

Project Name: Status of Filing in Domicile: Not Filed
Project Number: 08-03-815-510 Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 12/11/2008
State Status Changed: 12/04/2008 Deemer Date:
Corresponding Filing Tracking Number:
Filing Description:

The attached manual pages reflect a proposed rate and rule revision for the state of Arkansas. the overall rate level effect of the proposed changes is +7.0%. Details are provided in the supporting documentation

Company and Contact

Filing Contact Information

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Deb Small, Senior Actuarial Analyst deb.small@aig.com
One AIG Center (302) 252-2306 [Phone]
Wilmington, DE 19803 (302) 252-2454[FAX]

Filing Company Information

The Insurance Company of the State of Pennsylvania CoCode: 19429 State of Domicile: Pennsylvania
One AIG Center Group Code: 12 Company Type: Property & Casualty
Wilmington, DE 19803 Group Name: AIGM State ID Number:
(302) 252-2165 ext. [Phone] FEIN Number: 13-5540698

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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 Insurance Company of the State of Pennsylvania	\$100.00	12/03/2008	24290917

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Alexa Grissom	12/11/2008	12/11/2008

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	Alexa Grissom	12/04/2008	12/04/2008	Deb Small	12/05/2008	12/05/2008

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Disposition

Disposition Date: 12/11/2008
 Effective Date (New): 01/05/2009
 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:
The Insurance Company of the State of Pennsylvania	7.000%	\$454,125	4,331	\$6,471,198	10.100%	3.000%	16.400%

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Item Type	Item Name	Item Status	Public Access
Supporting Document	A-1 Private Passenger Auto Abstract	Filed	Yes
Supporting Document	APCS-Auto Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	Section A - Review of Experience	Filed	Yes
Supporting Document	Section B - Explanatory Material	Filed	Yes
Supporting Document	Section C - Proposed Revisions	Filed	Yes
Rate	Revised Base Rate Pages	Filed	Yes
Rate	Revised Medical Payments Increased Limits	Filed	Yes

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Project Name/Number: /08-03-815-510

Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 12/04/2008
Submitted Date 12/04/2008
Respond By Date
Dear Deb Small,

This will acknowledge receipt of the captioned filing. Please advise if the 15 percent increase taken a few months ago was considered when the indication was developed. Also, please advise why only two years of data were utilized in some of the exhibits.

Please feel free to contact me if you have questions.
Sincerely,
Alexa Grissom

Response Letter

Response Letter Status Submitted to State
Response Letter Date 12/05/2008
Submitted Date 12/05/2008

Dear Alexa Grissom,

Comments:

Response 1

Comments: Dear Alexa Grissom,

In response to your questions, the 15 percent increase taken earlier this year is accounted for in the Earned Premium @ Current Rate Level. Also, we traditionally use two years of experience in developing our rate level indications. We used two years of expense data in our selection of the Loss Adjustment Factors and Operating Expenses to correspond as closely as possible to the premium and loss experience used in calculating the indication.

Please feel free to contact me if you have any additional questions.

<i>SERFF Tracking Number:</i>	<i>AGMK-125929457</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>The Insurance Company of the State of Pennsylvania</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>08-03-815-510</i>		
<i>TOI:</i>	<i>19.0 Personal Auto</i>	<i>Sub-TOI:</i>	<i>19.0001 Private Passenger Auto (PPA)</i>
<i>Product Name:</i>	<i>Private Passenger Automobile</i>		
<i>Project Name/Number:</i>	<i>/08-03-815-510</i>		

Rate Information

Rate data applies to filing.

Filing Method:	File and Use
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	15.000%
Effective Date of Last Rate Revision:	06/16/2008
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 Insurance Company of the State of Pennsylvania	16.400%	7.000%	\$454,125	4,331	\$6,471,198	10.100%	3.000%

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Revised Base Rate Pages	AR-R-1 & AR-R-2	Replacement	Revised Rate Pages - AR-R-1 & AR-R-2 - ISOP.pdf
Filed	Revised Medical Payments Increased Limits	AR-R-3	Replacement	Revised Rate Pages - AR-R-3 - ISOP.pdf

Effective: New Business: 01/05/09
 Renewal: 03/06/09

**PRIVATE PASSENGER AUTOMOBILE MANUAL
 COMPANY: THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA
 AUTOMOBILE BASE RATES FOR THE STATE OF ARKANSAS CODE 03**

Coverage	TERRITORIES																
	1	3	105	205	106	206	8	9	110	210	111	211	411	511	711	811	911
\$25/50 Bodily Injury	250	199	207	202	239	268	240	198	205	203	224	202	244	232	198	174	187
\$25,000 Property Damage	256	204	215	207	245	272	248	203	209	208	228	207	248	236	203	179	188
\$75,000 Single Limit Liability	569	453	474	460	544	607	548	450	466	463	509	460	554	527	450	398	422
\$5,000 Medical Payments	117	116	126	124	124	170	166	120	117	116	138	124	125	142	120	112	139
\$100 Deductible Model Year 2007, Symbol 2 Comprehensive	72	75	119	121	84	101	78	116	70	72	145	119	111	142	116	97	123
\$200 Deductible Model Year 2007, Symbol 2 Collision	318	303	348	328	311	350	355	325	299	302	362	328	335	362	325	322	331

AR-R-1

**PRIVATE PASSENGER AUTOMOBILE MANUAL
 COMPANY: THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA
 AUTOMOBILE BASE RATES FOR THE STATE OF ARKANSAS CODE 03**

Coverage	TERRITORIES																
	1	3	105	205	106	206	8	9	110	210	111	211	411	511	711	811	911
\$25/50 Uninsured Motorists Bodily Injury Single Car	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34
\$25/50 Uninsured Motorists Bodily Injury Multi-Car (per car)	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27
\$25,000 Uninsured Motorists Property Damage Single Car	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
\$25,000 Uninsured Motorists Property Damage Multi-Car (per car)	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
\$50,000 Single Limit Uninsured Motorists Bodily Injury Only Single Car	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39
\$50,000 Single Limit Uninsured Motorists Bodily Injury Only Multi-Car (per car)	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31
\$75,000 Single Limit Uninsured Motorists BI and PD Single Car	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45
\$75,000 Single Limit Uninsured Motorists BI and PD Multi-Car (per car)	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
\$25/50 Underinsured Motorists Bodily Injury Single Car	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21
\$25/50 Underinsured Motorists Bodily Injury Multi-Car (per car)	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17
\$50,000 Single Limit Underinsured Motorists Bodily Injury Only Single Car	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22
\$50,000 Single Limit Underinsured Motorists Bodily Injury Only Multi-Car (per car)	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17

THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA

ARKANSAS

PERSONAL AUTOMOBILE MANUAL

INCREASED LIMITS

BODILY INJURY

Limit	Factor
\$ 25/50	1.00
50/100	1.21
100/200	1.33
100/300	1.38
250/500	1.58
300/300	1.61
500/500	1.69
500/1000	1.73
1000/1000	1.85

SINGLE LIMIT LIABILITY

Limit	Factor
\$75,000	1.00
100,000	1.04
200,000	1.16
300,000	1.22
500,000	1.28

PROPERTY DAMAGE

Limit	Factor
\$25,000	1.00
50,000	1.05
100,000	1.09
150,000	1.14
200,000	1.16

MEDICAL PAYMENTS

Limit	Factor
5,000	1.00
10,000	1.25
25,000	2.31
50,000	3.25
75,000	4.00
100,000	4.31

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Supporting Document Schedules

Satisfied -Name: A-1 Private Passenger Auto Abstract
Review Status: Filed 12/11/2008

Comments:
Attachment:
 Form A-1 - ISOP.pdf

Satisfied -Name: APCS-Auto Premium Comparison Survey
Review Status: Filed 12/11/2008

Comments:
Attachment:
 PPA Survey FORM APCS - ISOP.xls

Satisfied -Name: NAIC loss cost data entry document
Review Status: Filed 12/11/2008

Comments:
Attachment:
 Form RF-1 - ISOP.pdf

Bypassed -Name: NAIC Loss Cost Filing Document for OTHER than Workers' Comp
Review Status: Filed 12/11/2008
Bypass Reason: Not Applicable

Comments:

Satisfied -Name: Uniform Transmittal Document-Property & Casualty
Review Status: Filed 12/11/2008

Comments:
Attachment:
 Uniform Transmittal Document (signed) - ISOP.pdf

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Review Status:
Satisfied -Name: Section A - Review of Experience Filed 12/11/2008
Comments:
Attachments:
Filing Memo A.pdf
Sec. A. Exhibit 1 - Summary of Revisions.pdf
Sec. A. Exhibits 2 & 3 - Indications.pdf

Review Status:
Satisfied -Name: Section B - Explanatory Material Filed 12/11/2008
Comments:
Attachments:
Memo B.pdf
Sec. B. Exhibit 1 & 2 - LAE Factors.pdf
Sec. B. Exhibit 3 & 4 - PLR.pdf
Sec. B. Exhibit 5 - 8 - Trend.pdf
Sec. B. Exhibit 9 - LD Factors.pdf
Sec. B. Exhibit 10 - Cat Factor.pdf
Sec. B. Exhibit 11 - Inv. Income.pdf

Review Status:
Satisfied -Name: Section C - Proposed Revisions Filed 12/11/2008
Comments:
Attachments:
Memo C.pdf
Sec. C. Exhibits 1-6 - Territorial BR Revisions.pdf

**ARKANSAS INSURANCE DEPARTMENT
FORM A-1 PRIVATE PASSENGER AUTOMOBILE ABSTRACT**

INSTRUCTIONS: All questions must be answered. If the answer is "none" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent private passenger auto rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name The Insurance Company of the State of Pennsylvania
NAIC No. (including group #) 012-19429

1. Are there any areas in the State of Arkansas in which your company will not write automobile insurance? Yes No
If yes, list the areas: _____

2. Do you furnish a market for young drivers? Yes No

3. Do you require collateral business to support a youthful driver? Yes No

4. Do you insure drivers with an international or foreign driver's license? Yes No

5. Specify the percentage you allow in credit or discounts for the following:

- a. Driver Over 55 % 11% (Age 50-59), 13% (Age 60-69)
- b. Good Student Discount % 2.1% to 27.8%
- c. Multi-car Discount % 30% Liability, 20% Physical Damage
- d. Accident Free Discount* % 2% to 67% depending on tier, coverage & yrs claim free

*Please Specify Qualification for Discount:
All drivers inforce with the company for more than 1 year with no accidents or major moving violations are eligible.

- e. Anti-theft Discount % 5% to 15%
- f. Other (specify) Homeowners Discount % 10% (BI, PD, MP, Comp, Coll)
- Passive Restraint Discount % 0% to 30% (MP)
- Anti-Lock Brake Discount % 5% (BI, PD)
- Driver Training Discount % 1.4% to 15.3%

6. Do you have an installment payment plan for automobile insurance? Yes No
If so, what is the fee for installment payments? cash/check - \$5.00 per installment, Recurring credit card - \$3.00 per installment

7. Does your company utilize a tiered rating plan? Yes No
If so, list the programs and percentage difference and current volume for each plan:

Program	Percentage Difference*	Volume
Rate Level Tier 0	-20% to -14%	2,541
Rate Level Tier 1	3% to 15%	1,692
Rate Level Tier 2	13% to 26%	1,185
Rate Level Tier 3	18% to 28%	805
Rate Level Tier 4	20% to 35%	758
Rate Level Tier 5	23% to 55%	550
Rate Level Tier 6	33% to 75%	490
Rate Level Tier 7	52% to 95%	252
Rate Level Tier 8	88% to 138%	355

* vary by coverage, see manual page AR-R-9

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Deborah J. Small
Signature
Deborah J. Small
Printed Name
Senior Actuarial Analyst
Title
(302) 252-2306
Telephone Number
deb.small@aig.com
Email address

Private Passenger Auto Premium Comparison Survey Form

FORM APCS - last modified August 2005

NAIC Number: 19429
Company Name: The Insurance Company of the State of Pennsylvania
Contact Person: Deborah J. Small
Telephone No.: (302) 252-2306
Email Address: deb_small@aig.com
Effective Date: 1/05/09

Assumptions to Use:

- 1 Liability - Minimum \$25,000 per person
- 2 Bodily Injury \$50,000 per accident
\$25,000 per accident
- 3 Property Damage \$100 deductible per accident
- 4 Comprehensive & Collision \$250 deductible per accident
- 5 The insured has elected to accept:
Uninsured motorist property and bodily injury equal to liability coverage
Underinsured bodily injury equal to liability coverage
- 6 Personal Injury Protection of \$5,000 for medical, loss wages according to statute and \$5,000 accidental death
- 7 If male and female rates are different, use the highest of the two

Submit to: Arkansas Insurance Department
 1200 West Third Street
 Little Rock, AR 72201-1904
Telephone: 501-371-2800
 Email as an attachment to insurance.pnc@arkansas.gov
 You may also attach to a SERFF filing or submit on a compact disk

DISCOUNTS OFFERED:

PASSIVE RESTRAINT/AIRBAG	10-30	%
AUTO/HOMEOWNERS	10	%
GOOD STUDENT	2.1 - 27.8	%
ANTI-THEFT DEVICE	5 - 15	%
Over 55 Defensive Driver Discount	10	%
\$250/\$500 Deductible Comp./Coll.	10-18 comp/11-18	%

Vehicle	Coverages	Gender	Age	Fayetteville				Trumann				Little Rock				Lake Village				Pine Bluff			
				Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female
				18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66
1999 Chevrolet Silverado 1500 2WD "LS" regular cab 119" WB	Minimum Liability			\$991.97	\$1,330.86	\$466.78	\$440.05	\$992.44	\$1,330.84	\$468.09	\$440.44	\$1,197.49	\$1,615.54	\$546.48	\$519.53	\$961.91	\$1,285.35	\$461.66	\$429.64	\$1,323.76	\$1,781.66	\$610.32	\$571.15
	Minimum Liability with Comprehensive and Collision			\$2,017.38	\$2,756.79	\$806.71	\$766.98	\$2,179.71	\$2,984.46	\$871.00	\$823.24	\$2,255.17	\$3,088.59	\$895.99	\$856.56	\$2,182.29	\$2,986.45	\$877.23	\$823.89	\$2,542.79	\$3,478.92	\$1,018.44	\$961.76
	100/300/50 Liability with Comprehensive and Collision			\$1,872.96	\$2,541.24	\$841.80	\$807.31	\$2,013.16	\$2,737.74	\$898.12	\$856.58	\$2,099.80	\$2,855.36	\$933.50	\$899.27	\$2,010.64	\$2,732.19	\$900.50	\$854.10	\$2,350.69	\$3,197.95	\$1,045.21	\$996.01
2003 Ford Explorer "XLT" 2WD, 4 door	Minimum Liability			\$991.97	\$1,330.86	\$466.78	\$440.05	\$992.44	\$1,330.84	\$468.09	\$440.44	\$1,197.49	\$1,615.54	\$546.48	\$519.53	\$961.91	\$1,285.35	\$461.66	\$429.64	\$1,323.76	\$1,781.66	\$610.32	\$571.15
	Minimum Liability with Comprehensive and Collision			\$2,288.43	\$3,135.54	\$899.24	\$854.75	\$2,502.77	\$3,436.15	\$984.28	\$929.17	\$2,535.53	\$3,477.53	\$990.47	\$946.47	\$2,516.47	\$3,452.71	\$994.52	\$933.38	\$2,869.70	\$3,934.79	\$1,131.01	\$1,067.92
	100/300/50 Liability with Comprehensive and Collision			\$2,108.64	\$2,869.69	\$923.31	\$884.63	\$2,293.80	\$3,129.50	\$997.90	\$949.88	\$2,341.92	\$3,192.66	\$1,016.72	\$978.46	\$2,300.27	\$3,136.57	\$1,003.81	\$950.53	\$2,634.18	\$3,593.30	\$1,144.35	\$1,089.51
2003 Honda Odyssey "EX"	Minimum Liability			\$991.97	\$1,330.86	\$466.78	\$440.05	\$992.44	\$1,330.84	\$468.09	\$440.44	\$1,197.49	\$1,615.54	\$546.48	\$519.53	\$961.91	\$1,285.35	\$461.66	\$429.64	\$1,323.76	\$1,781.66	\$610.32	\$571.15
	Minimum Liability with Comprehensive and Collision			\$2,211.35	\$3,028.02	\$872.61	\$829.68	\$2,409.59	\$3,305.97	\$951.14	\$898.42	\$2,456.62	\$3,367.53	\$963.40	\$920.89	\$2,420.15	\$3,318.08	\$960.16	\$901.55	\$2,776.43	\$3,804.60	\$1,098.40	\$1,037.41
	100/300/50 Liability with Comprehensive and Collision			\$2,041.78	\$2,776.46	\$899.85	\$862.53	\$2,212.99	\$3,016.58	\$968.70	\$922.79	\$2,273.49	\$3,097.27	\$992.88	\$955.94	\$2,216.73	\$3,019.80	\$973.53	\$922.51	\$2,553.30	\$3,480.39	\$1,115.64	\$1,062.63
2005 Toyota Camry LE 3.0L 4 door Sedan	Minimum Liability			\$991.97	\$1,330.86	\$466.78	\$440.05	\$992.44	\$1,330.84	\$468.09	\$440.44	\$1,197.49	\$1,615.54	\$546.48	\$519.53	\$961.91	\$1,285.35	\$461.66	\$429.64	\$1,323.76	\$1,781.66	\$610.32	\$571.15
	Minimum Liability with Comprehensive and Collision			\$2,530.12	\$3,472.61	\$982.68	\$933.33	\$2,794.70	\$3,844.03	\$1,088.07	\$1,025.44	\$2,782.98	\$3,822.53	\$1,075.32	\$1,026.66	\$2,818.26	\$3,874.45	\$1,102.19	\$1,033.08	\$3,162.07	\$4,342.88	\$1,233.17	\$1,163.54
	100/300/50 Liability with Comprehensive and Collision			\$2,318.24	\$3,162.04	\$996.79	\$953.83	\$2,546.98	\$3,483.23	\$1,089.31	\$1,034.67	\$2,556.53	\$3,491.88	\$1,091.45	\$1,049.09	\$2,561.99	\$3,502.30	\$1,098.62	\$1,038.34	\$2,887.75	\$3,947.21	\$1,234.32	\$1,173.71
2003 Cadillac Seville "STS" 4 door Sedan	Minimum Liability			\$991.97	\$1,330.86	\$466.78	\$440.05	\$992.44	\$1,330.84	\$468.09	\$440.44	\$1,197.49	\$1,615.54	\$546.48	\$519.53	\$961.91	\$1,285.35	\$461.66	\$429.64	\$1,323.76	\$1,781.66	\$610.32	\$571.15
	Minimum Liability with Comprehensive and Collision			\$2,698.50	\$3,708.27	\$1,044.17	\$989.61	\$3,010.48	\$4,146.65	\$1,169.40	\$1,098.70	\$2,953.07	\$4,060.47	\$1,136.98	\$1,083.30	\$3,042.82	\$4,189.43	\$1,187.12	\$1,109.45	\$3,370.80	\$4,635.23	\$1,310.39	\$1,233.74
	100/300/50 Liability with Comprehensive and Collision			\$2,464.25	\$3,366.42	\$1,050.94	\$1,003.38	\$2,734.11	\$3,745.67	\$1,160.94	\$1,099.19	\$2,704.05	\$3,698.23	\$1,145.75	\$1,098.97	\$2,756.74	\$3,775.49	\$1,173.43	\$1,105.60	\$3,068.76	\$4,200.76	\$1,302.34	\$1,235.55
1998 Chevrolet Cavalier LS 4D Sedan	Minimum Liability			\$991.97	\$1,330.86	\$466.78	\$440.05	\$992.44	\$1,330.84	\$468.09	\$440.44	\$1,197.49	\$1,615.54	\$546.48	\$519.53	\$961.91	\$1,285.35	\$461.66	\$429.64	\$1,323.76	\$1,781.66	\$610.32	\$571.15
	Minimum Liability with Comprehensive and Collision			\$2,127.63	\$2,912.04	\$847.12	\$804.00	\$2,321.03	\$3,183.34	\$924.33	\$871.33	\$2,368.52	\$3,245.47	\$936.54	\$893.85	\$2,330.11	\$3,193.42	\$932.92	\$874.01	\$2,680.21	\$3,671.34	\$1,069.17	\$1,007.93
	100/300/50 Liability with Comprehensive and Collision			\$1,969.17	\$2,675.88	\$877.40	\$839.92	\$2,136.18	\$2,910.22	\$945.09	\$898.94	\$2,197.08	\$2,991.41	\$969.21	\$932.12	\$2,138.65	\$2,911.68	\$949.54	\$898.24	\$2,469.84	\$3,364.83	\$1,089.88	\$1,036.66

NAIC LOSS COST DATA ENTRY DOCUMENT

1. This filing transmittal is part of Company Tracking # **08-03-815-510**

2. If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number

		Company Name		Company NAIC Number
3.	A.	Insurance Company of the State of Pennsylvania	B.	19429

		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.	19.0 Personal Auto	B.	19.0001 Private Passenger Auto

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(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
Bodily Injury	1.9%	1.0%					
Property Damage	12.3%	7.0%					
Medical Payments	14.8%	7.1%					
Uninsured Motorists	38.1%	21.8%					
Comprehensive	18.6%	7.5%					
Collision	26.5%	9.0%					
OPD	24.8%	0.0%					
TOTAL OVERALL EFFECT	16.4%	7.0%					

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**
2003	NA	NA	NA	NA	NA	NA	50.8%
2004	NA	NA	NA	NA	NA	NA	63.4%
2005	916	-7.2%	4/4/05	546	311	56.9%	62.8%
2006	1979	---	---	1890	1776	93.9%	61.6%
2007	4052	0.0%	3/5/07	3989	2863	71.8%	62.7%
		15.0%	6/16/08				

7.

Expense Constants	Selected Provisions
A. Total Production Expense	34.90%
B. General Expense	included in A
C. Taxes, License & Fees	2.84%/3.34%
D. Underwriting Profit & Contingencies	5.00%
E. Other (explain)*	3.94%/0.89%
F. TOTAL	38.80%/42.35%

*ISOP introduced on November 22, 2004

**Calendar Year data

8. N Apply Lost Cost Factors to Future filings? (Y or N)

9. 10.1% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____

10. --- Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

*Investment Income = liab/phys dam

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

3. Group Name	Group NAIC #
American International Insurance Companies	012

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
The Insurance Company of the State of PA	PA	19429	13-5540698	

5. Company Tracking Number	08-03-815-510
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Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
Deborah J. Small	Senior Actuarial Analyst	302-252-2306	302-252-2454	deb.small@aig.com

7. Signature of authorized filer *Deborah J. Small*

8. Please print name of authorized filer Deborah J. Small

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

9. Type of Insurance (TOI)	19.0 Personal Auto
10. Sub-Type of Insurance (Sub-TOI)	19.0001 Private Passenger Auto (PPA)
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	aigdirect.com
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: 1/5/09 Renewal: 3/6/09
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	
17. Reference Organization # & Title	
18. Company's Date of Filing	12/3/08
19. Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document—

20. This filing transmittal is part of Company Tracking # 08-03-815-510

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

1. We are revising base rates by coverage.
2. We will no longer offer Medical Payments limits less than \$5,000. Any insured with a Medical Payment limit less than \$5,000 will be rolled to the \$5,000 minimum limit.

[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 #:
Amount:

EFT

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 #	08-03-815-510
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
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Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3. Filing Method (Prior Approval, File & Use, Flex Band, etc.)	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)
ISOP	16.4%	7.0%	454,125	4,331	6,471,198	10.1%	3.0%

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	Minimum % Change

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

6.	Overall percentage of last rate revision	15.0%
7.	Effective Date of last rate revision	6/16/08 NB; 8/15/08 RN
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File & Use

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	Revised Base Rate Pages Pages AR-R-1 & AR-R-2	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02	Revised Medical Payments Increased Limits Page AR-R-3	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA

ARKANSAS PRIVATE PASSENGER AUTOMOBILE

FILING MEMORANDUM

The attached manual pages reflect a proposed rate and rule revision for the state of Arkansas. The overall rate level effect of the proposed changes is +7.0%. The proposed changes are outlined below:

1. Base rates are being revised by coverage as outlined in Section C, Exhibits 1 through 6.
2. In accordance with Arkansas Statutes we will no longer offer PIP Medical Payments limits less than \$5,000. Any insured with a PIP Medical Payment limit less than \$5,000 will be rolled to the minimum limit of \$5,000 at renewal. Revised Rate Page AR-R-3 is attached.

These revisions are proposed to be effective for all policies written on or after January 5, 2009. In conjunction with our 60 day renewal cycle, this will affect all Renewal policies with an effective date on or after March 6, 2009.

ARKANSAS

THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA

Summary of Proposed Revisions

<u>Coverage</u>	<u>Total Earned Premium @ Current Rate Level</u>	<u>Rate Level Indication</u>	<u>Inforce Premium</u>	<u>Base Rate</u>	<u>Overall Effect</u>
Bodily Injury	1,810,906	1.9%	1,771,666	1.0%	1.0%
Property Damage	1,398,443	12.3%	1,342,643	7.0%	7.0%
Medical Payments	472,281	14.8%	386,408	7.1%	7.1%
Uninsured Motorists	532,538	38.1%	469,991	21.8%	21.8%
Total Liability	4,214,168	11.4%	3,970,708	6.1%	6.1%
Comprehensive	905,428	18.6%	839,553	7.5%	7.5%
Collision	1,902,776	26.5%	1,694,636	9.0%	9.0%
Other Physical Damage	5,787	24.8%	10,518	0.0%	0.0%
Total Physical Damage	2,813,990	24.0%	2,544,706	8.5%	8.5%
Total	7,028,158	16.4%	6,515,415	7.0%	7.0%

ARKANSAS

THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA

Calculation of Indications

Liability

Coverage	Year Ending	(1)	(2)	(3)	(4)	(5)		
		Ultimate Incurred Claims	Total Earned Premium at Current Rate Level	Ultimate Incurred Loss and LAE	Trend Factor	Trended Ultimate Incurred L/R	(6)	(7)
			(a)	(b)	(c)	(d)	(8)	(9)
Bodily Injury	9/30/2007	51	991,316	676,253	1.005	0.692		
	9/30/2008	93	1,810,906	1,098,269	1.005	0.612		
Property Damage	9/30/2007	138	761,249	507,473	1.020	0.704		
	9/30/2008	280	1,398,443	999,996	1.020	0.740		
Medical Payments	9/30/2007	40	263,842	221,542	1.044	0.945		
	9/30/2008	79	472,281	345,506	1.044	0.789		
Uninsured Motorists	9/30/2007	45	312,383	321,792	1.005	1.044		
	9/30/2008	87	532,538	743,784	1.005	1.409		
Coverage		(6) 2 Year Projected Incurred L/R	(7) Permissible Loss Ratio	(8) Indicated Change	(9) Credibility	(10) 9 Months Trend	(11) Credibility Weighted Indication	
			(e)	(f)	(g)	(h)	(i)	
Bodily Injury		0.640	0.6120	4.6%	0.36	0.4%	1.9%	
Property Damage		0.727	0.6120	18.9%	0.62	1.5%	12.3%	
Medical Payments		0.845	0.6120	38.1%	0.33	3.3%	14.8%	
Uninsured Motorists		1.274	0.6120	108.2%	0.35	0.4%	38.1%	

* Footnotes on the next page

ARKANSAS

Calculation of Statewide Changes

LIABILITY

Notes:

- (a) Total Limits
- (b) Losses developed to ultimate. See Section B, Exhibit 9 for derivation of Loss Development factors. Ultimate losses are loaded for all Loss Adjustment Expenses. See Section B, Exhibit 1 for derivation of Loss Adjustment Expense Factors.
- (c) Section B, Exhibit 5 and Exhibit 8.
- (d) $(5) = [(3) * (4)^n] / (2)$ where n = number of years from the midpoint of the accident year to nine months beyond the anticipated renewal effective date.
- (e) Section B, Exhibit 3.
- (f) $(8) = [(6) / (7)] - 1.00 \times 100$
- (g) Credibility was determined by taking the square root of the ratio of the total number of projected ultimate claims for the latest two years, divided by 1084, which is the number of claims necessary for full credibility.
- (h) $(10) = \{[(4) ^ 0.75] - 1.00\} \times 100.$
- (i) $(11) = [(8) * (9)] + [(10) * (1.00 - (9))\}$

ARKANSAS

THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA

Calculation of Indications

Physical Damages

Coverage	Year Ending	(1)	(2)	(3)	(4)	(5)	(6)
		Ultimate Incurred Claims	Total Earned Premium at Current Rate Level	Ultimate Incurred Loss and LAE	Catastrophe Loading	Trend Factor	Trended Ultimate Incurred L/R
			(a)	(b)	(c)	(d)	(e)
Comprehensive	9/30/2007	179	514,478	285,769	1.059	1.056	0.683
	9/30/2008	466	949,667	588,458	1.059	1.056	0.722
Collision	9/30/2007	189	1,099,422	847,308	1.000	1.020	0.814
	9/30/2008	314	1,988,213	1,511,981	1.000	1.020	0.787
Other Physical Damage	9/30/2007	10	4,536	1,472	1.000	1.000	0.325
	9/30/2008	28	5,787	12,421	1.000	1.000	2.146

Coverage	(7)	(8)	(9)	(10)	(11)	(12)
	2 Year Projected Incurred L/R	Permissible Loss Ratio	Indicated Change	Credibility	9 Month Trend	Credibility Weighted Indication
		(f)	(g)	(h)	(i)	(j)
Comprehensive	0.708	0.5765	22.9%	0.77	4.2%	18.6%
Collision	0.797	0.5765	38.2%	0.68	1.5%	26.5%
Other Physical Damage	1.346	0.5765	133.4%	0.19	0.0%	24.8%

* Footnotes on the next page

ARKANSAS

Calculation of Statewide Changes

PHYSICAL DAMAGE

Notes:

- (a) All Deductibles adjusted for model year/symbol drift.
- (b) Losses developed to ultimate. See Section B, Exhibit 9 for derivation of Loss Development factors. Ultimate losses are loaded for all Loss Adjustment Expenses. See Section B, Exhibit 2 for derivation of Loss Adjustment Expense Factors.
- (c) Section B, Exhibit 10.
- (d) Section B, Exhibit 5.
- (e) $(6) = [(3) * (4) * (5)^n] / (2)$ where n = number of years from the midpoint of the accident year to nine months beyond the anticipated renewal effective date.
- (f) Section B, Exhibit 3.
- (g) $(9) = [(7) / (8)] - 1.00 \times 100$.
- (h) Credibility was determined by taking the square root of the ratio of the total number of projected ultimate claims for the latest two years, divided by 1084, which is the number of claims necessary for full credibility.
- (i) $(11) = \{(5) ^{0.75} - 1.00\} \times 100$.
- (j) $(12) = [(9) * (10)] + [(11) * (1.00 - (10))]$

The Insurance Company of the State of Pennsylvania
Arkansas
Explanatory Memorandum Pertaining to Sections A and B

Experience Period

The statewide rate level indications are based on our private passenger automobile experience in the state of Arkansas for accident years ending September 30, 2007 and September 30, 2008 evaluated as of September 30, 2008.

Premiums

The earned premiums for all coverages reviewed are the premiums that would have resulted if the present rates had been charged during the experience period. Therefore, they reflect fully any rate changes that have occurred since or during the experience period.

In addition, a model year/symbol drift adjustment factor is calculated and used in deriving earned premium at projected rates for comprehensive and collision coverages.

Losses

Incurred losses are adjusted to include all loss adjustment expenses and have been reduced for anticipated salvage and subrogation recoveries. The loss adjustment expense factors used in this review are based on two years of countrywide experience as shown in this section.

The incurred loss and loss adjustment expenses have been developed to an ultimate settlement basis by applying loss development factors based on countrywide experience. The incurred counts/paid average method was utilized to develop losses to ultimate. Projected claim counts were multiplied by projected claim severities and the resulting ultimate losses were divided by the respective calendar/accident year incurred losses to develop a loss development factor.

Comprehensive losses have been adjusted to include a catastrophe loading. Excess wind and water losses are removed from the losses and an excess factor is applied. The excess factor utilized is that developed by the Insurance Services Office. The calculation of the factor is included in this section.

Prospective Annual Change in Losses – Trend

1. Liability

The prospective annual changes in losses are calculated by coverage. The average annual changes in losses are based upon the latest available average paid claim cost and paid claim frequency data for ISO, Fast Track, and AIG. The claim cost data is used as a measure of the inflationary trend in the cost of claims. The claim frequency data is used as a measure of the trend in claim occurrence. The method of trend determination utilized in this revision makes use of the Least Squares Method fitted to the reported time series data; specifically an exponential curve represented by the equation $Y = Ae^{(Bx)}$ is fitted to the claim cost and claim frequency data. The parameters A and B are calculated constraints; x is the unit of time, e is the exponential function with the natural logarithm base of e, which has a numerical value of 2.7182812...; and Y is the fitted value on the curve. The claim cost and claim frequency curves are determined from the latest 6, 8 and 12 quarterly year ended experience periods. Credibility is based on the number of claims underlying the latest year's experience appearing in the trend exhibits.

The average annual change in claim costs and average annual change in claim frequency were then selected from the AIG, ISO and Fast Track data. The average annual change in losses was then obtained by combining the average annual change in claim costs with the average annual change in claim frequency. For Medical Payments, the average annual change in losses was calculated using the Medical Care Component of the Consumer Price Index. Furthermore, the selected trend factor utilized for the Uninsured Motorists coverage is equal to the Bodily Injury coverages.

2. Physical Damage

For physical damage coverages, the average annual changes in losses are based upon the latest available paid claim cost and paid frequency data for Fast Track and ISO (ISO data was used for Comprehensive trend selections). Upon examining the exponential fits of the above mentioned information, a rate of change was selected which is judged to be an appropriate indicator of loss cost trend.

Trend Period

The number of years used for trend projection is the number of years from the average date of accident in the experience period to the average date of coverage under the proposed rates. The average date of accident for fiscal accident years ending September 30, 200X would be April 1, 200X.

The losses in this filing are projected to nine months beyond the anticipated renewal effective date. This date represents the average date of accidents occurring under the proposed rates, assuming our rates will be in effect for one year. This average accident date takes into account the issuance of semiannual policies.

Permissible Loss and Loss Adjustment Expense Ratio

The permissible loss and loss adjustment expense ratio used in the filing is the complement of the provision in the rates for expenses and for a profit and contingency provision, after consideration of investment income. The expenses displayed in Exhibit 4 of this section reflect actual Arkansas expenses to the extent possible. When actual Arkansas expense data is not available, an allocation of the countrywide expense data to Arkansas has been utilized.

PRIVATE PASSENGER AUTOMOBILE
AMERICAN INTERNATIONAL INSURANCE COMPANY
COUNTRYWIDE EXPENSE EXPERIENCE FOR LOSS ADJUSTMENT FACTORS (a)
LIABILITY

	2006 <u>(000)</u>	2007 <u>(000)</u>
(1) Losses Incurred Net of Salvage & Subrogation	\$611,176	\$637,639
(2) Loss Adjustment Expenses Incurred	\$127,101	\$135,741
(3) Losses + Expenses (1)+(2)	\$738,278	\$773,380
(4) Loss & LAE Incurred as a Ratio Losses Incurred (3)/(1)	1.208	1.213
(5) Two Year Average		1.211
(6) Selected Provision		1.211

NOTES: (a) Mainland experience for 2006 and 2007 accident years
from the 2007 American International Insurance Company
Annual Statement, Schedule P workpapers.

PRIVATE PASSENGER AUTOMOBILE
AMERICAN INTERNATIONAL INSURANCE COMPANY
COUNTRYWIDE EXPENSE EXPERIENCE FOR LOSS ADJUSTMENT FACTORS (a)
PHYSICAL DAMAGE

	2006 <u>(000)</u>	2007 <u>(000)</u>
(1) Losses Incurred Net of Salvage & Subrogation	\$274,075	\$299,143
(2) Loss Adjustment Expenses Incurred	\$54,334	\$52,410
(3) Losses + Expenses (1)+(2)	\$328,410	\$351,553
(4) Loss & LAE Incurred as a Ratio Losses Incurred (3)/(1)	1.198	1.175
(5) Two Year Average		1.187
(6) Selected Provision		1.187

NOTES: (a) Mainland experience for 2006 and 2007 accident years
from the 2007 American International Insurance Company
Annual Statement, Schedule P workpapers.

ARKANSAS

**Development of Permissible Loss and Loss
Adjustment Expense Ratio**

	<u>Liab</u>	<u>Phys Dam</u>
(1) Operating Expenses (a)	34.90%	34.90%
(2) Taxes, Licenses, Fees (b)		
a. Premium Taxes	2.50%	3.00%
b. Misc. Taxes, Licenses, Fees	0.34%	0.34%
(3) Underwriting Profit & Contingencies	5.00%	5.00%
(4) Investment Income (c)	3.94%	0.89%
(5) Net Profit & Contingencies Provision (d)	1.06%	4.11%
(6) Total Expense and Profit Ratio (e)	38.80%	42.35%
(7) Total Permissible Loss and Loss Adjustment Expense Ratio (f)	61.20%	57.65%

NOTES:

- (a) Refer to Section B, Exhibit 4.
- (b) 2007 ISO Tax Provision.
- (c) Refer to Section B, Exhibit 11.
- (d) (5) = (3) - (4)
- (e) (6) = [(1) + (2a) + (2b) + (5)].
- (f) (7) = 100% - (6).

**PRIVATE PASSENGER AUTOMOBILE
ARKANSAS OPERATING EXPENSES**

Liability and Physical Damage

	2006	2007
(1) Net Premiums Written	\$7,440,462	\$9,549,675
(2) Net Premiums Earned	\$7,225,740	\$8,928,676
(3) Commission Expense Incurred	\$91,049	\$112,083
(4) Other Acquisition Expense Incurred	\$1,274,349	\$1,228,732
(5) General Expense Incurred	\$1,256,677	\$1,653,636
(6) Total Operating Expense Ratio (a)	0.363	0.335
(7) Two Year Average		0.349
(8) Selected Operating Expense Provision		0.349

(a) $(6) = \{(3) / (1) + [(4) + (5)] / (2)\}$

ARKANSAS Trend Summary

	<u>Claim Cost: Bodily Injury</u>									<u>Claim Cost: Property Damage</u>								
	AIG			Fast Track			ISO			AIG			Fast Track			ISO		
	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.
Average Annual Change (A)																		
(a) State	4.9%	6.3%	12.5%	5.4%	1.0%	0.9%	2.6%	-2.0%	-3.0%	-0.5%	-1.5%	-0.6%	2.7%	2.1%	2.7%	-5.8%	-1.5%	1.3%
(b) Countrywide	7.0%	6.5%	2.7%	6.2%	6.0%	5.1%	2.4%	2.7%	2.8%	2.1%	2.4%	2.4%	2.0%	2.1%	2.7%	2.0%	2.1%	3.2%
(c) Credibility (B)		0.10			0.97			0.42			0.19			1.00			0.75	
(d) Weighted Average (C)	6.8%	6.5%	3.7%	5.4%	1.1%	1.0%	2.4%	0.8%	0.4%	1.6%	1.7%	1.8%	2.7%	2.1%	2.7%	-3.9%	-0.6%	1.8%
(e) Selected				2.0%									2.0%					
	<u>Frequency: Bodily Injury</u>									<u>Frequency: Property Damage</u>								
	AIG			Fast Track			ISO			AIG			Fast Track			ISO		
	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.
Average Annual Change (A)																		
(a) State	-6.1%	0.0%	4.6%	-1.7%	-1.6%	-3.6%	-10.2%	-7.3%	-5.7%	4.7%	3.0%	7.7%	-2.0%	-0.9%	-1.9%	2.3%	3.2%	-0.1%
(b) Countrywide	3.2%	5.0%	5.3%	-5.3%	-4.7%	-5.1%	-5.4%	-5.3%	-5.6%	3.6%	4.5%	4.6%	0.4%	0.4%	-1.3%	1.7%	0.8%	-2.2%
(c) Credibility (B)		0.10			0.97			0.42			0.19			1.00			0.75	
(d) Weighted Average (C)	2.3%	4.5%	5.2%	-1.8%	-1.7%	-3.7%	-7.4%	-6.2%	-5.7%	3.8%	4.2%	5.2%	-2.0%	-0.9%	-1.9%	2.1%	2.6%	-0.6%
(e) Selected				-1.5%									0.0%					
	<u>Total Loss Trend: Bodily Injury</u>									<u>Total Loss Trend: Property Damage</u>								
Average Annual Change in Losses	0.5%									2.0%								

Notes: (A) AIG Trends are based on an exponential curve of best fit through 3Q2008. Fast Track Trends are based on data through 2Q2008. ISO Trends are based on data through 1Q2008.
 (B) Credibility was determined by taking the square root of the ratio of the total number of claims divided by 10,623, which is the number of claims necessary for full credibility.
 (C) (d) = [(a) x (c)] + [(b) x {1.00 - (c)}].

ARKANSAS Trend Summary

Claim Cost:
Comprehensive

	ISO		
	6 pt.	8 pt.	12 pt.
Average Annual Change (A)			
(a) State	2.7%	2.5%	2.5%
(b) Countrywide	0.2%	1.1%	3.5%
(c) Credibility (B)		0.75	
(d) Weighted Average (C)	2.1%	2.1%	2.8%
(e) Selected		2.5%	

Claim Cost:
Collision

	Fast Track			ISO		
	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.
Average Annual Change (A)						
(a) State	2.8%	2.5%	1.6%	1.3%	1.3%	1.6%
(b) Countrywide	0.6%	0.6%	1.5%	-0.8%	0.0%	0.8%
(c) Credibility (B)		1.00			0.94	
(d) Weighted Average (C)	2.8%	2.5%	1.6%	1.2%	1.2%	1.6%
(e) Selected		2.0%				

Frequency:
Comprehensive

	ISO		
	6 pt.	8 pt.	12 pt.
Average Annual Change (A)			
(a) State	1.5%	3.5%	4.6%
(b) Countrywide	4.0%	3.4%	0.9%
(c) Credibility (B)		0.75	
(d) Weighted Average (C)	2.1%	3.5%	3.7%
(e) Selected		3.0%	

Frequency:
Collision

	Fast Track			ISO		
	6 pt.	8 pt.	12 pt.	6 pt.	8 pt.	12 pt.
Average Annual Change (A)						
(a) State	-0.8%	0.2%	-0.8%	3.9%	3.4%	0.2%
(b) Countrywide	1.2%	1.4%	-0.4%	5.1%	3.7%	1.2%
(c) Credibility (B)		1.00			0.94	
(d) Weighted Average (C)	-0.8%	0.2%	-0.8%	3.9%	3.5%	0.3%
(e) Selected		0.0%				

Total Loss Trend:

Average Annual Change in Losses	5.6%
Total Loss Trend:	2.0%

Notes: (A) AIG Trends are based on an exponential curve of best fit through 3Q2008. Fast Track Trends are based on data through 2Q2008. ISO Trends are based on data through 1Q2008.
 (B) Credibility was determined by taking the square root of the ratio of the total number of claims divided by 10,623, which is the number of claims necessary for full credibility.
 (C) (d) = [(a) x (c)] + [(b) x {1.00 - (c)}].

**ARKANSAS
 PRIVATE PASSENGER AUTOMOBILE
 AIG DATA**

AVERAGE PAID CLAIM COST DATA

Year Ended	Bodily Injury	Property Damage	Collision
9/30/2004	14,159	2,591	3,716
12/31/2004	14,527	2,571	3,621
3/31/2005	14,090	2,747	3,432
6/30/2005	9,994	2,677	3,383
9/30/2005	8,340	2,933	3,142
12/31/2005	7,948	2,964	3,137
3/31/2006	8,821	2,655	3,414
6/30/2006	9,921	2,593	3,236
9/30/2006	9,861	2,588	3,655
12/31/2006	11,147	2,770	3,628
3/31/2007	9,778	2,773	3,405
6/30/2007	10,986	2,810	3,566
9/30/2007	11,341	2,741	3,562
12/31/2007	10,955	2,532	3,849
3/31/2008	11,405	2,634	4,027
6/30/2008	11,729	2,812	4,040
9/30/2008	11,616	2,723	3,951
# of Claims	112	400	485
6pt Fit	4.9%	-0.5%	11.3%
8pt Fit	6.3%	-1.5%	9.4%
12pt Fit	12.5%	-0.6%	8.5%

AVERAGE INCURRED CLAIM FREQUENCY DATA

Year Ended	Bodily Injury	Property Damage	Collision
9/30/2004	0.643	2.627	3.870
12/31/2004	0.578	2.401	4.170
3/31/2005	0.670	2.405	4.399
6/30/2005	0.762	2.457	4.421
9/30/2005	0.781	2.321	4.175
12/31/2005	0.753	2.325	3.943
3/31/2006	0.709	2.228	3.892
6/30/2006	0.655	2.284	3.936
9/30/2006	0.726	2.592	4.452
12/31/2006	0.748	2.626	4.750
3/31/2007	0.784	2.705	4.940
6/30/2007	0.846	2.690	5.111
9/30/2007	0.813	2.628	4.928
12/31/2007	0.823	2.667	4.912
3/31/2008	0.743	2.643	4.833
6/30/2008	0.773	2.796	4.951
9/30/2008	0.797	2.816	4.866
6pt Fit	-6.1%	4.7%	-2.8%
8pt Fit	0.0%	3.0%	0.0%
12pt Fit	4.6%	7.7%	9.6%

ARKANSAS
PRIVATE PASSENGER AUTOMOBILE
FAST TRACK DATA

AVERAGE PAID CLAIM COST DATA

Year Ended	Bodily Injury	Property Damage	Collision
6/30/2004	8,166	2,581	2,977
9/30/2004	8,052	2,573	3,011
12/31/2004	8,311	2,564	3,062
3/31/2005	8,386	2,584	3,105
6/30/2005	8,493	2,584	3,125
9/30/2005	8,686	2,599	3,116
12/31/2005	8,801	2,634	3,154
3/31/2006	9,078	2,648	3,128
6/30/2006	9,272	2,680	3,149
9/30/2006	9,135	2,724	3,153
12/31/2006	9,203	2,719	3,136
3/31/2007	8,927	2,728	3,192
6/30/2007	8,684	2,740	3,175
9/30/2007	8,797	2,757	3,182
12/31/2007	8,761	2,775	3,198
3/31/2008	9,164	2,799	3,258
6/30/2008	9,488	2,816	3,298
# of PAID CLAIMS	9,898	33,376	40,531
6 PT. Fit	5.4%	2.7%	2.8%
8 PT. Fit	1.0%	2.1%	2.5%
12 PT. Fit	0.9%	2.7%	1.6%

AVERAGE PAID CLAIMS FREQUENCY DATA

Year Ended	Bodily Injury	Property Damage	Collision
6/30/2004	1.460	3.37	5.510
9/30/2004	1.420	3.35	5.430
12/31/2004	1.420	3.35	5.390
3/31/2005	1.410	3.35	5.420
6/30/2005	1.400	3.37	5.440
9/30/2005	1.380	3.37	5.420
12/31/2005	1.340	3.33	5.340
3/31/2006	1.310	3.28	5.240
6/30/2006	1.270	3.22	5.150
9/30/2006	1.250	3.19	5.150
12/31/2006	1.270	3.21	5.190
3/31/2007	1.250	3.21	5.220
6/30/2007	1.240	3.22	5.250
9/30/2007	1.250	3.22	5.240
12/31/2007	1.240	3.21	5.230
3/31/2008	1.230	3.17	5.210
6/30/2008	1.220	3.13	5.170
6 PT. Fit	-1.7%	-2.0%	-0.8%
8 PT. Fit	-1.6%	-0.9%	0.2%
12 PT. Fit	-3.6%	-1.9%	-0.8%

ARKANSAS
PRIVATE PASSENGER AUTOMOBILE
ISO DATA

AVERAGE PAID CLAIM COST DATA

Year Ended	Bodily Injury	Property Damage	Comp	Collision
6/30/2005	8,004	2,460	1,275	3,004
9/30/2005	7,951	2,493	1,326	3,034
12/31/2005	8,348	2,489	1,386	3,074
3/31/2006	8,407	2,501	1,372	3,129
6/30/2006	8,186	2,518	1,373	3,109
9/30/2006	7,767	2,588	1,336	3,096
12/31/2006	7,871	2,665	1,367	3,144
3/31/2007	7,300	2,648	1,371	3,109
6/30/2007	7,300	2,648	1,382	3,133
9/30/2007	7,670	2,580	1,412	3,144
12/31/2007	7,343	2,521	1,404	3,126
3/31/2008	8,120	2,484	1,405	3,204
# of PAID CLAIMS	1,897	5,900	6,040	9,340
6 PT. Fit	2.6%	-5.8%	2.7%	1.3%
8 PT. Fit	-2.0%	-1.5%	2.5%	1.3%
12 PT. Fit	-3.0%	1.3%	2.5%	1.6%

AVERAGE PAID CLAIMS FREQUENCY DATA

Year Ended	Bodily Injury	Property Damage	Comp	Collision
12/31/2003	0.999	2.993	3.223	5.144
3/31/2004	1.061	3.079	3.107	5.028
6/30/2004	1.090	3.098	2.965	4.998
9/30/2004	1.135	3.105	2.786	5.035
12/31/2004	1.201	3.114	2.756	5.111
3/31/2005	1.173	3.096	2.757	5.173
6/30/2005	1.187	3.102	2.745	5.236
9/30/2005	1.176	3.065	2.728	5.176
12/31/2005	1.141	2.984	2.710	5.114
3/31/2006	1.127	2.937	2.777	5.044
6/30/2006	1.116	2.868	2.816	4.977
9/30/2006	1.121	2.908	2.901	4.934
12/31/2006	1.106	2.968	2.990	4.957
3/31/2007	1.117	2.979	2.984	5.076
6/30/2007	1.100	2.991	2.984	5.093
9/30/2007	1.039	2.991	2.954	5.177
12/31/2007	1.007	3.008	3.023	5.204
3/31/2008	0.987	3.069	3.050	5.201
6 PT. Fit	-10.2%	2.3%	1.5%	3.9%
8 PT. Fit	-7.3%	3.2%	3.5%	3.4%
12 PT. Fit	-5.7%	-0.1%	4.6%	0.2%

**COUNTRYWIDE
PRIVATE PASSENGER AUTOMOBILE
AIG DATA**

**SECTION B
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AVERAGE PAID CLAIM COST DATA

Year Ended	Bodily Injury	Property Damage	Collision
9/30/2004	16,502	2,732	3,708
12/31/2004	17,084	2,705	3,677
3/31/2005	17,518	2,718	3,678
6/30/2005	17,131	2,705	3,672
9/30/2005	16,742	2,716	3,694
12/31/2005	16,071	2,733	3,716
3/31/2006	15,508	2,729	3,769
6/30/2006	15,348	2,743	3,790
9/30/2006	15,005	2,749	3,792
12/31/2006	15,079	2,766	3,817
3/31/2007	15,231	2,803	3,817
6/30/2007	15,242	2,820	3,832
9/30/2007	15,728	2,840	3,816
12/31/2007	16,148	2,847	3,834
3/31/2008	16,461	2,862	3,840
6/30/2008	16,510	2,882	3,849
9/30/2008	16,590	2,896	3,877
# OF CLAIMS	13,848	56,703	70,968
6 PT. Fit	7.0%	2.1%	1.0%
8 PT. Fit	6.5%	2.4%	0.8%
12 PT. Fit	2.7%	2.4%	1.1%

AVERAGE INCURRED CLAIMS FREQUENCY DATA

Year Ended	Bodily Injury	Property Damage	Collision
9/30/2004	0.7302	2.9844	5.5279
12/31/2004	0.7296	3.0144	5.4564
3/31/2005	0.7370	3.0376	5.4506
6/30/2005	0.7450	3.0627	5.4474
9/30/2005	0.7526	3.0630	5.4549
12/31/2005	0.7614	3.0854	5.5402
3/31/2006	0.7750	3.0970	5.5151
6/30/2006	0.7756	3.1023	5.5617
9/30/2006	0.7872	3.1457	5.6448
12/31/2006	0.7946	3.1802	5.6476
3/31/2007	0.8098	3.2393	5.8446
6/30/2007	0.8330	3.2863	5.9281
9/30/2007	0.8458	3.3302	5.9992
12/31/2007	0.8518	3.3730	6.0965
3/31/2008	0.8549	3.4073	6.1145
6/30/2008	0.8587	3.4418	6.0890
9/30/2008	0.8713	3.4195	5.9877
6 PT. Fit	3.2%	3.6%	1.1%
8 PT. Fit	5.0%	4.5%	3.5%
12 PT. Fit	5.3%	4.6%	4.3%

**COUNTRYWIDE
PRIVATE PASSENGER AUTOMOBILE
FAST TRACK DATA**

**SECTION B
EXHIBIT 7
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AVERAGE PAID CLAIM COST DATA

Year Ended	Bodily Injury	Property Damage	Collision
6/30/04	11,282	2,499	2,760
9/30/04	11,383	2,501	2,775
12/31/04	11,527	2,509	2,794
3/31/05	11,654	2,523	2,826
6/30/05	11,736	2,540	2,858
9/30/05	11,823	2,557	2,870
12/31/05	11,891	2,579	2,897
3/31/06	11,985	2,608	2,921
6/30/06	12,077	2,633	2,948
9/30/06	12,180	2,655	2,972
12/31/06	12,356	2,673	2,985
3/31/07	12,529	2,691	2,988
6/30/07	12,700	2,704	2,985
9/30/07	12,877	2,719	2,987
12/31/07	13,077	2,728	2,987
3/31/08	13,297	2,744	3,011
6/30/08	13,491	2,758	3,004
# OF PAID CLAIMS	989,101	4,247,320	5,548,153
6 PT. Fit	6.2%	2.0%	0.6%
8 PT. Fit	6.0%	2.1%	0.6%
12 PT. Fit	5.1%	2.7%	1.5%

AVERAGE PAID CLAIMS FREQUENCY DATA

Year Ended	Bodily Injury	Property Damage	Collision
6/30/04	1.55	3.80	6.18
9/30/04	1.53	3.77	6.10
12/31/04	1.52	3.73	6.02
3/31/05	1.50	3.71	5.97
6/30/05	1.49	3.71	5.96
9/30/05	1.46	3.71	5.95
12/31/05	1.43	3.67	5.92
3/31/06	1.41	3.64	5.85
6/30/06	1.38	3.59	5.78
9/30/06	1.36	3.54	5.73
12/31/06	1.35	3.55	5.71
3/31/07	1.34	3.54	5.75
6/30/07	1.32	3.55	5.79
9/30/07	1.31	3.56	5.81
12/31/07	1.29	3.57	5.84
3/31/08	1.27	3.57	5.85
6/30/08	1.25	3.55	5.83
6 PT. Fit	-5.3%	0.4%	1.2%
8 PT. Fit	-4.7%	0.4%	1.4%
12 PT. Fit	-5.1%	-1.3%	-0.4%

**COUNTRYWIDE
PRIVATE PASSENGER AUTOMOBILE
ISO DATA**

**SECTION B
EXHIBIT 7
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AVERAGE PAID CLAIM COST DATA

Year Ended	Bodily Injury	Property Damage	Comp	Collision
6/30/05	10,444	2,309	1319	2,704
9/30/05	10,499	2,335	1336	2,705
12/31/05	10,580	2,362	1365	2,726
3/31/06	10,703	2,400	1396	2,732
6/30/06	10,700	2,434	1416	2,745
9/30/06	10,826	2,451	1440	2,760
12/31/06	10,935	2,469	1450	2,774
3/31/07	10,943	2,474	1450	2,780
6/30/07	11,082	2,484	1450	2,778
9/30/07	11,145	2,497	1443	2,766
12/31/07	11,158	2,510	1452	2,753
3/31/08	11,245	2,531	1456	2,755
# OF PAID CLAIMS	145,301	821,405	573,654	1,161,280
6 PT. Fit	2.4%	2.0%	0.2%	-0.8%
8 PT. Fit	2.7%	2.1%	1.1%	0.0%
12 PT. Fit	2.8%	3.2%	3.5%	0.8%

AVERAGE PAID CLAIMS FREQUENCY DATA

Year Ended	Bodily Injury	Property Damage	Comp	Collision
6/30/02	1.1189	3.9130	2.909	5.3494
9/30/02	1.1257	3.9375	2.8866	5.384
12/31/02	1.1255	3.9215	2.8384	5.3832
3/31/03	1.1163	3.9104	2.8058	5.4268
6/30/03	1.1142	3.8804	2.7879	5.4082
9/30/03	1.1093	3.8511	2.7515	5.3682
12/31/03	1.1050	3.8313	2.6991	5.3108
3/31/04	1.1057	3.8249	2.6392	5.2832
6/30/04	1.1010	3.8017	2.5478	5.2325
9/30/04	1.0960	3.7685	2.4473	5.1951
12/31/04	1.0864	3.7336	2.4017	5.1610
3/31/05	1.0804	3.7008	2.3652	5.1252
6/30/05	1.0735	3.6993	2.3391	5.1412
9/30/05	1.0678	3.6591	2.3075	5.1462
12/31/05	1.0516	3.6064	2.2666	5.1435
3/31/06	1.0318	3.5445	2.2597	5.0948
6/30/06	1.0162	3.4677	2.2498	5.0599
9/30/06	0.9959	3.4227	2.2437	5.0193
12/31/06	0.9885	3.4138	2.2630	5.0182
3/31/07	0.9755	3.4290	2.2755	5.0979
6/30/07	0.9584	3.4450	2.3015	5.1633
9/30/07	0.9436	3.4566	2.3345	5.2198
12/31/07	0.9284	3.4757	2.3538	5.2986
3/31/08	0.9275	3.4866	2.3673	5.3349
6 PT. Fit	-5.4%	1.7%	4.0%	5.1%
8 PT. Fit	-5.3%	0.8%	3.4%	3.7%
12 PT. Fit	-5.6%	-2.2%	0.9%	1.2%

Derivation of Average Annual Change in Loss Severity

MEDICAL PAYMENTS

Medical Care Component of the Consumer Price Index *

Calendar Year Ended	(1) Average Unadjusted Index	(2) Actual Annual Percentage Change	(3) Exponential Curve of Best Fit		
			<u>12pt.</u>	<u>8 pt.</u>	<u>6 pt.</u>
12/31/05	323.23	4.20%	322.88		
03/31/06	326.44	4.10%	326.25		
06/30/06	329.75	4.10%	329.65		
09/30/06	333.12	4.10%	333.09		
12/31/06	336.18	4.00%	336.56	336.08	
03/31/07	339.67	4.10%	340.08	339.70	
06/30/07	343.04	4.00%	343.62	343.36	343.31
09/30/07	346.82	4.10%	347.21	347.06	347.02
12/31/07	351.06	4.40%	350.83	350.80	350.78
03/31/08	355.10	4.50%	354.49	354.58	354.58
06/30/08	358.72	4.60%	358.19	358.40	358.41
09/30/08	361.65	4.30%	361.93	362.26	362.29
			<u>12 pt</u>	<u>8 pt.</u>	<u>6 pt.</u>
(4) Average Annual Change in Index Based on Exponential Curve of Best Fit			4.20%	4.40%	4.40%
(5) Selected Average Annual Change					4.40%

* As published by the U.S. Department of Labor, Bureau of Labor Statistics

**AMERICAN INTERNATIONAL COMPANIES
 MAINLAND
 Development Implied Loss Development Factors - Year Ending 09/30/XX
 Bodily Injury Fault**

Acc Yr End	(1) Ultimate Loss (a)	(2) Incurred Loss 09/30 @ 09/30/08 (b)	(3) Loss Development Factor (c)
9/30/2006	64,544,102	64,270,155	1.004
9/30/2007	76,265,374	68,409,504	1.115
9/30/2008	85,073,799	52,963,791	1.606

- NOTES:
- (a) Ultimate Loss equals Selected Ultimate Claims x Selected Ultimate Average Paid Loss for the respective year; Refer to Page 2.
 - (b) Actual Mainland Incurred Loss for the respective accident year end.
 - (c) $(3) = (1) / (2)$.
 - (d) Fault States include Alabama, Alaska, Arizona, Arkansas, California, Colorado (07/01/03 and subsequent), Connecticut, Delaware, DC, Georgia, Idaho, Illinois, Indiana, Iowa, Louisiana, Maine, Maryland, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

AMERICAN INTERNATIONAL COMPANIES
MAINLAND
Bodily Injury Fault

Average Paid Loss						Incurred Claims					
Acc Year	12	24	36	48	60	Acc Year	12	24	36	48	60
9/30/2000	2,065	4,270	6,186	7,420	7,824	9/30/2000	5,230	4,388	4,317	4,315	4,315
9/30/2001	2,160	4,925	6,473	7,289	7,858	9/30/2001	5,985	5,256	5,276	5,268	5,259
9/30/2002	2,265	5,307	6,854	7,677	8,083	9/30/2002	6,783	6,198	6,229	6,225	6,208
9/30/2003	2,516	5,806	7,939	8,765	9,311	9/30/2003	6,306	5,971	5,974	5,949	5,940
9/30/2004	3,806	6,738	8,243	9,257	9,749	9/30/2004	5,469	5,665	5,603	5,632	5,621
9/30/2005	3,570	6,490	8,196	9,171		9/30/2005	5,855	6,177	6,183	6,189	
9/30/2006	3,439	6,354	7,998			9/30/2006	6,211	6,693	6,768		
9/30/2007	3,385	6,616				9/30/2007	7,044	7,762			
9/30/2008	4,037					9/30/2008	7,832				
Acc Year	12/24	24/36	36/48	48/60	Tail	Acc Year	12/24	24/36	36/48	48/60	Tail
9/30/2000	2.068	1.449	1.199	1.054		9/30/2000	0.839	0.984	1.000	1.000	
9/30/2001	2.280	1.314	1.126	1.078		9/30/2001	0.878	1.004	0.998	0.998	
9/30/2002	2.344	1.291	1.120	1.053		9/30/2002	0.914	1.005	0.999	0.997	
9/30/2003	2.308	1.367	1.104	1.062		9/30/2003	0.947	1.001	0.996	0.998	
9/30/2004	1.770	1.223	1.123	1.053		9/30/2004	1.036	0.989	1.005	0.998	
9/30/2005	1.818	1.263	1.119			9/30/2005	1.055	1.001	1.001		
9/30/2006	1.848	1.259				9/30/2006	1.078	1.011			
9/30/2007	1.954					9/30/2007	1.102				
9/30/2008						9/30/2008					
Average	2.049	1.310	1.132	1.060		Average	0.981	0.999	1.000	0.998	
Average 4	1.848	1.278	1.117	1.062		Average 4	1.068	1.000	1.000	0.998	
Average 3	1.873	1.248	1.115	1.056		Average 3	1.078	1.000	1.001	0.998	
Average 2	1.901	1.261	1.121	1.058		Average 2	1.090	1.006	1.003	0.998	
Selected	1.848	1.248	1.115	1.053		Selected	0.981	0.999	1.000	0.998	
Cumulative	2.755	1.491	1.195	1.073	1.019	Cumulative	0.976	0.996	0.997	0.997	0.999
Ultimates	11,124	9,866	9,562	9,838	9,936	Ultimates	7,648	7,730	6,750	6,170	5,618

**AMERICAN INTERNATIONAL COMPANIES
MAINLAND
Development Implied Loss Development Factors - Year Ending 09/30/XX
Property Damage**

Acc Yr End	(1) Ultimate Loss (a)	(2) Incurred Loss 09/30 @ 09/30/08 (b)	(3) Loss Development Factor (c)
9/30/2006	149,449,954	148,689,312	1.005
9/30/2007	169,950,524	166,183,107	1.023
9/30/2008	185,968,425	150,101,416	1.239

NOTES: (a) Ultimate Loss equals Selected Ultimate Claims x Selected Ultimate Average Paid Loss for the respective year; Refer to Page 4.
 (b) Actual Mainland Incurred Loss for the respective accident year end.
 (c) (3) = (1) / (2).

AMERICAN INTERNATIONAL COMPANIES
MAINLAND
Property Damage

Average Paid Loss						Incurred Claims					
Acc Year	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	Acc Year	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>
9/30/2000	1,988	2,210	2,251	2,261	2,264	9/30/2000	37,749	37,509	37,755	37,846	37,858
9/30/2001	2,105	2,313	2,348	2,354	2,356	9/30/2001	43,598	44,584	44,978	45,064	45,080
9/30/2002	2,264	2,481	2,504	2,508	2,509	9/30/2002	42,619	43,967	44,356	44,438	44,454
9/30/2003	2,298	2,520	2,540	2,544	2,548	9/30/2003	40,105	42,195	42,420	42,497	42,509
9/30/2004	2,328	2,540	2,570	2,578	2,578	9/30/2004	41,947	43,712	44,076	44,165	44,169
9/30/2005	2,335	2,561	2,592	2,596		9/30/2005	48,321	51,756	52,129	52,226	
9/30/2006	2,349	2,574	2,595			9/30/2006	51,797	56,913	57,290		
9/30/2007	2,425	2,634				9/30/2007	57,052	63,073			
9/30/2008	2,508					9/30/2008	60,700				
Acc Year	<u>12/24</u>	<u>24/36</u>	<u>36/48</u>	<u>48/60</u>	<u>Tail</u>	Acc Year	<u>12/24</u>	<u>24/36</u>	<u>36/48</u>	<u>48/60</u>	<u>Tail</u>
9/30/2000	1.112	1.018	1.004	1.001		9/30/2000	0.994	1.007	1.002	1.000	
9/30/2001	1.099	1.015	1.003	1.001		9/30/2001	1.023	1.009	1.002	1.000	
9/30/2002	1.096	1.009	1.001	1.001		9/30/2002	1.032	1.009	1.002	1.000	
9/30/2003	1.097	1.008	1.002	1.002		9/30/2003	1.052	1.005	1.002	1.000	
9/30/2004	1.091	1.012	1.003	1.000		9/30/2004	1.042	1.008	1.002	1.000	
9/30/2005	1.097	1.012	1.002			9/30/2005	1.071	1.007	1.002		
9/30/2006	1.096	1.008				9/30/2006	1.099	1.007			
9/30/2007	1.086					9/30/2007	1.106				
9/30/2008						9/30/2008					
Average	1.097	1.012	1.002	1.001		Average	1.052	1.007	1.002	1.000	
Average 4	1.092	1.010	1.002	1.001		Average 4	1.079	1.007	1.002	1.000	
Average 3	1.093	1.011	1.002	1.001		Average 3	1.092	1.007	1.002	1.000	
Average 2	1.091	1.010	1.002	1.001		Average 2	1.102	1.007	1.002	1.000	
Selected	1.086	1.010	1.002	1.000		Selected	1.100	1.007	1.002	1.000	
Cumulative	1.101	1.014	1.003	1.001	1.001	Cumulative	1.110	1.009	1.002	1.000	1.000
Ultimates	2,761	2,670	2,603	2,600	2,582	Ultimates	67,363	63,645	57,408	52,235	44,177

**AMERICAN INTERNATIONAL COMPANIES
 MAINLAND
 Development Implied Loss Development Factors - Year Ending 09/30/XX
 Medical Payments**

Acc Yr End	(1) Ultimate Loss (a)	(2) Incurred Loss 09/30 @ 09/30/08 (b)	(3) Loss Development Factor (c)
9/30/2006	15,932,279	15,660,257	1.017
9/30/2007	17,700,416	16,898,468	1.047
9/30/2008	17,198,463	15,274,954	1.126

NOTES: (a) Ultimate Loss equals Selected Ultimate Claims x Selected Ultimate Average Paid Loss for the respective year; Refer to Page 6.
 (b) Actual Mainland Incurred Loss for the respective accident year end.
 (c) (3) = (1) / (2).

AMERICAN INTERNATIONAL COMPANIES
MAINLAND
Medical Payments

Average Paid Loss						Incurred Claims					
Acc Year	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	Acc Year	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>
9/30/2000	1,381	1,853	1,935	1,968	1,979	9/30/2000	4,359	4,509	4,532	4,547	4,545
9/30/2001	1,518	1,927	2,042	2,081	2,086	9/30/2001	4,779	5,001	5,012	5,024	5,026
9/30/2002	1,613	2,069	2,132	2,171	2,172	9/30/2002	5,265	5,455	5,496	5,504	5,507
9/30/2003	1,741	2,198	2,286	2,319	2,325	9/30/2003	5,077	5,157	5,183	5,196	5,203
9/30/2004	2,111	2,517	2,570	2,600	2,603	9/30/2004	4,624	4,710	4,771	4,786	4,790
9/30/2005	2,090	2,487	2,552	2,581		9/30/2005	4,828	5,142	5,236	5,268	
9/30/2006	2,363	2,708	2,773			9/30/2006	5,162	5,528	5,628		
9/30/2007	2,485	2,885				9/30/2007	5,457	5,766			
9/30/2008	2,395					9/30/2008	5,268				
Acc Year	<u>12/24</u>	<u>24/36</u>	<u>36/48</u>	<u>48/60</u>	<u>Tail</u>	Acc Year	<u>12/24</u>	<u>24/36</u>	<u>36/48</u>	<u>48/60</u>	<u>Tail</u>
9/30/2000	1.342	1.044	1.017	1.006		9/30/2000	1.034	1.005	1.003	1.000	
9/30/2001	1.269	1.059	1.019	1.003		9/30/2001	1.046	1.002	1.002	1.000	
9/30/2002	1.283	1.030	1.018	1.001		9/30/2002	1.036	1.008	1.001	1.001	
9/30/2003	1.262	1.040	1.015	1.002		9/30/2003	1.016	1.005	1.003	1.001	
9/30/2004	1.192	1.021	1.012	1.001		9/30/2004	1.019	1.013	1.003	1.001	
9/30/2005	1.190	1.026	1.011			9/30/2005	1.065	1.018	1.006		
9/30/2006	1.146	1.024				9/30/2006	1.071	1.018			
9/30/2007	1.161					9/30/2007	1.057				
9/30/2008						9/30/2008					
Average	1.231	1.035	1.015	1.003		Average	1.043	1.010	1.003	1.001	
Average 4	1.172	1.028	1.014	1.002		Average 4	1.053	1.014	1.003	1.001	
Average 3	1.166	1.024	1.013	1.001		Average 3	1.064	1.016	1.004	1.001	
Average 2	1.154	1.025	1.012	1.002		Average 2	1.064	1.018	1.005	1.001	
Selected	1.204	1.026	1.010	1.003		Selected	1.064	1.016	1.005	1.000	
Cumulative	1.254	1.042	1.015	1.005	1.002	Cumulative	1.087	1.022	1.006	1.001	1.000
Ultimates	3,003	3,005	2,815	2,594	2,610	Ultimates	5,727	5,891	5,659	5,272	4,792

**AMERICAN INTERNATIONAL COMPANIES
MAINLAND
Development Implied Loss Development Factors - Year Ending 09/30/XX
Uninsured Motorists Fault**

Acc Yr End	(1) Ultimate Loss (a)	(2) Incurred Loss 09/30 @ 09/30/08 (b)	(3) Loss Development Factor (c)
9/30/2006	38,187,594	36,610,648	1.043
9/30/2007	40,229,991	32,373,019	1.243
9/30/2008	47,924,810	25,071,894	1.911

- NOTES:
- (a) Ultimate Loss equals Selected Ultimate Claims x Selected Ultimate Average Paid Loss for the respective year; Refer to Page 8.
 - (b) Actual Mainland Incurred Loss for the respective accident year end.
 - (c) $(3) = (1) / (2)$.
 - (d) Fault States include Alabama, Alaska, Arizona, Arkansas, California, Colorado (07/01/03 and subsequent), Connecticut, Delaware, DC, Georgia, Idaho, Illinois, Indiana, Iowa, Louisiana, Maine, Maryland, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

AMERICAN INTERNATIONAL COMPANIES
MAINLAND
Uninsured Motorists Fault

Average Paid Loss						Incurred Claims					
Acc Year	12	24	36	48	60	Acc Year	12	24	36	48	60
9/30/2000	2,160	4,080	5,339	6,321	6,877	9/30/2000	2,158	2,397	2,457	2,471	2,477
9/30/2001	2,204	3,841	5,460	6,196	6,554	9/30/2001	2,629	2,871	2,931	2,937	2,927
9/30/2002	2,380	4,520	6,601	7,708	8,360	9/30/2002	2,689	2,733	2,803	2,799	2,781
9/30/2003	2,521	4,765	7,306	8,413	9,645	9/30/2003	2,389	2,675	2,689	2,676	2,666
9/30/2004	3,450	7,079	9,124	10,134	10,639	9/30/2004	2,249	2,655	2,733	2,754	2,746
9/30/2005	2,694	5,179	6,889	7,768		9/30/2005	2,862	3,364	3,482	3,499	
9/30/2006	2,837	5,919	7,816			9/30/2006	3,181	3,773	3,880		
9/30/2007	2,534	4,709				9/30/2007	4,323	5,046			
9/30/2008	2,597					9/30/2008	5,072				
Acc Year	12/24	24/36	36/48	48/60	Tail	Acc Year	12/24	24/36	36/48	48/60	Tail
9/30/2000	1.889	1.309	1.184	1.088		9/30/2000	1.111	1.025	1.006	1.002	
9/30/2001	1.743	1.422	1.135	1.058		9/30/2001	1.092	1.021	1.002	0.997	
9/30/2002	1.899	1.460	1.168	1.085		9/30/2002	1.016	1.026	0.999	0.994	
9/30/2003	1.890	1.533	1.152	1.146		9/30/2003	1.120	1.005	0.995	0.996	
9/30/2004	2.052	1.289	1.111	1.050		9/30/2004	1.181	1.029	1.008	0.997	
9/30/2005	1.922	1.330	1.128			9/30/2005	1.175	1.035	1.005		
9/30/2006	2.086	1.321				9/30/2006	1.186	1.028			
9/30/2007	1.859					9/30/2007	1.167				
9/30/2008						9/30/2008					
Average	1.917	1.380	1.146	1.085		Average	1.131	1.024	1.002	0.997	
Average 4	1.980	1.368	1.139	1.085		Average 4	1.177	1.025	1.002	0.996	
Average 3	1.956	1.313	1.130	1.094		Average 3	1.176	1.031	1.003	0.996	
Average 2	1.973	1.325	1.119	1.098		Average 2	1.177	1.032	1.006	0.997	
Selected	1.900	1.313	1.129	1.085		Selected	1.131	1.024	1.002	0.996	
Cumulative	3.150	1.658	1.263	1.118	1.031	Cumulative	1.155	1.021	0.997	0.995	0.999
Ultimates	8,181	7,807	9,869	8,687	10,964	Ultimates	5,858	5,153	3,869	3,482	2,744

**AMERICAN INTERNATIONAL COMPANIES
 MAINLAND
 Development Implied Loss Development Factors - Year Ending 09/30/XX
 Comprehensive**

<u>Acc Yr End</u>	(1) Ultimate Loss (a)	(2) Incurred Loss 09/30 @ 09/30/08 (b)	(3) Loss Development Factor (c)
9/30/2006	83,450,623	83,231,255	1.003
9/30/2007	74,808,829	74,277,092	1.007
9/30/2008	90,151,686	74,556,568	1.209

NOTES: (a) Ultimate Loss equals Selected Ultimate Claims x Selected Ultimate Average Paid Loss for the respective year; Refer to Page 10.
 (b) Actual Mainland Incurred Loss for the respective accident year end.
 (c) (3) = (1) / (2).

AMERICAN INTERNATIONAL COMPANIES
MAINLAND
Comprehensive

Average Paid Loss						Incurred Claims					
Acc Year	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	Acc Year	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>
9/30/2000	1,146	1,142	1,142	1,142	1,142	9/30/2000	47,651	53,227	53,379	53,412	53,418
9/30/2001	1,184	1,149	1,148	1,149	1,149	9/30/2001	58,253	62,946	63,089	63,116	63,120
9/30/2002	1,139	1,135	1,137	1,138	1,138	9/30/2002	53,770	58,471	58,551	58,562	58,563
9/30/2003	1,132	1,120	1,122	1,122	1,122	9/30/2003	45,711	52,379	52,455	52,472	52,473
9/30/2004	1,120	1,184	1,183	1,184	1,184	9/30/2004	43,130	49,666	49,765	49,786	49,793
9/30/2005	1,031	1,213	1,216	1,217		9/30/2005	48,520	55,829	55,935	55,952	
9/30/2006	1,336	1,352	1,353			9/30/2006	54,645	61,414	61,526		
9/30/2007	1,201	1,230				9/30/2007	53,040	60,380			
9/30/2008	1,310					9/30/2008	55,842				
Acc Year	<u>12/24</u>	<u>24/36</u>	<u>36/48</u>	<u>48/60</u>	<u>Tail</u>	Acc Year	<u>12/24</u>	<u>24/36</u>	<u>36/48</u>	<u>48/60</u>	<u>Tail</u>
9/30/2000	0.996	0.999	1.000	1.000		9/30/2000	1.117	1.003	1.001	1.000	
9/30/2001	0.971	0.999	1.000	1.001		9/30/2001	1.081	1.002	1.000	1.000	
9/30/2002	0.997	1.002	1.001	1.000		9/30/2002	1.087	1.001	1.000	1.000	
9/30/2003	0.989	1.002	1.000	1.000		9/30/2003	1.146	1.001	1.000	1.000	
9/30/2004	1.058	0.999	1.000	1.001		9/30/2004	1.152	1.002	1.000	1.000	
9/30/2005	1.176	1.003	1.000			9/30/2005	1.151	1.002	1.000		
9/30/2006	1.012	1.001				9/30/2006	1.124	1.002			
9/30/2007	1.024					9/30/2007	1.138				
9/30/2008						9/30/2008					
Average	1.028	1.001	1.000	1.000		Average	1.124	1.002	1.000	1.000	
Average 4	1.068	1.001	1.000	1.000		Average 4	1.141	1.002	1.000	1.000	
Average 3	1.071	1.001	1.000	1.000		Average 3	1.138	1.002	1.000	1.000	
Average 2	1.018	1.002	1.000	1.000		Average 2	1.131	1.002	1.000	1.000	
Selected	1.071	1.002	1.000	1.001		Selected	1.141	1.002	1.000	1.000	
Cumulative	1.076	1.004	1.002	1.001	1.000	Cumulative	1.145	1.003	1.001	1.000	1.000
Ultimates	1,410	1,235	1,355	1,218	1,184	Ultimates	63,942	60,573	61,575	55,974	49,793

**AMERICAN INTERNATIONAL COMPANIES
MAINLAND
Development Implied Loss Development Factors - Year Ending 09/30/XX
Collision**

Acc Yr End	(1) Ultimate Loss (a)	(2) Incurred Loss 09/30 @ 09/30/08 (b)	(3) Loss Development Factor (c)
9/30/2006	253,193,287	253,142,800	1.000
9/30/2007	282,149,778	281,666,021	1.002
9/30/2008	297,206,860	269,724,825	1.102

NOTES: (a) Ultimate Loss equals Selected Ultimate Claims x Selected Ultimate Average Paid Loss for the respective year; Refer to Page 12.
 (b) Actual Mainland Incurred Loss for the respective accident year end.
 (c) (3) = (1) / (2).

AMERICAN INTERNATIONAL COMPANIES
MAINLAND
Collision

Acc Year	Average Paid Loss					Acc Year	Incurred Claims				
	12	24	36	48	60		12	24	36	48	60
9/30/2000	3,027	3,170	3,173	3,173	3,174	9/30/2000	52,463	54,891	54,903	54,893	54,890
9/30/2001	3,179	3,294	3,296	3,296	3,300	9/30/2001	64,327	67,083	67,087	67,080	67,079
9/30/2002	3,358	3,475	3,478	3,479	3,480	9/30/2002	60,977	63,880	63,884	63,888	63,889
9/30/2003	3,568	3,688	3,690	3,690	3,690	9/30/2003	53,409	56,194	56,193	56,200	56,201
9/30/2004	3,603	3,723	3,724	3,725	3,725	9/30/2004	51,322	53,319	53,345	53,351	53,351
9/30/2005	3,555	3,678	3,680	3,681		9/30/2005	56,907	60,338	60,386	60,399	
9/30/2006	3,653	3,760	3,761			9/30/2006	62,679	67,257	67,312		
9/30/2007	3,663	3,767				9/30/2007	69,375	74,771			
9/30/2008	3,697					9/30/2008	72,773				

Acc Year	12/24	24/36	36/48	48/60	Tail	Acc Year	12/24	24/36	36/48	48/60	Tail
9/30/2000	1.047	1.001	1.000	1.000		9/30/2000	1.046	1.000	1.000	1.000	
9/30/2001	1.036	1.001	1.000	1.001		9/30/2001	1.043	1.000	1.000	1.000	
9/30/2002	1.035	1.001	1.000	1.000		9/30/2002	1.048	1.000	1.000	1.000	
9/30/2003	1.034	1.001	1.000	1.000		9/30/2003	1.052	1.000	1.000	1.000	
9/30/2004	1.033	1.000	1.000	1.000		9/30/2004	1.039	1.000	1.000	1.000	
9/30/2005	1.034	1.001	1.000			9/30/2005	1.060	1.001	1.000		
9/30/2006	1.029	1.000				9/30/2006	1.073	1.001			
9/30/2007	1.028					9/30/2007	1.078				
9/30/2008						9/30/2008					
Average	1.035	1.001	1.000	1.000		Average	1.055	1.000	1.000	1.000	
Average 4	1.031	1.000	1.000	1.000		Average 4	1.063	1.001	1.000	1.000	
Average 3	1.031	1.000	1.000	1.000		Average 3	1.070	1.001	1.000	1.000	
Average 2	1.029	1.000	1.000	1.000		Average 2	1.075	1.001	1.000	1.000	
Selected	1.030	1.001	1.000	1.000		Selected	1.071	1.001	1.000	1.000	
Cumulative	1.031	1.001	1.000	1.000	1.000	Cumulative	1.072	1.001	1.000	1.000	1.000
Ultimates	3,811	3,770	3,761	3,682	3,727	Ultimates	77,991	74,837	67,316	60,399	53,351

**ARKANSAS
PERSONAL AUTOMOBILE INSURANCE
EXCESS WIND AND WATER FACTOR
NON-HURRICANE REGION PROCEDURE**

Year	(1) Wind & Water Paid Losses ^a	(2) Total Paid Losses ^a	(3) Reported Total Wind Losses (2) - (1)	(4) Wind To Non-Wind Ratio (1) ÷ (3)	(5) Total Capped Wind Ratio < (5 × Med)	(6) Capped Excess Wind Ratio (5) - Avg(5)	(7) Capped Excess Wind Losses (3) × (6)	(8) Excess Wind Ratio Above The Cap (4) - (5)	(9) Excess Wind Losses Above The Cap (8) × (3)	(10) Total Excess Wind Losses (7) + (9)
12/1981	447,767	2,174,168	1,726,401	0.259	0.259	0.000	0	0.000	0	0
6/1983	527,819	2,478,459	1,950,640	0.271	0.271	0.000	0	0.000	0	0
6/1984	899,803	3,416,665	2,516,862	0.358	0.358	0.000	0	0.000	0	0
6/1985	556,230	3,580,155	3,023,925	0.184	0.184	0.000	0	0.000	0	0
6/1986	795,463	3,517,836	2,722,373	0.292	0.292	0.000	0	0.000	0	0
6/1987	221,115	2,766,502	2,545,387	0.087	0.087	0.000	0	0.000	0	0
6/1988	719,060	3,857,285	3,138,225	0.229	0.229	0.000	0	0.000	0	0
6/1989	2,499,092	5,426,051	2,926,959	0.854	0.854	0.488	1,428,356	0.000	0	1,428,356
12/1990	926,299	4,634,808	3,708,509	0.250	0.250	0.000	0	0.000	0	0
12/1991	1,480,984	5,899,547	4,418,563	0.335	0.335	0.000	0	0.000	0	0
12/1992	1,216,240	5,799,653	4,583,413	0.265	0.265	0.000	0	0.000	0	0
12/1993	1,080,792	6,349,318	5,268,526	0.205	0.205	0.000	0	0.000	0	0
12/1994	3,383,403	10,525,583	7,142,180	0.474	0.474	0.108	771,355	0.000	0	771,355
12/1995	2,920,312	10,212,981	7,292,669	0.400	0.400	0.034	247,951	0.000	0	247,951
12/1996	9,727,473	18,506,265	8,778,792	1.108	1.108	0.742	6,513,864	0.000	0	6,513,864
12/1997	2,039,975	10,717,614	8,677,639	0.235	0.235	0.000	0	0.000	0	0
12/1998	1,710,949	10,430,264	8,719,315	0.196	0.196	0.000	0	0.000	0	0
12/1999	8,198,783	19,931,257	11,732,474	0.699	0.699	0.333	3,906,914	0.000	0	3,906,914
12/2000	3,217,152	15,581,423	12,364,271	0.260	0.260	0.000	0	0.000	0	0
12/2001	3,906,549	18,961,117	15,054,568	0.259	0.259	0.000	0	0.000	0	0
12/2002	4,885,671	17,502,927	12,617,256	0.387	0.387	0.021	264,962	0.000	0	264,962
12/2003	5,051,239	16,624,462	11,573,223	0.436	0.436	0.070	810,126	0.000	0	810,126
12/2004	4,808,422	18,569,615	13,761,193	0.349	0.349	0.000	0	0.000	0	0
12/2005	4,172,692	19,316,059	15,143,367	0.276	0.276	0.000	0	0.000	0	0
12/2006	8,255,844	25,757,320	17,501,476	0.472	0.472	0.106	1,855,156	0.000	0	1,855,156
Total	\$73,649,128	\$262,537,334	\$188,888,206	0.366	0.366	1.902	\$15,798,684	0.000	\$0	\$15,798,684
Average				0.366	0.366	0.076		0.000		

- (11) Normal Wind to Non-Wind Ratio = Average of Column (5) = **0.366**
- (12) Median Wind to Non-Wind Ratio = **0.276**
- (13) 5 x Median Wind to Non-Wind Ratio = **1.380**
- (14) Excess Factor = $1.0 + \{(\text{average (6)} + \text{average (8)}) / (1.0 + \text{average (5)} - \text{average (6)})\}$
 $= 1.0 + \{ (0.076 + 0.000) + (1.0 + 0.366 - 0.366) \} =$ **1.059**

^a Full Coverage, \$50, and \$100 Deductible for 1981 to 1986.
 Full Coverage, \$50, \$100, \$200, and \$250 Deductible for 1988 to 1990.
 Full Coverage, \$50, \$100, \$200, \$250, and \$500 Deductible for 1991 to 1993.
 Full Coverage, \$50, \$100, \$200, \$250, \$500, and \$1,000 Deductible for 1994 to 2006.
 All Losses are Comprehensive losses adjusted to a \$100 Deductible level.

EFFECT OF INVESTMENT INCOME
AMERICAN INTERNATIONAL INSURANCE COMPANY
2007

	Private Passenger Auto Liability	Phys. Damage
1. Loss & Loss Expense Reserves at 12/31/06	\$ 250,434,129	\$ 14,401,605
2. Loss & Loss Expense Reserves at 12/31/07	\$ 235,806,258	\$ 6,646,099
3. Mean Loss & Loss Expense Reserves	\$ 243,120,194	\$ 10,523,852
4. Unearned Premium Reserves at 12/31/06	\$ 76,665,072	\$ 51,071,578
5. Unearned Premium Reserves at 12/31/07	\$ 75,938,671	\$ 54,443,105
6. Mean Unearned Premium Reserves	\$ 76,301,872	\$ 52,757,342
7. Deduction for Prepaid Expenses	\$ 11,597,884	\$ 8,230,145
8. Gross Investable Reserve	\$ 307,824,182	\$ 55,051,049
9. Deduction for Federal Taxes Payable	\$ 11,061,969	\$ 420,174
10. Deduction for Agents Balance	\$ 25,433,957	\$ 17,585,781
11. Net Investable Reserves	\$ 271,328,256	\$ 37,045,094
12. Net Investment Income-All Lines	\$ 26,621,016	\$ 26,621,016
13. Cash & Invested Assets	\$ 641,948,739	\$ 641,948,739
14. Rate of Investment Income	4.15%	4.15%
15. Investment Income on All Reserves	\$ 11,260,123	\$ 1,537,371
16. Earned Premium	\$ 256,370,054	\$ 155,326,585
17. Investment Income as Percent of Earned Premium Before Federal Income Taxes	4.39%	0.99%
18. Investment Income as a Percent of Earned Premium After Federal Income Taxes	3.94%	0.89%

Effect of Investment Income
 Private Passenger Auto

Explanatory Notes

- Line 1 Annual Statement as of 12/31/06, Part 2A (Col. 8 + Col. 9)
 Underwriting & Investment Exhibit
- Line 2 Annual Statement as of 12/31/07, Part 2A (Col. 8 + Col. 9)
 Underwriting & Investment Exhibit
- Line 3 (Line 1 + Line 2)/2
- Line 4 Annual Statement as of 12/31/06, Part 1A Col. 5
 Underwriting & Investment Exhibit
- Line 5 Annual Statement as of 12/31/07, Part 1A Col. 5
 Underwriting & Investment Exhibit
- Line 6 (Line 4 + Line 5)/2
- Line 7 Line 6 * Ratio of Prepaid Expenses to Earned Premium
 Insurance Expense Exhibit 2007
- Commission & Brokerage (Line 24) + (0.5) Other Acquisition
 (Line 28) + (0.5) General Expenses (Line 30) + Taxes (Line 26)
- P.P. Auto Liability 15.2%
- P.P. Auto Phys. Damage 15.6%

- Line 8 (Line 3 + Line 6) - Line 7
- Line 9 Deduction for Federal Taxes Payable

	Liab.	Phys. Damage
Unearned Premium Reserve (Revenue Offset)		
0.35 x (0.20 (Line 5 - Line 4)) [Limited to \$0]	0	236,007
+	+	+
Loss Reserve Discount (Line 3 x Average Discount Factor x 0.35 where, Average Discount Factor is as follows: P.P. Auto Liability 0.13 P.P. Auto Physical Damage 0.05	11,061,969	184,167
Total Deduction for Federal Taxes Payable	11,061,969	420,174

Explanatory Notes

Line 10 (6) / 3
 Line 11 (Line 8 - Line 9 - Line 10); Limited to 0.
 Line 12 Annual Statement as of 12/31/07, Page 4, Line 9
 Line 13 Annual Statement as of 12/31/07, Page 2, Line 10
 Line 14 Line 12 / Line 13
 Line 15 Line 14 * Line 11
 Line 16 Annual Statement as of 12/31/07, Part 1, Col. 4
 Underwriting & Investment Exhibit
 Line 17 Line 15 / Line 16
 Line 18 Federal Taxes on Investment Income
 Annual Statement as of 12/31/07
 Exhibit of Net Investment Income

	Income	Tax Rate
	_____	_____
Bonds		
Taxable (Line 1.2)	818,059	0.350
Non-Taxable (Line 1.0 + 1.1)	22,533,447	0.053 (A)
Stocks		
Unaffiliated (Line 2.1 + 2.2)	0	0.112 (B)
Affiliated (Line 2.11 + 2.21)	0	0.053 (A)
Other Investment Income	3,773,252	0.350
Subtotal (Line 10)	27,124,758	0.103
Investment Deductions (Line 13)	0	0.350
Net Investment Income	27,124,758	0.103

Line 18 = Line 17 * (1 - Net Investment Income Tax Rate)

- (A) 15% of the income is taxed at a full corporate income tax rate of 35%.
 The applicable tax rate is thus 5.3% (0.15 x 0.35 = .053).
- (B) Only 20% of dividend income is subject to a full corporate income tax rate
 of 35%. 15% of the remaining 80% of dividend income is taxed
 at a rate of 35%. The applicable tax rate is thus 11.2% [(0.20 x 0.35)
 + (0.80 x 0.15 x 0.35) = 0.112].

THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA

ARKANSAS

**MEMORANDUM ON PROPOSED BASE RATE
AND CLASSIFICATION REVISIONS**

Determination of Base Rate Changes

Our territorial base rates for all coverages are being revised. The proposed changes by coverage are summarized in Section A, Exhibit 1. The calculation of the proposed base rates by coverage and territory are developed in Exhibits 1 – 6 of this section. Revised Rate Pages AR-R-1 and AR-R-2 are attached.

ARKANSAS
The Insurance Company of the State of Pennsylvania
Development of Territorial Adjustments
BODILY INJURY

Section C
Exhibit 1

Terr	(1) Inforce Prem Dist	(2) Present Base Rate	(3) Proposed Rate Change	(4) Proposed Base Rate (a)	(5) Actual Change (b)
1	19.5%	248	1.0%	250	0.8%
3	11.3%	197	1.0%	199	1.0%
105	1.6%	205	1.0%	207	1.0%
205	1.6%	200	1.0%	202	1.0%
106	8.8%	237	1.0%	239	0.8%
206	3.1%	265	1.0%	268	1.1%
8	4.5%	238	1.0%	240	0.8%
9	2.0%	196	1.0%	198	1.0%
110	3.1%	203	1.0%	205	1.0%
210	2.2%	201	1.0%	203	1.0%
111	0.9%	222	1.0%	224	0.9%
211	1.4%	200	1.0%	202	1.0%
411	1.0%	242	1.0%	244	0.8%
511	2.8%	230	1.0%	232	0.9%
711	13.1%	196	1.0%	198	1.0%
811	13.1%	172	1.0%	174	1.2%
911	10.1%	185	1.0%	187	1.1%
	100.0%			XXX	1.0%

Footnotes:

(a) (4) = (2) x [1+(3)].

(b) (5) = [(4) / (2) - 1] * 100%.

ARKANSAS
The Insurance Company of the State of Pennsylvania
Development of Territorial Adjustments
PROPERTY DAMAGE

Section C
Exhibit 2

Terr	(1) Inforce Prem Dist	(2) Present Base Rate	(3) Proposed Rate Change	(4) Proposed Base Rate (a)	(5) Actual Change (b)
1	19.4%	239	7.0%	256	7.1%
3	11.1%	191	7.0%	204	6.8%
105	1.6%	201	7.0%	215	7.0%
205	1.6%	193	7.0%	207	7.3%
106	8.8%	229	7.0%	245	7.0%
206	3.2%	254	7.0%	272	7.1%
8	4.5%	232	7.0%	248	6.9%
9	2.0%	190	7.0%	203	6.8%
110	3.1%	195	7.0%	209	7.2%
210	2.2%	194	7.0%	208	7.2%
111	0.9%	213	7.0%	228	7.0%
211	1.5%	193	7.0%	207	7.3%
411	1.0%	232	7.0%	248	6.9%
511	2.8%	221	7.0%	236	6.8%
711	13.2%	190	7.0%	203	6.8%
811	13.1%	167	7.0%	179	7.2%
911	10.2%	176	7.0%	188	6.8%
	100.0%			XXX	7.0%

Footnotes:

(a) (4) = (2) x [1+(3)].

(b) (5) = [(4) / (2) -1] * 100%.

ARKANSAS
The Insurance Company of the State of Pennsylvania
Development of Territorial Adjustments
MEDICAL PAYMENTS

Section C
Exhibit 3

Terr	(1) Inforce Prem Dist	(2) Present Base Rate	(3) Proposed Rate Change	(4) Proposed Base Rate (a)	(5) Actual Change (b)
1	17.7%	109	7.0%	117	7.3%
3	11.3%	108	7.0%	116	7.4%
105	1.8%	118	7.0%	126	6.8%
205	1.7%	116	7.0%	124	6.9%
106	8.0%	116	7.0%	124	6.9%
206	3.4%	159	7.0%	170	6.9%
8	4.3%	155	7.0%	166	7.1%
9	2.0%	112	7.0%	120	7.1%
110	3.0%	109	7.0%	117	7.3%
210	1.8%	108	7.0%	116	7.4%
111	0.9%	129	7.0%	138	7.0%
211	1.3%	116	7.0%	124	6.9%
411	0.8%	117	7.0%	125	6.8%
511	2.9%	133	7.0%	142	6.8%
711	13.5%	112	7.0%	120	7.1%
811	13.2%	105	7.0%	112	6.7%
911	12.5%	130	7.0%	139	6.9%
	100.0%			XXX	7.1%

Footnotes:

(a) (4) = (2) x [1+(3)].

(b) (5) = [(4) / (2) -1] * 100%.

ARKANSAS
 The Insurance Company of the State of Pennsylvania
 Development of Territorial Adjustments
 UNINSURED MOTORISTS

Section C
Exhibit 4

Terr	Coverage	(1) Current Base rate	(2) Proposed Change	(3) Proposed Base Rate (a)	(4) Actual Change (b)
ALL	UMBI - Single Car	28	21.0%	34	21.4%
ALL	UMBI - Multi Car	22	21.0%	27	22.7%
ALL	UMPD - Single Car	11	21.0%	13	18.2%
ALL	UMPD - Multi Car	10	21.0%	12	20.0%
ALL	UIMBI - Single Car	17	21.0%	21	23.5%
ALL	UIMBI - Multi Car	14	21.0%	17	21.4%
Overall					21.8%

Footnote: (a) = (1) * [1+(2)]
 (b) = [(3) / (1) - 1] * 100%

ARKANSAS
The Insurance Company of the State of Pennsylvania
Development of Territorial Adjustments
COMPREHENSIVE

Section C
Exhibit 5

Terr	(1) Inforce Prem Dist	(2) Present Base Rate	(3) Proposed Rate Change	(4) Proposed Base Rate (a)	(5) Actual Change (b)
1	14.9%	67	7.5%	72	7.5%
3	9.6%	70	7.5%	75	7.1%
105	2.1%	111	7.5%	119	7.2%
205	2.2%	113	7.5%	121	7.1%
106	7.0%	78	7.5%	84	7.7%
206	3.4%	94	7.5%	101	7.4%
8	3.2%	73	7.5%	78	6.8%
9	2.9%	108	7.5%	116	7.4%
110	2.7%	65	7.5%	70	7.7%
210	1.7%	67	7.5%	72	7.5%
111	1.2%	135	7.5%	145	7.4%
211	1.9%	111	7.5%	119	7.2%
411	1.0%	103	7.5%	111	7.8%
511	3.7%	132	7.5%	142	7.6%
711	15.9%	108	7.5%	116	7.4%
811	13.0%	90	7.5%	97	7.8%
911	13.8%	114	7.5%	123	7.9%
	100.0%			XXX	7.5%

Footnotes:

(a) (4) = (2) x [1+(3)].

(b) (5) = [(4) / (2) -1] * 100%.

ARKANSAS
The Insurance Company of the State of Pennsylvania
Development of Territorial Adjustments
COLLISION

Section C
Exhibit 6

Terr	(1) Inforce Prem Dist	(2) Present Base Rate	(3) Proposed Rate Change	(4) Proposed Base Rate (a)	(5) Actual Change (b)
1	18.9%	292	9.0%	318	8.9%
3	11.2%	278	9.0%	303	9.0%
105	1.8%	319	9.0%	348	9.1%
205	1.7%	301	9.0%	328	9.0%
106	7.7%	285	9.0%	311	9.1%
206	3.3%	321	9.0%	350	9.0%
8	4.4%	326	9.0%	355	8.9%
9	2.3%	298	9.0%	325	9.1%
110	3.2%	274	9.0%	299	9.1%
210	2.0%	277	9.0%	302	9.0%
111	0.8%	332	9.0%	362	9.0%
211	1.6%	301	9.0%	328	9.0%
411	0.9%	307	9.0%	335	9.1%
511	2.9%	332	9.0%	362	9.0%
711	13.4%	298	9.0%	325	9.1%
811	12.9%	295	9.0%	322	9.2%
911	10.9%	304	9.0%	331	8.9%
	100.0%			XXX	9.0%

Footnotes:

(a) (4) = (2) x [1+(3)].

(b) (5) = [(4) / (2) -1] * 100%.