

SERFF Tracking Number: TRVA-125483868 State: Arkansas  
First Filing Company: The Automobile Insurance Company of Hartford, State Tracking Number: EFT \$100  
Connecticut, ...  
Company Tracking Number: 2008-02-0045  
TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)  
Product Name: Homesaver  
Project Name/Number: Homesaver/2008-02-0045

## Filing at a Glance

Companies: The Automobile Insurance Company of Hartford, Connecticut, The Travelers Indemnity Company of America

Product Name: Homesaver	SERFF Tr Num: TRVA-125483868	State: Arkansas
TOI: 01.0 Property	SERFF Status: Closed	State Tr Num: EFT \$100
Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)	Co Tr Num: 2008-02-0045	State Status: Fees verified and received
Filing Type: Rate	Co Status:	Reviewer(s): Becky Harrington, Betty Montesi, Brittany Yielding
	Author: Ann Lavorgna	Disposition Date: 02/27/2008
	Date Submitted: 02/13/2008	Disposition Status: Filed
Effective Date Requested (New): 06/13/2008		Effective Date (New): 06/13/2008
Effective Date Requested (Renewal): 07/12/2008		Effective Date (Renewal): 07/12/2008

State Filing Description:

## General Information

Project Name: Homesaver	Status of Filing in Domicile:
Project Number: 2008-02-0045	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 02/27/2008	
State Status Changed: 02/13/2008	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	
Base rate changes to all forms	

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## Company and Contact

### Filing Contact Information

Ann Lavorgna, Regulatory Analyst AJLAVORG@travelers.com  
 One Tower Square (860) 277-5466 [Phone]  
 Hartford, CT 06183 (860) 277-5204[FAX]

### Filing Company Information

The Automobile Insurance Company of Hartford, Connecticut CoCode: 19062 State of Domicile: Connecticut  
 One Tower Square Group Code: 3548 Company Type: Property/Casualty  
 Hartford, CT 06183 Group Name: State ID Number:  
 (860) 277-7395 ext. [Phone] FEIN Number: 06-0848755  
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The Travelers Indemnity Company of America CoCode: 25666 State of Domicile: Connecticut  
 One Tower Square Group Code: 3548 Company Type: Property/Casualty  
 Hartford, CT 06183 Group Name: State ID Number:  
 (860) 277-7395 ext. [Phone] FEIN Number: 58-6020487  
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## Filing Fees

Fee Required? Yes  
 Fee Amount: \$100.00  
 Retaliatory? No  
 Fee Explanation: Rate changes  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
The Automobile Insurance Company of Hartford, Connecticut	\$100.00	02/13/2008	17957629
The Travelers Indemnity Company of America	\$0.00	02/13/2008	

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	02/27/2008	02/27/2008
Filed	Becky Harrington	02/27/2008	02/27/2008

### 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	02/20/2008	02/20/2008	Ann Lavorgna	02/25/2008	02/25/2008
Pending Industry Response	Becky Harrington	02/13/2008	02/13/2008	Ann Lavorgna	02/18/2008	02/18/2008

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## Disposition

Disposition Date: 02/27/2008  
 Effective Date (New): 06/13/2008  
 Effective Date (Renewal): 07/12/2008  
 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 Automobile Insurance Company of Hartford, Connecticut	5.300%	\$63,278	1,895	\$1,258,360	8.000%	%	33.400%
The Travelers Indemnity Company of America	0.000%	\$	0	\$	%	%	%

### Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	33.400%
Overall Percentage Rate Impact For This Filing	5.300%
Effect of Rate Filing-Written Premium Change For This Program	\$63,278
Effect of Rate Filing - Number of Policyholders Affected	1,895

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 Project Name/Number: Homesaver/2008-02-0045

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	No
Supporting Document	Form RF-1	Filed	Yes
Rate (revised)	ExMemo/Exhibits	Filed	Yes
Rate	ExMemo/Exhibits	Filed	Yes
Rate	Ex9Page 1	Filed	Yes

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Product Name: Homesaver  
Project Name/Number: Homesaver/2008-02-0045

## Disposition

Disposition Date: 02/27/2008  
Effective Date (New): 06/13/2008  
Effective Date (Renewal): 07/12/2008  
Status: Filed  
Comment:

Rate data does NOT apply to filing.

### Overall Rate Information for Multiple Company Filings

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

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## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 02/20/2008  
Submitted Date 02/20/2008

Respond By Date

Dear Ann Lavorgna,

This will acknowledge receipt of the captioned filing.

Objection 1

No Objections

Comment: Form RF-1 is required with all rate filings.

Please feel free to contact me if you have questions. I apologize for overlooking this in my original response.

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 02/25/2008  
Submitted Date 02/25/2008

Dear Becky Harrington,

### Comments:

### Response 1

Comments: A RF-1 form is attached for this filing.

### Related Objection 1

Comment:



SERFF Tracking Number: TRVA-125483868 State: Arkansas  
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## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 02/13/2008  
Submitted Date 02/13/2008  
Respond By Date  
Dear Ann Lavorgna,

This will acknowledge receipt of the captioned filing.

### Objection 1

- ExMemo/Exhibits (Rate)

Comment: Exhibit 2 shows a risk load of .004 and an earthquake loss ratio of .001. Exhibit 9, page 1 identifies an expected loss ratio due to hurricanes of .1%. Explain how the risk load was developed. Verify the hurricane and earthquake figures.

### Objection 2

- ExMemo/Exhibits (Rate)

Comment: It appears only Territory 33 base rates were increased. Define territory 33 and provide additional support for increase this territory only.

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 02/18/2008  
Submitted Date 02/18/2008

Dear Becky Harrington,

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**Comments:**

**Response 1**

Comments: The following is our response to your objection letter:

1. Comment: Exhibit 2 shows a risk load of .004 and an earthquake loss ratio of .001. Exhibit 9, page 1 identifies an expected loss ratio due to hurricanes of .1%. Explain how the risk load was developed. Verify the hurricane and earthquake figures.

Page 1 of Exhibit 9 in our filing package incorrectly identified the .1% expected loss ratio due to hurricane. This should refer to fire following earthquake, as identified in Exhibit 2. The risk load, hurricane loss ratio and earthquake loss ratio shown in Exhibit 2 are correct. A revised version of Exhibit 9 (page 1) showing the correction of "hurricane" to "fire following earthquake" is attached.

The .004 risk load is the ratio of risk load dollars to premium. Risk load dollars are a measure of hazard and concentration of risk allocated to a given state based on that state's exposure to hazard and concentration.

2. Comment: It appears only Territory 33 base rates were increased. Define territory 33 and provide additional support for increase this territory only.

Territory 33 consists of the following counties:

Arkansas, Ashley, Baxter, Benton, Boone, Bradley, Calhoun, Carroll, Chicot, Clark, Clay, Cleburne, Cleveland, Columbia, Conway, Craighead, Crawford, Cirttenden, Cross, Dallas, Desha, Drew, Faulkner, Franklin, Fulton, Garland, Grant, Greene, Hempstead, Hot Spring, Howard, Independence, IZARD, Jackson, Johnson, Lafayette, Lawrence, Lee, Lincoln, Little, River, Logan, Lonoke, Madison, Marion, Miller, Mississippi, Monroe, Montgomery, Nevada, Newton, Ouachita, Perry, Philips, Pike, Poinsett, Polk, Pope, Prairie, Randolph, St. Francis, Saline, Scott, Searcy, Sebastian, Sevier, Sharp, Stone, Union, Van Buren, Washington, White, Woodruff and Yell

Please note the 5-year loss ratio relativity for Territory 33.

Territory  
33

5 Yr Total Earned Premium Distribution  
70%

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**5 Yr Loss Ratio Relativity**

1.13

**Related Objection 1**

Applies To:

- ExMemo/Exhibits (Rate)

Comment:

Exhibit 2 shows a risk load of .004 and an earthquake loss ratio of .001. Exhibit 9, page 1 identifies an expected loss ratio due to hurricanes of .1%. Explain how the risk load was developed. Verify the hurricane and earthquake figures.

**Related Objection 2**

Applies To:

- ExMemo/Exhibits (Rate)

Comment:

It appears only Territory 33 base rates were increased. Define territory 33 and provide additional support for increase this territory only.

**Changed Items:**

No Supporting Documents changed.

No Form Schedule items changed.

**Rate/Rule Schedule Item Changes**

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
ExMemo/Exhibits		Replacement	
<b>Previous Version</b>			
ExMemo/Exhibits		Replacement	
Ex9Page 1		Replacement	





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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	ExMemo/Exhibits		Replacement	AR HS Filing.pdf
Filed	Ex9Page 1		Replacement	Ex9Page 1.pdf

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

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THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

EXPLANATORY MEMORANDUM

The Arkansas Homesaver program was put into effect in March of 2001. There have not been any changes since the inception date. We are proposing territorial base rate changes to all forms with an overall rate level change of +5.3%. This change applies to all new business processed and effective on or after June 13, 2008 and to all renewals processed on or after June 13, 2008 and effective on or after July 12, 2008

All efforts were made to limit disruption and make sure no one policy received an increase higher than +8%.

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THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
 THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Statewide Rate Level Impact by Policy Form

	<u>Dwelling (661)</u>	<u>Condo (662)</u>	<u>Dwelling Rental (663)</u>	<u>Condo Rental (664)</u>	<u>Tenants (665)</u>	<u>Total</u>
Total Base Rates	6.2%	7.7%	5.3%	2.6%	0.0%	5.3%
Total	6.2%	7.7%	5.3%	2.6%	0.0%	5.3%

## ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

## Homesaver Statewide Indications

AY Ending 06/30	Earned House Years (1)	Trended EPCR (2)	Indication		AY Weights (5)	Rate Level Loss Ratio (6)=(3)/(2)
			Ultimate Trended L & LAE (3)	Incurred Claim Count (4)		
2003	595	352,997	485,079	39	0.20	1.374
2004	1,593	928,292	287,017	29	0.20	0.309
2005	2,499	1,446,091	738,555	65	0.20	0.511
2006	3,058	1,778,943	752,339	68	0.20	0.423
2007	2,945	1,744,669	185,175	44	0.20	0.106

(7) Weighted Rate Level Loss Ratio	0.545
(8) Non-Hurricane Cat. Adjusted Loss Ratio = (7) x WCLM	0.615
(9) Permissible Loss Ratio	0.532
(10) Indicated Rate Level Change = (8)/(9)	15.5%
(11) State Credibility	0.800
(12) Trended Permissible Loss Ratio	1.057
(13) Credibility Weighted Rate Level Loss Ratio	0.703
(14) Hurricane Loss Ratio	0.000
(15) Earthquake Loss Ratio	0.001
(16) Risk Load	0.004
(17) Total Cat. Adjusted Loss Ratio = (13) + (14) + (15) + (16)	0.708
(18) Credibility Weighted Indicated Rate Level change = (17)/(9)	33.1%
(19) Proposed Premium Level Change	5.3%

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THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Credibility Table

<u>Earned</u> <u>Exposures</u>	<u>Credibility</u>
0	0.00
47	0.05
188	0.10
750	0.20
1,688	0.30
3,000	0.40
4,688	0.50
6,750	0.60
9,188	0.70
12,000	0.80
15,188	0.90
18,750	1.00

## ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
 THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Homesaver Policy Forms  
 Trended Ultimate Losses

## All Pricing Tracks Combined

Accident Year Ending 6/30	2003	2004	2005	2006	2007
(1) Earned Premium	282,877	775,493	1,257,281	1,607,225	1,635,643
(2) Earned Premium at Current Rates Factor	1.000	1.000	1.000	1.000	1.000
(3) Earned Premium at Current Rates (1) x (2)	282,877	775,493	1,257,281	1,607,225	1,635,643
(4) Premium Trend Factor	1.248	1.197	1.150	1.107	1.067
(5) Trended Earned Premium at Current Rates (3) x (4)	352,997	928,292	1,446,091	1,778,943	1,744,669
(6) Incurred Losses & ALAE	220,076	143,239	405,442	454,671	117,285
(7) Loss Development Factor	1.000	1.000	1.000	1.000	1.050
(8) Ultimate Losses & ALAE (6) x (7)	220,076	143,239	405,442	454,671	123,100
(9) Unallocated Factor + 1.00	1.191	1.191	1.191	1.191	1.191
(10) Ultimate Losses & LAE (8) x (9)	262,111	170,598	482,881	541,513	146,612
(11) Loss Trend Factor	1.851	1.682	1.529	1.389	1.263
(12) Trended Ultimate Losses & LAE (10) x (11)	485,079	287,017	738,555	752,339	185,175

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THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
 THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Homesaver Policy Forms  
 Average Premium Trend

All Pricing Tracks Combined

Experience Period Ending:	Average Premium	Fitted Average Premium (Straight Line)
06/30/2003	475.08	469.28
06/30/2004	486.66	489.21
06/30/2005	503.15	509.15
06/30/2006	525.52	529.08
06/30/2007	555.31	549.01
(1) Average Historical Annual Increment of Change		19.93
(2) Average Annual Increment of Change Tempered 0.75		14.95
(3) Selected Annual Increment of Change:		14.95
Current Annual Rate =	2.7%	
(4) Average Earned Date Underlying Proposed Rates (Effective Date = 06/13/2008)		06/13/2009
(5) Prospective Trend Period (months) (Midpoint of Experience Period to Average Earned Date)		29.4
(6) Increment to Bring 06/30/2007 Average Premium to 06/13/2009: [(3) * [(5) / 12]]		36.59
(7) Projected Average Premium at 06/13/2009:		585.60

CALCULATION OF PREMIUM TREND FACTORS

Experience Period Ending:	Midpoint of Experience Period	Fitted Average Premium	Premium Trend Factors
06/30/2003	12/31/2002	469.28	1.248
06/30/2004	12/31/2003	489.21	1.197
06/30/2005	12/31/2004	509.15	1.150
06/30/2006	12/31/2005	529.08	1.107
06/30/2007	12/31/2006	549.01	1.067
	06/13/2009	585.60	

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Homesaver Policy Forms  
Pure Premium Trend  
Exponential Fit

Calendar Year Ending	Travelers Statewide				Calendar Year Ending	Industry Fastrack Statewide			
	Actual	20 PT	12 PT	6 PT		Actual	20 PT	12 PT	6 PT
09/30/2002	287.92	214.70			06/30/2002	296.00	276.59		
12/31/2002	265.44	225.16			09/30/2002	294.73	276.69		
03/31/2003	221.49	236.12			12/31/2002	290.93	276.79		
06/30/2003	223.83	247.62			03/31/2003	288.27	276.89		
09/30/2003	286.46	259.67			06/30/2003	287.17	276.99		
12/31/2003	285.20	272.31			09/30/2003	298.61	277.09		
03/31/2004	283.35	285.57			12/31/2003	280.15	277.20		
06/30/2004	275.16	299.47			03/31/2004	262.11	277.30		
09/30/2004	259.63	314.05	252.35		06/30/2004	255.51	277.40	237.73	
12/31/2004	256.98	329.34	273.94		09/30/2004	238.13	277.50	243.53	
03/31/2005	284.40	345.38	297.37		12/31/2004	239.92	277.60	249.46	
06/30/2005	372.44	362.19	322.81		03/31/2005	252.06	277.70	255.54	
09/30/2005	359.42	379.83	350.43		06/30/2005	255.58	277.80	261.77	
12/31/2005	373.04	398.32	380.40		09/30/2005	260.39	277.90	268.15	
03/31/2006	421.23	417.71	412.94	390.86	12/31/2005	276.48	278.00	274.69	281.05
06/30/2006	383.91	438.05	448.27	431.75	03/31/2006	283.73	278.10	281.38	286.35
09/30/2006	463.39	459.37	486.61	476.91	06/30/2006	300.66	278.20	288.24	291.75
12/31/2006	572.87	481.74	528.24	526.79	09/30/2006	302.66	278.30	295.27	297.25
03/31/2007	590.20	505.19	573.43	581.89	12/31/2006	300.53	278.40	302.46	302.85
06/30/2007	625.83	529.79	622.48	642.75	03/31/2007	304.00	278.50	309.84	308.56
Annual Rate of Change		20.9%	38.9%	48.9%			0.1%	10.1%	7.8%
Coefficient of Determination (R2)		79.4%	93.9%	86.0%			0.1%	87.6%	76.6%
Selected Annual Rate of Change				10.0%					
Projected Average Date of Loss for the Period the Proposed Rates will be in Effect				06/13/2009					

Factors To Adjust Data Based on a 06/13/2008 Effective Date

Experience Period	Midpoint of Experience Period	Prospective Trend Period (months)	Pure Premium Factor	
			From	Midpoint to 06/13/2009
06/30/2003	12/31/2002	77.5		1.851
06/30/2004	12/31/2003	65.5		1.682
06/30/2005	12/31/2004	53.5		1.529
06/30/2006	12/31/2005	41.4		1.389
06/30/2007	12/31/2006	29.4		1.263





## ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
 THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

## Unallocated Loss Adjustment Expense

HOMEOWNERS			
Calendar Year	ULAE	Incurred Losses & ALAE	Ratio
2004	\$88,212,142	\$551,277,026	0.160
2005	\$113,165,040	\$636,067,737	0.178
2006	\$163,486,696	\$719,448,914	0.227
Mean			0.191
Selected			0.191

ARKANSAS HOMESAVER

HOMEOWNERS

Catastrophe Losses

Explanation of Catastrophe Losses

In an effort to avoid sharp fluctuations in our rate level adjustments and maintain a degree of stability, we have given catastrophe losses a special treatment in the ratemaking process.

Catastrophes are estimated separately by hurricane vs. non-hurricane losses.

Non-Hurricane Catastrophes:

The industry defines a catastrophe as an occurrence such as a hailstorm, windstorm, tornado, hurricane, etc., which results in property losses of \$25,000,000 or more.<sup>1</sup> Each catastrophe is accorded a serial number by the Insurance Services Office for identification purposes. This identification makes it possible for each insurance company to summarize the losses due to these types of occurrences in a particular year. One of our underlying assumptions in ratemaking is that past loss experience can be utilized as an indication of the future loss experience. While this is a reasonable assumption for regular property losses, we believe catastrophe losses are extraordinary events that will probably not re-occur with the same degree of frequency as regular losses. Therefore, we give such catastrophe losses special treatment.

We first eliminate all catastrophe losses from the five-year experience period leaving only non-cat losses in the experience. We develop the five-year indicated non-cat loss ratio by considering only these losses. To this non-cat loss ratio, the Catastrophe Loss Factor is applied to produce the indicated loss ratio including catastrophes.

Since catastrophes are rare events, it is necessary that the computation of the catastrophe loading be based upon a long period of experience. In determining the Catastrophe Loss Factor, we have utilized all of the Homeowners experience from 1966 - 2006. The Catastrophe Loss Factor is calculated by relating the catastrophe losses to the non-cat losses. Page 3 of this exhibit sets forth the actual calculation.

Hurricane Catastrophe Losses:

The Travelers utilizes hurricane modeling techniques to determine best estimates of exposure to loss. The model used is provided by Risk Management Services, and gives resulting expected losses specific to the current book of business. It is developed by integrating the latest exposure distribution with simulation techniques designed to model long term hurricane experience in ARKANSAS HOMESAVER.

Using the most recent exposure distribution, the average expected loss ratio due to hurricanes for the state of ARKANSAS HOMESAVER is 0.1%. This loss ratio is added to the non-cat loss ratio adjusted for non-hurricane catastrophe losses to obtain the indicated total loss ratio.

1. \$25,000,000 of property losses as the definition of catastrophe has been in effect since January 1, 1997. The previous definition of \$5,000,000 of property losses was in use from January 1, 1982 to December 31, 1996. All previous catastrophes are defined as \$1,000,000 or more of property losses.

ARKANSAS HOMESAVER

All Companies Combined

Homeowner Policy Forms

Development of Weighted Catastrophe Loss Multiplier

Calendar Year Ending 12/31	Total Incurred Losses (2)+(3)+(4)+(5)	Hurricane Losses (2)	Earthquake Losses (3)	Other Cat. Losses (4)	Non-Cat. Incurred Losses (5)
1966	210,715	0	0	3,913	206,802
1967	267,765	0	0	20,977	246,788
1968	281,720	0	0	101,427	180,293
1969	286,716	0	0	-404	287,120
1970	376,425	0	0	12,503	363,922
1971	415,374	0	0	24,141	391,233
1972	676,316	0	0	191,152	485,164
1973	578,880	0	0	182,109	396,771
1974	686,097	0	0	43,078	643,019
1975	1,090,266	0	0	354,884	735,382
1976	655,264	0	0	254,326	400,938
1977	628,267	0	0	12,435	615,832
1978	526,587	0	0	51,049	475,538
1979	549,086	0	0	64,241	484,845
1980	546,537	0	0	212,233	334,304
1981	867,611	0	0	95,268	772,343
1982	1,133,784	0	0	140,261	993,523
1983	1,729,237	0	0	247,317	1,481,920
1984	2,831,410	0	0	326,349	2,505,061
1985	4,459,262	0	0	134,592	4,324,670
1986	7,814,946	0	0	535,735	7,279,211
1987	6,636,713	0	0	341,826	6,294,887
1988	2,922,580	0	0	407,400	2,515,180
1989	3,399,560	0	0	1,055,941	2,343,619
1990	2,172,456	0	0	323,004	1,849,452

ARKANSAS HOMESAVER

All Companies Combined

Homeowner Policy Forms

Development of Weighted Catastrophe Loss Multiplier

Calendar Year Ending 12/31	Total Incurred Losses (2)+(3)+(4)+(5)	Hurricane Losses (2)	Earthquake Losses (3)	Other Cat. Losses (4)	Non-Cat. Incurred Losses (5)
1991	803,043	0	0	148,362	654,681
1992	297,724	0	0	11,533	286,191
1993	18,152	0	0	0	18,152
1994	33,681	0	0	0	33,681
1995	45,350	0	0	0	45,350
1996	16,622	0	0	3,250	13,372
1997	94,083	0	0	3,376	90,707
1998	140,013	0	0	21,130	118,883
1999	1,226,638	0	0	247,702	978,936
2000	667,848	0	0	85,139	582,709
2001	928,813	0	0	260,322	668,491
2002	1,322,681	0	0	120,703	1,201,978
2003	2,845,528	0	0	159,373	2,686,155
2004	4,007,483	0	0	301,816	3,705,667
2005	7,590,058	357,668	0	235,707	6,996,683
2006	12,961,298	127,285	0	1,737,918	11,096,095
Total	74,742,589	484,953	0	8,472,088	65,785,548
(6)	Ratio of Total "Other Cat." Losses to Total "Non-Cat." Losses:				0.129
(7)	Weighted Catastrophe Loss Multiplier [WCLM = 1 + (6)]:				1.129

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Development of Permissible Loss Ratio

HOMEOWNERS

Commissions	22.8%
General & Other Acquisition	9.0%
Taxes, Licenses & Fees	3.2%
Profit Provision	11.8%
Subtotal	46.8%
Expected Loss Ratio	53.2%
Total	100.0%

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Calculation of Investment Income Adjustment Factors  
Estimated Investment Earnings

A.	<u>Unearned Premium Reserve</u>	<u>Homeowners</u>
	1. Direct Earned Premium	14,588,877
	2. Direct Mean Unearned Premium Reserve(See Page 3)	7,661,426
	3. Deduction for Prepaid Expenses	
	(A) Commissions	0.2275
	(B) Taxes, Licenses, and Fees	0.0321
	(C) Other Acquisition (50%)	0.0187
	(D) General (50%)	0.0264
	(E) Total	0.3048
	4. Deduction for Federal Taxes(See Page 3)	77,532
	5. Deduction for Prepaid Expenses in dollars(See Page 3)	2,335,164
	6. Net Subject to Investment(See Page 3)	5,248,730
B.	<u>Delayed Remission of Premium</u>	
	1. Average Agent's Balance(See Page 3)	28.7%
	2. Amount of Deduction(See Page 3)	4,187,008
C.	<u>Loss + LAE Reserve</u>	
	1. Direct Earned Premium (A1)	14,588,877
	2. Expected Incurred Loss + LAE(See Page 4)	
	0.4679 x (1)	6,826,574
	3. Expected Mean Loss + LAE Reserve(See Page 4)	
	0.9504 x (2)	6,487,720
	4. Deduction for Federal Taxes(See Page 5)	36,656
	5. Loss & Reserve Subject to Investment	6,451,064
D.	<u>Policyholders' Surplus</u> (See Page 6)	12,577,000
E.	<u>Net Subject to Investment</u> (See Page 4)	20,089,786
	(A6) - (B2) + (C5) + (D)	
F.	<u>Average Rate of Return</u> (See Page 6)	5.0%

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Calculation of Investment Income Adjustment Factors  
Estimated Investment Earnings

	<u>Homeowners</u>
G. <u>Projected Investment Earnings</u>	1,004,489
H. <u>Before Tax Return on Earned Premium</u>	6.9%
I. <u>Federal Income Tax Provision</u> (See Page 6)	23.8%
J. <u>After-Tax Return on Earned Premium</u>	5.2%
K. <u>After-Tax Target Return on Earned Premium</u> (See Page 6)	12.9%
L. <u>After-Tax Target Underwriting Profit(% of EP)</u>	7.7%
M. <u>Before-Tax Target Underwriting Profit (% of EP)</u> (Assuming a tax rate of 35%)	11.8%

The Surplus Allocation exhibit requires a 12.9% return on earned premium from underwriting and investment activities.

Since the after-tax return on homeowners earned premium from investment income is 5.2%, the difference of 7.7% is the projected underwriting after-tax gain. Assuming a tax rate of 35%, the before-tax underwriting profit is 11.8% as a percentage of earned premium.

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Calculation of Investment Income Adjustment Factors

Explanatory Notes of Calculation of Investment Income Adjustment Factors

A. Unearned Premium Reserve

1. Direct Earned Premium from page 14 of the annual statement for the calendar-year 2006.

2. Direct Mean Unearned Premium Reserve	<u>Homeowners</u>
a. Direct unearned premium reserve as of 12/05	7,107,627
b. Direct unearned premium reserve as of 12/06	8,215,225
c. Direct mean unearned premium reserve (a + b)/2	7,661,426

3. Deduction for Prepaid Expenses: Production costs and a large part of the other company expenses in connection with the writing and handling of insurance policies, exclusive of claim adjustment expense, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedures, as shown.

4. Revenue Offset: The Internal Revenue Code allows only 80% of the change in unearned premium reserve as a deduction. The limitation of the deduction is accomplished through an adjustment to statutory income whereby 20% of the unearned premium reserve change is added to statutory income for tax purposes.

a. Homeowners:  $.35 \times .20 \times (8215225 - 7107627) =$  77,532

5. Line (2) x (3E)

6. Net Subject to Investment (2)-(4)-(5)

B. Delayed Remission of Premium

1. Average Uncollected Balance: The ratio used is the countrywide mean premium and agents' balance in the course of collection as a percentage of earned premium. (Source: Annual Statement)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Total</u>
Premiums & agents' balance	1,424,923,499	1,139,045,538	1,187,699,182	3,751,668,219
Premiums, agents' balances, & installments booked but deferred and not yet due	4,228,258,203	4,388,886,339	4,561,569,509	13,178,714,051
Total	5,653,181,702	5,527,931,877	5,749,268,691	16,930,382,270
Earned Premium	19,959,018,121	19,306,241,118	19,699,572,370	58,964,831,609
Ratio	28.3%	28.6%	29.2%	28.7%

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Calculation of Investment Income Adjustment Factors

Explanatory Notes of Calculation of Investment Income Adjustment Factors

C. Loss + LAE Reserve: Determined by multiplying the expected incurred Loss + LAE by the ratio of the direct mean Loss + LAE reserve to the direct incurred Loss + LAE. This countrywide ratio is determined as follows: (See Page 6)

1. Direct Earned Premium from Page 14 of the Annual Statement.
2. Expected Incurred Loss + LAE = Expected Loss Ratio x Line C1 by line
3. Expected Mean Loss + LAE = ((Direct Mean Loss + LAE) / Direct Incurred Loss + LAE) x C2

	<u>Homeowners</u>
a. Direct Paid Loss + LAE for 2006	1,177,884,714
b. Direct Loss + LAE Reserve as of 12/05	1,014,422,167
c. Direct Loss + LAE Reserve as of 12/06	781,286,947
d. Direct Incurred Loss + LAE = a - b + c	944,749,494
e. Direct Mean Loss + LAE Reserve = (b + c)/2	897,854,557
f. State Reserve Ratio = e / d	0.9504

4. Deduction for Federal Taxes (See Page 6)
5. Loss Reserve Subject to Investment = C3 - C4

D. Policyholders' Surplus (See Page 6)

E. Net Subject to Investment = A6 - B2 + C5 + D

F. Average Rate of Return (See Page 6)

G. Projected Investment Earnings = E x F

H. Before-Tax Return of Earned Premium = G / A1

I. Federal Income Tax Provision (See Page 6)

K. After-Tax Target Return on Earned Premium (See Page 6)

L. After-Tax Target Underwriting Profit = K - J

J. After-Tax Return on Earned Premium = (G - (G x I)) / Direct Earned Premium

M. Before-Tax Target Underwriting Profit = L / 0.35 (Assuming a tax rate of 35%)

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Deduction for Federal Taxes Payable on Loss Reserves

Homeowner's (Countrywide)

Year of Loss	Statutory Reserves (Undiscounted)		Tax Reserves (Discounted)	
	2005	2006	2005	2006
1995 & Prior	5,141,433	4,474,690	4,817,456	4,173,889
1996	1,745,203	2,375,321	1,602,700	2,246,697
1997	4,773,271	1,868,797	4,113,572	1,658,286
1998	2,836,783	1,892,054	2,409,561	1,631,284
1999	4,135,976	2,293,854	3,481,168	1,948,870
2000	13,150,523	2,424,524	11,345,837	2,051,586
2001	11,164,677	4,595,996	9,597,458	3,973,183
2002	17,860,538	9,638,008	15,650,618	8,090,549
2003	44,438,314	17,935,425	39,097,940	15,863,507
2004	58,595,605	34,165,548	52,190,168	30,365,348
2005	604,572,837	208,277,800	557,850,844	187,090,533
2006		336,735,600		313,135,149
Total	768,415,160	626,677,617	702,157,322	572,228,881

	<u>2005</u>	<u>2006</u>
Ratio of Discounted to Statutory Reserves:	0.9138	0.9131

ARKANSAS HOMESAVER Liability Loss + ALAE Reserve as of 12/05 x 1.191 * =	3,693,733
ARKANSAS HOMESAVER Liability Loss + ALAE Reserve as of 12/06 x 1.191 * =	4,869,162

Deduction for Federal Taxes Payable =  
 $.35 \times [4869162 - 3693733 - (4869162 \times 0.9131) + (3693733 \times 0.9138)] =$  36,656

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Surplus Allocation

	<u>2004</u>	<u>2005</u>	<u>2006</u>
1. Year End Property Casualty Policyholder Surplus	14,416,211,765	17,226,532,794	20,155,707,469
2. Net Written Premium	19,603,030,363	19,289,915,748	20,061,740,575
3. Premium to Surplus Ratio	1.36	1.12	1.00
4. Three Year Average			1.16
5. Earned Premium			14,588,877
6. Allocated Equity			12,577,000
7. Target Return on Equity			15.0%
8. Return on Earned Premium			12.9%

\* Our corporate target rate of return on equity is 15%.

The average rate of return is based on the two year average ratio of net investment income to invested income.

Source: Annual Statement

	<u>2005</u>	<u>2006</u>	<u>Total</u>
1. Net Investment Income Earned	3,298,702,196	3,119,291,151	6,417,993,347
2. Net Realized Capital Gains	178,321,975	(261,223,519)	(82,901,544)
3. Invested Assets	61,713,925,822	64,560,270,033	126,274,195,855
4. Ratio	5.6%	4.4%	5.0%

Federal Income Tax Provision

Detailed below is the calculation of the federal income tax rate on net investment income earned for The Travelers Property Casualty Corp. for 2006

	(in thousands)
1. Statutory net investment income	3,754,844
2. Tax exempt interest	(1,399,242)
3. 70% Dividends received deduction	(10,812)
4. 15% Proration adj. on TEI	210,110
5. Other Adjustments	0
6. Taxable net investment income (1+2+3+4+5)	2,554,900
7. Tax on net investment income (6 x .35)	894,215
8. FIT rate on NII (7 / 1)	23.8%

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Revision To Base Rates

Policy Form 661

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	78	78	0.0%
31	103	103	0.0%
32	78	78	0.0%
33	94	102	8.5%

Rate Impact: 2.1%

OTHER ALLIED LINES		
Current	Proposed	Rate Impacts
32	32	0.0%
41	41	0.0%
32	32	0.0%
37	40	8.1%

Rate Impact: 2.0%

Policy Form 662

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	26	26	0.0%
31	26	26	0.0%
32	26	26	0.0%
33	26	28	7.7%

Rate Impact: 1.9%

OTHER ALLIED LINES		
Current	Proposed	Rate Impacts
11	11	0.0%
11	11	0.0%
11	11	0.0%
11	12	9.1%

Rate Impact: 2.3%

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Revision To Base Rates

Policy Form 663

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	120	120	0.0%
31	120	120	0.0%
32	120	120	0.0%
33	120	130	8.3%

Rate Impact: 2.1%

Territory	OTHER ALLIED LINES		
	Current	Proposed	Rate Impacts
30	48	48	0.0%
31	48	48	0.0%
32	48	48	0.0%
33	48	52	8.3%

Rate Impact: 2.1%

Policy Form 664

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	28	28	0.0%
31	31	31	0.0%
32	34	34	0.0%
33	28	30	7.1%

Rate Impact: 1.8%

Territory	OTHER ALLIED LINES		
	Current	Proposed	Rate Impacts
30	12	12	0.0%
31	13	13	0.0%
32	14	14	0.0%
33	12	13	8.3%

Rate Impact: 2.1%

Policy Form 665

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	26	26	0.0%
31	26	26	0.0%
32	26	26	0.0%
33	26	28	7.7%

Rate Impact: 1.9%

Territory	OTHER ALLIED LINES		
	Current	Proposed	Rate Impacts
30	11	11	0.0%
31	11	11	0.0%
32	11	11	0.0%
33	11	12	9.1%

Rate Impact: 2.3%

ARKANSAS HOMESAVER  
HOMEOWNERS

Catastrophe Losses

Explanation of Catastrophe Losses

In an effort to avoid sharp fluctuations in our rate level adjustments and maintain a degree of stability, we have given catastrophe losses a special treatment in the ratemaking process.

Catastrophes are estimated separately by modeled vs. non-modeled losses.

Non-Modeled Catastrophes:

The industry defines a catastrophe as an occurrence such as a hailstorm, windstorm, tornado, hurricane, etc., which results in property losses of \$25,000,000 or more.<sup>1</sup> Each catastrophe is accorded a serial number by the Insurance Services Office for identification purposes. This identification makes it possible for each insurance company to summarize the losses due to these types of occurrences in a particular year. One of our underlying assumptions in ratemaking is that past loss experience can be utilized as an indication of the future loss experience. While this is a reasonable assumption for regular property losses, we believe catastrophe losses are extraordinary events that will probably not re-occur with the same degree of frequency as regular losses. Therefore, we give such catastrophe losses special treatment.

We first eliminate all catastrophe losses from the five-year experience period leaving only non-cat losses in the experience. We develop the five-year indicated non-cat loss ratio by considering only these losses. To this non-cat loss ratio, the Catastrophe Loss Factor is applied to produce the indicated loss ratio including catastrophes.

Since catastrophes are rare events, it is necessary that the computation of the catastrophe loading be based upon a long period of experience. In determining the Catastrophe Loss Factor, we have utilized all of the Homeowners experience from 1966 - 2006. The Catastrophe Loss Factor is calculated by relating the catastrophe losses to the non-cat losses. Page 3 of this exhibit sets forth the actual calculation.

Modeled Catastrophe Losses:

The Travelers utilizes modeling techniques to determine best estimates of exposure to loss. The model used is provided by Risk Management Services, and gives resulting expected losses specific to the current book of business. It is developed by integrating the latest exposure distribution with simulation techniques designed to model long term catastrophe experience in Arkansas. The only losses that are determined using this model come from hurricanes and from fire following earthquakes. Since Arkansas does not have any modeled hurricane losses, then the entire modeled loss amount comes from fire following earthquake.

Using the most recent exposure distribution, the average expected loss ratio due to fire following earthquake for the state of Arkansas is 0.1%. This loss ratio is added to the non-cat loss ratio adjusted for non-modeled catastrophe losses to obtain the indicated total loss ratio.

1. \$25,000,000 of property losses as the definition of catastrophe has been in effect since January 1, 1997. The previous definition of \$5,000,000 of property losses was in use from January 1, 1982 to December 31, 1996. All previous catastrophes are defined as \$1,000,000 or more of property losses.

SERFF Tracking Number: TRVA-125483868 State: Arkansas  
First Filing Company: The Automobile Insurance Company of Hartford, State Tracking Number: EFT \$100  
Connecticut, ...  
Company Tracking Number: 2008-02-0045  
TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied  
Lines)  
Product Name: Homesaver  
Project Name/Number: Homesaver/2008-02-0045

## Supporting Document Schedules

**Satisfied -Name:** Uniform Transmittal Document-  
Property & Casualty **Review Status:** Filed 02/27/2008  
**Comments:**  
**Attachments:**  
TD-1.pdf  
~PC RRFS-1 AR.pdf

**Satisfied -Name:** Form RF-1 **Review Status:** Filed 02/27/2008  
**Comments:**  
**Attachment:**  
ArRF-1(PCRLC).pdf

## Property & Casualty Transmittal Document

<b>1. Reserved for Insurance Dept. Use Only</b>
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<b>2. Insurance Department Use only</b>	
a. Date the filing is received:	
b. Analyst:	
c. Disposition:	
d. Date of disposition of the filing:	
e. Effective date of filing:	
New Business	
Renewal Business	
f. State Filing #:	
g. SERFF Filing #:	
h. Subject Codes	

<b>3. Group Name</b>	<b>Group NAIC #</b>
Travelers	3548

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
The Auto Insurance Co. of Hartford, CT	CT	3548-19062	06-0848755	
The Travelers Indemnity Co of America	CT	3548-25666	58-6020487	

<b>5. Company Tracking Number</b>	2008-02-0045
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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
Ann Lavorgna One Tower Square Hartford, CT 06183	Regulatory Analyst	(860) 277-5466	(860) 277-5204	AJLAVORG@travelers.com
One Tower Square Hartford, CT 06183		(860) 277-	(860) 277-	

7. Signature of authorized filer	<i>Ann Lavorgna</i>
8. Please print name of authorized filer	Ann Lavorgna

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

9. Type of Insurance (TOI)	Property
10. Sub-Type of Insurance (Sub-TOI)	Personal Property
11. State Specific Product code(s) (if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	Homesaver Program
13. Filing Type	<input checked="" type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input 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: June 13, 2008      Renewal:
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	February 12, 2008
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

## Property & Casualty Transmittal Document—

<b>20. This filing transmittal is part of Company Tracking #</b>	2008-02-0045
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<b>21. Filing Description</b> [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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Homesaver  
Effective June 13, 2008  
The Automobile Insurance Company of Hartford, Connecticut  
The Travelers Indemnity Company of America

This filing involves territorial base rate changes to all forms.

An Explanatory Memorandum along with exhibits is attached.

The overall rate level change is +5.3%.

We plan to begin using these changes effective June 13, 2008.

<b>22. Filing Fees</b> (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:**

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

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

## RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

**(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)**

<b>1.</b>	<b>This filing transmittal is part of Company Tracking #</b>	2008-02-0045
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<b>2.</b>	<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	
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Rate Increase     
  Rate Decrease     
  Rate Neutral (0%)

<b>3.</b>	<b>Filing Method (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	File & Use
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<b>4a.</b>	<b>Rate Change by Company (As Proposed)</b>
------------	---

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)
The Travelers Indemnity Co of America		0%					
The Auto Insurance Co. of Hartford, CT		5.3%	\$63,278	1895	\$1,258,360		

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

**5. Overall Rate Information (Complete for Multiple Company Filings only)**

		COMPANY USE	STATE USE
<b>5a</b>	<b>Overall percentage rate indication (when applicable)</b>		
<b>5b</b>	<b>Overall percentage rate impact for this filing</b>	+5.3%	
<b>5c</b>	<b>Effect of Rate Filing – Written premium change for this program</b>	\$63,278	
<b>5d</b>	<b>Effect of Rate Filing – Number of policyholders affected</b>	1895	

<b>6.</b>	<b>Overall percentage of last rate revision</b>	
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<b>7.</b>	<b>Effective Date of last rate revision</b>	
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<b>8.</b>	<b>Filing Method of Last filing (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	File & Use
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<b>9.</b>	See Next Page
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9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	ExMemo/Exhibits	<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	
04		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
05		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
06		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
07		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
08		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
09		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
10		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
11		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
12		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
13		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
14		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
15		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

**FORM RF-1 Rate Filing Abstract NAIC LOSS COST DATA ENTRY DOCUMENT**

1. This filing transmittal is part of Company Tracking # 2008-02-0045

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.	The Automobile Insurance Company of Hartford, Connecticut	B. 3548-19062

		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.	Property	B. Personal Property

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
Homesaver Forms	33.40%	5.30%					
TOTAL OVERALL EFFECT							

6. 5 Year History			Rate Change History				7.		
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio	Expense Constants	Selected Provisions
								A. Total Production Expense	22.8%
								B. General Expense	9.0%
								C. Taxes, License & Fees	3.2%
								D. Underwriting Profit & Contingencies	11.4%
								E. Other (explain)	
								F. TOTAL	46.4%

8.   N   Apply Loss Cost Factors to Future Filings? (Y or N)

9.   8.0%   Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):

10.   0.0%   Estimated Maximum Rate Decrease for any Insured (%). Territory (if applicable):   33    
  Multiple



SERFF Tracking Number: TRVA-125483868 State: Arkansas  
 First Filing Company: The Automobile Insurance Company of Hartford, State Tracking Number: EFT \$100  
 Connecticut, ...  
 Company Tracking Number: 2008-02-0045  
 TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)  
 Product Name: Homesaver  
 Project Name/Number: Homesaver/2008-02-0045

## 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	ExMemo/Exhibits	02/12/2008	AR HS Filing.pdf

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

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EXHIBIT 6		PURE PREMIUM TREND
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EXHIBIT 8		UNALLOCATED LOSS ADJUSTMENT EXPENSE
EXHIBIT 9	Pages 1-3	CATASTROPHE LOSSES
EXHIBIT 10		DEVELOPMENT OF PERMISSIBLE LOSS RATIO
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ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

EXPLANATORY MEMORANDUM

The Arkansas Homesaver program was put into effect in March of 2001. There have not been any changes since the inception date. We are proposing territorial base rate changes to all forms with an overall rate level change of +5.3%. This change applies to all new business processed and effective on or after June 13, 2008 and to all renewals processed on or after June 13, 2008 and effective on or after July 12, 2008

All efforts were made to limit disruption and make sure no one policy received an increase higher than +8%.

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
 THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Statewide Rate Level Impact by Policy Form

	<u>Dwelling (661)</u>	<u>Condo (662)</u>	<u>Dwelling Rental (663)</u>	<u>Condo Rental (664)</u>	<u>Tenants (665)</u>	<u>Total</u>
Total Base Rates	6.2%	7.7%	5.3%	2.6%	0.0%	5.3%
Total	6.2%	7.7%	5.3%	2.6%	0.0%	5.3%

## ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
 THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

## Homesaver Statewide Indications

AY Ending 06/30	Earned House Years (1)	Trended EPCR (2)	Indication		AY Weights (5)	Rate Level Loss Ratio (6)=(3)/(2)
			Ultimate Trended L & LAE (3)	Incurred Claim Count (4)		
2003	595	352,997	485,079	39	0.20	1.374
2004	1,593	928,292	287,017	29	0.20	0.309
2005	2,499	1,446,091	738,555	65	0.20	0.511
2006	3,058	1,778,943	752,339	68	0.20	0.423
2007	2,945	1,744,669	185,175	44	0.20	0.106

(7) Weighted Rate Level Loss Ratio	0.545
(8) Non-Hurricane Cat. Adjusted Loss Ratio = (7) x WCLM	0.615
(9) Permissible Loss Ratio	0.532
(10) Indicated Rate Level Change = (8)/(9)	15.5%
(11) State Credibility	0.800
(12) Trended Permissible Loss Ratio	1.057
(13) Credibility Weighted Rate Level Loss Ratio	0.703
(14) Hurricane Loss Ratio	0.000
(15) Earthquake Loss Ratio	0.001
(16) Risk Load	0.004
(17) Total Cat. Adjusted Loss Ratio = (13) + (14) + (15) + (16)	0.708
(18) Credibility Weighted Indicated Rate Level change = (17)/(9)	33.1%
(19) Proposed Premium Level Change	5.3%

## ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

## Credibility Table

<u>Earned</u> <u>Exposures</u>	<u>Credibility</u>
0	0.00
47	0.05
188	0.10
750	0.20
1,688	0.30
3,000	0.40
4,688	0.50
6,750	0.60
9,188	0.70
12,000	0.80
15,188	0.90
18,750	1.00

## ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
 THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Homesaver Policy Forms  
 Trended Ultimate Losses

## All Pricing Tracks Combined

Accident Year Ending 6/30	2003	2004	2005	2006	2007
(1) Earned Premium	282,877	775,493	1,257,281	1,607,225	1,635,643
(2) Earned Premium at Current Rates Factor	1.000	1.000	1.000	1.000	1.000
(3) Earned Premium at Current Rates (1) x (2)	282,877	775,493	1,257,281	1,607,225	1,635,643
(4) Premium Trend Factor	1.248	1.197	1.150	1.107	1.067
(5) Trended Earned Premium at Current Rates (3) x (4)	352,997	928,292	1,446,091	1,778,943	1,744,669
(6) Incurred Losses & ALAE	220,076	143,239	405,442	454,671	117,285
(7) Loss Development Factor	1.000	1.000	1.000	1.000	1.050
(8) Ultimate Losses & ALAE (6) x (7)	220,076	143,239	405,442	454,671	123,100
(9) Unallocated Factor + 1.00	1.191	1.191	1.191	1.191	1.191
(10) Ultimate Losses & LAE (8) x (9)	262,111	170,598	482,881	541,513	146,612
(11) Loss Trend Factor	1.851	1.682	1.529	1.389	1.263
(12) Trended Ultimate Losses & LAE (10) x (11)	485,079	287,017	738,555	752,339	185,175

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Homesaver Policy Forms  
Average Premium Trend

All Pricing Tracks Combined

Experience Period Ending:	Average Premium	Fitted Average Premium (Straight Line)
06/30/2003	475.08	469.28
06/30/2004	486.66	489.21
06/30/2005	503.15	509.15
06/30/2006	525.52	529.08
06/30/2007	555.31	549.01
(1) Average Historical Annual Increment of Change		19.93
(2) Average Annual Increment of Change Tempered 0.75		14.95
(3) Selected Annual Increment of Change:		14.95
Current Annual Rate =	2.7%	
(4) Average Earned Date Underlying Proposed Rates (Effective Date = 06/13/2008)		06/13/2009
(5) Prospective Trend Period (months) (Midpoint of Experience Period to Average Earned Date)		29.4
(6) Increment to Bring 06/30/2007 Average Premium to 06/13/2009: [(3) * [(5) / 12]]		36.59
(7) Projected Average Premium at 06/13/2009:		585.60

CALCULATION OF PREMIUM TREND FACTORS

Experience Period Ending:	Midpoint of Experience Period	Fitted Average Premium	Premium Trend Factors
06/30/2003	12/31/2002	469.28	1.248
06/30/2004	12/31/2003	489.21	1.197
06/30/2005	12/31/2004	509.15	1.150
06/30/2006	12/31/2005	529.08	1.107
06/30/2007	12/31/2006	549.01	1.067
	06/13/2009	585.60	

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Homesaver Policy Forms  
Pure Premium Trend  
Exponential Fit

Calendar Year Ending	Travelers Statewide				Calendar Year Ending	Industry Fastrack Statewide			
	Actual	20 PT	12 PT	6 PT		Actual	20 PT	12 PT	6 PT
09/30/2002	287.92	214.70			06/30/2002	296.00	276.59		
12/31/2002	265.44	225.16			09/30/2002	294.73	276.69		
03/31/2003	221.49	236.12			12/31/2002	290.93	276.79		
06/30/2003	223.83	247.62			03/31/2003	288.27	276.89		
09/30/2003	286.46	259.67			06/30/2003	287.17	276.99		
12/31/2003	285.20	272.31			09/30/2003	298.61	277.09		
03/31/2004	283.35	285.57			12/31/2003	280.15	277.20		
06/30/2004	275.16	299.47			03/31/2004	262.11	277.30		
09/30/2004	259.63	314.05	252.35		06/30/2004	255.51	277.40	237.73	
12/31/2004	256.98	329.34	273.94		09/30/2004	238.13	277.50	243.53	
03/31/2005	284.40	345.38	297.37		12/31/2004	239.92	277.60	249.46	
06/30/2005	372.44	362.19	322.81		03/31/2005	252.06	277.70	255.54	
09/30/2005	359.42	379.83	350.43		06/30/2005	255.58	277.80	261.77	
12/31/2005	373.04	398.32	380.40		09/30/2005	260.39	277.90	268.15	
03/31/2006	421.23	417.71	412.94	390.86	12/31/2005	276.48	278.00	274.69	281.05
06/30/2006	383.91	438.05	448.27	431.75	03/31/2006	283.73	278.10	281.38	286.35
09/30/2006	463.39	459.37	486.61	476.91	06/30/2006	300.66	278.20	288.24	291.75
12/31/2006	572.87	481.74	528.24	526.79	09/30/2006	302.66	278.30	295.27	297.25
03/31/2007	590.20	505.19	573.43	581.89	12/31/2006	300.53	278.40	302.46	302.85
06/30/2007	625.83	529.79	622.48	642.75	03/31/2007	304.00	278.50	309.84	308.56
Annual Rate of Change		20.9%	38.9%	48.9%			0.1%	10.1%	7.8%
Coefficient of Determination (R2)		79.4%	93.9%	86.0%			0.1%	87.6%	76.6%
Selected Annual Rate of Change				10.0%					
Projected Average Date of Loss for the Period the Proposed Rates will be in Effect				06/13/2009					

Factors To Adjust Data Based on a 06/13/2008 Effective Date

Experience Period	Midpoint of Experience Period	Prospective Trend Period (months)	Pure Premium Factor	
			From	Midpoint to 06/13/2009
06/30/2003	12/31/2002	77.5		1.851
06/30/2004	12/31/2003	65.5		1.682
06/30/2005	12/31/2004	53.5		1.529
06/30/2006	12/31/2005	41.4		1.389
06/30/2007	12/31/2006	29.4		1.263





## ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
 THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

## Unallocated Loss Adjustment Expense

HOMEOWNERS			
Calendar Year	ULAE	Incurred Losses & ALAE	Ratio
2004	\$88,212,142	\$551,277,026	0.160
2005	\$113,165,040	\$636,067,737	0.178
2006	\$163,486,696	\$719,448,914	0.227
Mean			0.191
Selected			0.191

ARKANSAS HOMESAVER

HOMEOWNERS

Catastrophe Losses

Explanation of Catastrophe Losses

In an effort to avoid sharp fluctuations in our rate level adjustments and maintain a degree of stability, we have given catastrophe losses a special treatment in the ratemaking process.

Catastrophes are estimated separately by hurricane vs. non-hurricane losses.

Non-Hurricane Catastrophes:

The industry defines a catastrophe as an occurrence such as a hailstorm, windstorm, tornado, hurricane, etc., which results in property losses of \$25,000,000 or more.<sup>1</sup> Each catastrophe is accorded a serial number by the Insurance Services Office for identification purposes. This identification makes it possible for each insurance company to summarize the losses due to these types of occurrences in a particular year. One of our underlying assumptions in ratemaking is that past loss experience can be utilized as an indication of the future loss experience. While this is a reasonable assumption for regular property losses, we believe catastrophe losses are extraordinary events that will probably not re-occur with the same degree of frequency as regular losses. Therefore, we give such catastrophe losses special treatment.

We first eliminate all catastrophe losses from the five-year experience period leaving only non-cat losses in the experience. We develop the five-year indicated non-cat loss ratio by considering only these losses. To this non-cat loss ratio, the Catastrophe Loss Factor is applied to produce the indicated loss ratio including catastrophes.

Since catastrophes are rare events, it is necessary that the computation of the catastrophe loading be based upon a long period of experience. In determining the Catastrophe Loss Factor, we have utilized all of the Homeowners experience from 1966 - 2006. The Catastrophe Loss Factor is calculated by relating the catastrophe losses to the non-cat losses. Page 3 of this exhibit sets forth the actual calculation.

Hurricane Catastrophe Losses:

The Travelers utilizes hurricane modeling techniques to determine best estimates of exposure to loss. The model used is provided by Risk Management Services, and gives resulting expected losses specific to the current book of business. It is developed by integrating the latest exposure distribution with simulation techniques designed to model long term hurricane experience in ARKANSAS HOMESAVER.

Using the most recent exposure distribution, the average expected loss ratio due to hurricanes for the state of ARKANSAS HOMESAVER is 0.1%. This loss ratio is added to the non-cat loss ratio adjusted for non-hurricane catastrophe losses to obtain the indicated total loss ratio.

1. \$25,000,000 of property losses as the definition of catastrophe has been in effect since January 1, 1997. The previous definition of \$5,000,000 of property losses was in use from January 1, 1982 to December 31, 1996. All previous catastrophes are defined as \$1,000,000 or more of property losses.

ARKANSAS HOMESAVER

All Companies Combined

Homeowner Policy Forms

Development of Weighted Catastrophe Loss Multiplier

Calendar Year Ending 12/31	Total Incurred Losses (2)+(3)+(4)+(5)	Hurricane Losses (2)	Earthquake Losses (3)	Other Cat. Losses (4)	Non-Cat. Incurred Losses (5)
1966	210,715	0	0	3,913	206,802
1967	267,765	0	0	20,977	246,788
1968	281,720	0	0	101,427	180,293
1969	286,716	0	0	-404	287,120
1970	376,425	0	0	12,503	363,922
1971	415,374	0	0	24,141	391,233
1972	676,316	0	0	191,152	485,164
1973	578,880	0	0	182,109	396,771
1974	686,097	0	0	43,078	643,019
1975	1,090,266	0	0	354,884	735,382
1976	655,264	0	0	254,326	400,938
1977	628,267	0	0	12,435	615,832
1978	526,587	0	0	51,049	475,538
1979	549,086	0	0	64,241	484,845
1980	546,537	0	0	212,233	334,304
1981	867,611	0	0	95,268	772,343
1982	1,133,784	0	0	140,261	993,523
1983	1,729,237	0	0	247,317	1,481,920
1984	2,831,410	0	0	326,349	2,505,061
1985	4,459,262	0	0	134,592	4,324,670
1986	7,814,946	0	0	535,735	7,279,211
1987	6,636,713	0	0	341,826	6,294,887
1988	2,922,580	0	0	407,400	2,515,180
1989	3,399,560	0	0	1,055,941	2,343,619
1990	2,172,456	0	0	323,004	1,849,452

ARKANSAS HOMESAVER

All Companies Combined

Homeowner Policy Forms

Development of Weighted Catastrophe Loss Multiplier

Calendar Year Ending 12/31	Total Incurred Losses (2)+(3)+(4)+(5)	Hurricane Losses (2)	Earthquake Losses (3)	Other Cat. Losses (4)	Non-Cat. Incurred Losses (5)
1991	803,043	0	0	148,362	654,681
1992	297,724	0	0	11,533	286,191
1993	18,152	0	0	0	18,152
1994	33,681	0	0	0	33,681
1995	45,350	0	0	0	45,350
1996	16,622	0	0	3,250	13,372
1997	94,083	0	0	3,376	90,707
1998	140,013	0	0	21,130	118,883
1999	1,226,638	0	0	247,702	978,936
2000	667,848	0	0	85,139	582,709
2001	928,813	0	0	260,322	668,491
2002	1,322,681	0	0	120,703	1,201,978
2003	2,845,528	0	0	159,373	2,686,155
2004	4,007,483	0	0	301,816	3,705,667
2005	7,590,058	357,668	0	235,707	6,996,683
2006	12,961,298	127,285	0	1,737,918	11,096,095
Total	74,742,589	484,953	0	8,472,088	65,785,548
(6)	Ratio of Total "Other Cat." Losses to Total "Non-Cat." Losses:				0.129
(7)	Weighted Catastrophe Loss Multiplier [WCLM = 1 + (6)]:				1.129

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Development of Permissible Loss Ratio

HOMEOWNERS

Commissions	22.8%
General & Other Acquisition	9.0%
Taxes, Licenses & Fees	3.2%
Profit Provision	11.8%
Subtotal	46.8%
Expected Loss Ratio	53.2%
Total	100.0%

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Calculation of Investment Income Adjustment Factors  
Estimated Investment Earnings

A.	<u>Unearned Premium Reserve</u>	<u>Homeowners</u>
	1. Direct Earned Premium	14,588,877
	2. Direct Mean Unearned Premium Reserve(See Page 3)	7,661,426
	3. Deduction for Prepaid Expenses	
	(A) Commissions	0.2275
	(B) Taxes, Licenses, and Fees	0.0321
	(C) Other Acquisition (50%)	0.0187
	(D) General (50%)	0.0264
	(E) Total	0.3048
	4. Deduction for Federal Taxes(See Page 3)	77,532
	5. Deduction for Prepaid Expenses in dollars(See Page 3)	2,335,164
	6. Net Subject to Investment(See Page 3)	5,248,730
B.	<u>Delayed Remission of Premium</u>	
	1. Average Agent's Balance(See Page 3)	28.7%
	2. Amount of Deduction(See Page 3)	4,187,008
C.	<u>Loss + LAE Reserve</u>	
	1. Direct Earned Premium (A1)	14,588,877
	2. Expected Incurred Loss + LAE(See Page 4)	
	0.4679 x (1)	6,826,574
	3. Expected Mean Loss + LAE Reserve(See Page 4)	
	0.9504 x (2)	6,487,720
	4. Deduction for Federal Taxes(See Page 5)	36,656
	5. Loss & Reserve Subject to Investment	6,451,064
D.	<u>Policyholders' Surplus</u> (See Page 6)	12,577,000
E.	<u>Net Subject to Investment</u> (See Page 4)	20,089,786
	(A6) - (B2) + (C5) + (D)	
F.	<u>Average Rate of Return</u> (See Page 6)	5.0%

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Calculation of Investment Income Adjustment Factors  
Estimated Investment Earnings

	<u>Homeowners</u>
G. <u>Projected Investment Earnings</u>	1,004,489
H. <u>Before Tax Return on Earned Premium</u>	6.9%
I. <u>Federal Income Tax Provision</u> (See Page 6)	23.8%
J. <u>After-Tax Return on Earned Premium</u>	5.2%
K. <u>After-Tax Target Return on Earned Premium</u> (See Page 6)	12.9%
L. <u>After-Tax Target Underwriting Profit(% of EP)</u>	7.7%
M. <u>Before-Tax Target Underwriting Profit(% of EP)</u> (Assuming a tax rate of 35%)	11.8%

The Surplus Allocation exhibit requires a 12.9% return on earned premium from underwriting and investment activities. Since the after-tax return on homeowners earned premium from investment income is 5.2%, the difference of 7.7% is the projected underwriting after-tax gain. Assuming a tax rate of 35%, the before-tax underwriting profit is 11.8% as a percentage of earned premium.

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Calculation of Investment Income Adjustment Factors

Explanatory Notes of Calculation of Investment Income Adjustment Factors

A. Unearned Premium Reserve

1. Direct Earned Premium from page 14 of the annual statement for the calendar-year 2006.

2. Direct Mean Unearned Premium Reserve	<u>Homeowners</u>
a. Direct unearned premium reserve as of 12/05	7,107,627
b. Direct unearned premium reserve as of 12/06	8,215,225
c. Direct mean unearned premium reserve (a + b)/2	7,661,426

3. Deduction for Prepaid Expenses: Production costs and a large part of the other company expenses in connection with the writing and handling of insurance policies, exclusive of claim adjustment expense, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedures, as shown.

4. Revenue Offset: The Internal Revenue Code allows only 80% of the change in unearned premium reserve as a deduction. The limitation of the deduction is accomplished through an adjustment to statutory income income whereby 20% of the unearned premium reserve change is added to statutory income for tax purposes.

a. Homeowners:  $.35 \times .20 \times ( 8215225 - 7107627 ) =$  77,532

5. Line (2) x (3E)

6. Net Subject to Investment (2)-(4)-(5)

B. Delayed Remission of Premium

1. Average Uncollected Balance: The ratio used is the countrywide mean premium and agents' balance in the course of collection as a percentage of earned premium. (Source: Annual Statement)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Total</u>
Premiums & agents' balance	1,424,923,499	1,139,045,538	1,187,699,182	3,751,668,219
Premiums, agents' balances, & installments booked but deferred and not yet due	4,228,258,203	4,388,886,339	4,561,569,509	13,178,714,051
Total	5,653,181,702	5,527,931,877	5,749,268,691	16,930,382,270
Earned Premium	19,959,018,121	19,306,241,118	19,699,572,370	58,964,831,609
Ratio	28.3%	28.6%	29.2%	28.7%

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
The Automobile Insurance Company of Hartford, Connecticut

Calculation of Investment Income Adjustment Factors

Explanatory Notes of Calculation of Investment Income Adjustment Factors

C. Loss + LAE Reserve: Determined by multiplying the expected incurred Loss + LAE by the ratio of the direct mean Loss + LAE reserve to the direct incurred Loss + LAE. This countrywide ratio is determined as follows: (See Page 6)

1. Direct Earned Premium from Page 14 of the Annual Statement.
2. Expected Incurred Loss + LAE = Expected Loss Ratio x Line C1 by line
3. Expected Mean Loss + LAE = ((Direct Mean Loss + LAE) / Direct Incurred Loss + LAE) x C2

	<u>Homeowners</u>
a. Direct Paid Loss + LAE for 2006	1,177,884,714
b. Direct Loss + LAE Reserve as of 12/05	1,014,422,167
c. Direct Loss + LAE Reserve as of 12/06	781,286,947
d. Direct Incurred Loss + LAE = a - b + c	944,749,494
e. Direct Mean Loss + LAE Reserve = (b + c)/2	897,854,557
f. State Reserve Ratio = e / d	0.9504

4. Deduction for Federal Taxes (See Page 6)
5. Loss Reserve Subject to Investment = C3 - C4

D. Policyholders' Surplus (See Page 6)

E. Net Subject to Investment = A6 - B2 + C5 + D

F. Average Rate of Return (See Page 6)

G. Projected Investment Earnings = E x F

H. Before-Tax Return of Earned Premium = G / A1

I. Federal Income Tax Provision (See Page 6)

K. After-Tax Target Return on Earned Premium (See Page 6)

L. After-Tax Target Underwriting Profit = K - J

J. After-Tax Return on Earned Premium = (G - (G x I)) / Direct Earned Premium

M. Before-Tax Target Underwriting Profit = L / 0.35 (Assuming a tax rate of 35%)

ARKANSAS HOMESAVER

The Travelers Indemnity Company of America  
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Deduction for Federal Taxes Payable on Loss Reserves

Homeowner's (Countrywide)

Year of Loss	Statutory Reserves (Undiscounted)		Tax Reserves (Discounted)	
	2005	2006	2005	2006
1995 & Prior	5,141,433	4,474,690	4,817,456	4,173,889
1996	1,745,203	2,375,321	1,602,700	2,246,697
1997	4,773,271	1,868,797	4,113,572	1,658,286
1998	2,836,783	1,892,054	2,409,561	1,631,284
1999	4,135,976	2,293,854	3,481,168	1,948,870
2000	13,150,523	2,424,524	11,345,837	2,051,586
2001	11,164,677	4,595,996	9,597,458	3,973,183
2002	17,860,538	9,638,008	15,650,618	8,090,549
2003	44,438,314	17,935,425	39,097,940	15,863,507
2004	58,595,605	34,165,548	52,190,168	30,365,348
2005	604,572,837	208,277,800	557,850,844	187,090,533
2006		336,735,600		313,135,149
Total	768,415,160	626,677,617	702,157,322	572,228,881

	<u>2005</u>	<u>2006</u>
Ratio of Discounted to Statutory Reserves:	0.9138	0.9131

ARKANSAS HOMESAVER Liability Loss + ALAE Reserve as of 12/05 x 1.191 * =	3,693,733
ARKANSAS HOMESAVER Liability Loss + ALAE Reserve as of 12/06 x 1.191 * =	4,869,162

Deduction for Federal Taxes Payable =  
 $.35 \times [4869162 - 3693733 - (4869162 \times 0.9131) + (3693733 \times 0.9138)] =$  36,656

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Surplus Allocation

	<u>2004</u>	<u>2005</u>	<u>2006</u>
1. Year End Property Casualty Policyholder Surplus	14,416,211,765	17,226,532,794	20,155,707,469
2. Net Written Premium	19,603,030,363	19,289,915,748	20,061,740,575
3. Premium to Surplus Ratio	1.36	1.12	1.00
4. Three Year Average			1.16
5. Earned Premium			14,588,877
6. Allocated Equity			12,577,000
7. Target Return on Equity			15.0%
8. Return on Earned Premium			12.9%

\* Our corporate target rate of return on equity is 15%.

The average rate of return is based on the two year average ratio of net investment income to invested income.

Source: Annual Statement

	<u>2005</u>	<u>2006</u>	<u>Total</u>
1. Net Investment Income Earned	3,298,702,196	3,119,291,151	6,417,993,347
2. Net Realized Capital Gains	178,321,975	(261,223,519)	(82,901,544)
3. Invested Assets	61,713,925,822	64,560,270,033	126,274,195,855
4. Ratio	5.6%	4.4%	5.0%

Federal Income Tax Provision

Detailed below is the calculation of the federal income tax rate on net investment income earned for The Travelers Property Casualty Corp. for 2006

	(in thousands)
1. Statutory net investment income	3,754,844
2. Tax exempt interest	(1,399,242)
3. 70% Dividends received deduction	(10,812)
4. 15% Proration adj. on TEI	210,110
5. Other Adjustments	0
6. Taxable net investment income (1+2+3+4+5)	2,554,900
7. Tax on net investment income (6 x .35)	894,215
8. FIT rate on NII (7 / 1)	23.8%

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Revision To Base Rates

Policy Form 661

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	78	78	0.0%
31	103	103	0.0%
32	78	78	0.0%
33	94	102	8.5%

Rate Impact: 2.1%

Territory	OTHER ALLIED LINES		
	Current	Proposed	Rate Impacts
32	32	32	0.0%
41	41	41	0.0%
32	32	32	0.0%
37	37	40	8.1%

Rate Impact: 2.0%

Policy Form 662

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	26	26	0.0%
31	26	26	0.0%
32	26	26	0.0%
33	26	28	7.7%

Rate Impact: 1.9%

Territory	OTHER ALLIED LINES		
	Current	Proposed	Rate Impacts
11	11	11	0.0%
11	11	11	0.0%
11	11	11	0.0%
11	11	12	9.1%

Rate Impact: 2.3%

ARKANSAS HOMESAVER

THE TRAVELERS INDEMNITY COMPANY OF AMERICA  
THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT

Revision To Base Rates

Policy Form 663

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	120	120	0.0%
31	120	120	0.0%
32	120	120	0.0%
33	120	130	8.3%

Rate Impact: 2.1%

Territory	OTHER ALLIED LINES		
	Current	Proposed	Rate Impacts
30	48	48	0.0%
31	48	48	0.0%
32	48	48	0.0%
33	48	52	8.3%

Rate Impact: 2.1%

Policy Form 664

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	28	28	0.0%
31	31	31	0.0%
32	34	34	0.0%
33	28	30	7.1%

Rate Impact: 1.8%

Territory	OTHER ALLIED LINES		
	Current	Proposed	Rate Impacts
30	12	12	0.0%
31	13	13	0.0%
32	14	14	0.0%
33	12	13	8.3%

Rate Impact: 2.1%

Policy Form 665

Territory	FIRE BASE PREMIUM TABLE		
	Current	Proposed	Rate Impacts
30	26	26	0.0%
31	26	26	0.0%
32	26	26	0.0%
33	26	28	7.7%

Rate Impact: 1.9%

Territory	OTHER ALLIED LINES		
	Current	Proposed	Rate Impacts
30	11	11	0.0%
31	11	11	0.0%
32	11	11	0.0%
33	11	12	9.1%

Rate Impact: 2.3%