

SERFF Tracking Number: ARKS-125517688 State: Arkansas
 First Filing Company: 22136 - GREAT AMERICAN INSURANCE State Tracking Number: #394333 \$100
 COMPANY OF NEW YORK, ...
 Company Tracking Number: CA AR 0802 DELY
 TOI: 20.0 Commercial Auto Sub-TOI: 20.0003 Other
 Product Name: Commerical Automobile
 Project Name/Number: /

Filing Contact Information

NA NA, NA@NA.com
 NA (123) 555-4567 [Phone]
 NA, AR 00000

Filing Company Information

22136 - GREAT AMERICAN INSURANCE CoCode: 22136 State of Domicile: Arkansas
 COMPANY OF NEW YORK
 No Address Group Code: Company Type:
 City, AR 99999 Group Name: State ID Number:
 (999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

Great American Insurance Company CoCode: 16691 State of Domicile: Ohio
 49 East 4th Group Code: Company Type:
 Cincinnati, OH 45202 Group Name: State ID Number:
 (513) 333-6958 ext. [Phone] FEIN Number: 31-0501234

Great American Assurance Company CoCode: 26344 State of Domicile: Ohio
 49 East 4th St Group Code: Company Type: p&c
 Cincinnati, OH 45202 Group Name: State ID Number:
 (513) 333-6958 ext. [Phone] FEIN Number: 15-6020948

Great American Alliance Ins Co CoCode: 26832 State of Domicile: Ohio
 49 East 4th St Group Code: Company Type:
 Cincinnati, OH 45202 Group Name: State ID Number:
 (513) 333-6958 ext. [Phone] FEIN Number: 95-1542353

Filing Fees

Fee Required? No
 Retaliatory? No
 Fee Explanation:
 Per Company: No

SERFF Tracking Number: ARKS-125517688 *State:* Arkansas
First Filing Company: 22136 - GREAT AMERICAN INSURANCE *State Tracking Number:* #394333 \$100
COMPANY OF NEW YORK, ...
Company Tracking Number: CA AR 0802 DELY
TOI: 20.0 Commercial Auto *Sub-TOI:* 20.0003 Other
Product Name: Commerical Automobile
Project Name/Number: /

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Llyweyia Rawlins	03/10/2008	03/10/2008

SERFF Tracking Number: ARKS-125517688 State: Arkansas
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COMPANY OF NEW YORK, ...
Company Tracking Number: CA AR 0802 DELY
TOI: 20.0 Commercial Auto Sub-TOI: 20.0003 Other
Product Name: Commerical Automobile
Project Name/Number: /

Disposition

Disposition Date: 03/10/2008

Effective Date (New): 04/01/2008

Effective Date (Renewal): 04/01/2008

Status: Filed

Comment: Delay Adoption of ISO's Loss Cost

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

SERFF Tracking Number: ARKS-125517688 *State:* Arkansas
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COMPANY OF NEW YORK, ...
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TOI: 20.0 Commercial Auto *Sub-TOI:* 20.0003 Other
Product Name: Commerical Automobile
Project Name/Number: /

Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125517688 State: Arkansas
First Filing Company: 22136 - GREAT AMERICAN INSURANCE State Tracking Number: #394333 \$100
COMPANY OF NEW YORK, ...
Company Tracking Number: CA AR 0802 DELY
TOI: 20.0 Commercial Auto Sub-TOI: 20.0003 Other
Product Name: Commerical Automobile
Project Name/Number: /

Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125517688

03/10/2008

Comments:

Attachments:

ARKS-125517688 1.pdf

ARKS-125517688 2.pdf

ARKS-125517688 3.pdf

LR

Specialty Operations
49 East Fourth Street
Dixie Terminal South Building
4th Floor
Cincinnati, OH 45202-3803
PO Box 5425
Cincinnati, OH 45201-5425
513.287.8100 ph
513.333.6996 fax

CHK # 394333

\$100

ARHS-125517688



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FEB 29 2008

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

February 18, 2008

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Department of Insurance
1200 W. Third Street
Little Rock, AR 72201-1904

RE: Great American Insurance Group
Great American Insurance Company
Great American Alliance Insurance Company
Great American Assurance Company
Great American Insurance Company of New York
Commercial Automobile
Delay Adoption of ISO's Loss Costs
GAI Filing # CA AR 0802 DELY

084-16691	31-0501234
084-26832	95-1542353
084-26344	15-6020948
084-22136	13-5539046

Dear Sir or Madam:

The above captioned companies hereby place on file their intent to delay adopt ISO's revised Commercial Automobile Loss Costs and Rules as outlined in the attached list of ISO Filing Designation Numbers. The overall rate impact of this filing is 0.1%. The filing contains the following revisions.

- Loss Costs
- Loss Cost Multipliers
- Composite Rating Plan
- Retrospective Rating Plan
- Liability Experience & Scheduled Rating Plan
- Physical Damage Experience & Scheduled Rating Plan
- Classification Plan
- Updated Territory Definitions
- Revised Manual Rules for Zone-Rated Mobile and Farm Equipment Coverages
- Revised Loss Costs for Zone-Rated Mobile and Farm Equipment Coverages

Approved until withdrawn
or revoked

MAR 10 2008

Arkansas Insurance Department
By: *RK-Filed*

Arkansas Department of Insurance
Property & Casualty Division

Page 2

Please find **enclosed** for your review the following exception pages:

The following exception pages are being **replaced** because they are obsolete:

- Loss Cost Multiplier pages 1-4 (Ed. 02/08) will replace the previous 2004 editions
- Rate Exception Pages 1 and 2 (Ed. 02/08) will replace the previous 2004 editions

We request that this filing be applicable to all policies written on or after **April 1 2007**.

Please use the enclosed duplicate to indicate your receipt and acknowledgement.

Sincerely,



Jackie Bisbe
Product Analyst
Product Development and Compliance
Phone: 513-333-6927
Email: jbisbe@gaic.com

AR

ISO Loss Cost Date 02/08/2006
Great American Date 04/01/2008
CA 2006 BRLA1

<u>ISO Circular #</u>	<u>Filing Designation #</u>	<u>Status</u>	<u>Companies</u>
LI CA 2004 026		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2004 065	CA 2004 BRLA1	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2005 022		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2005 048	CA 2005 BRLA1	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2005 114		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2005 363	CA 2005 RLC01	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2006 030		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2006 044	CA 2006 BRLA1	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2003 499		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2004 066	CA 2003 RTER1	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2004 027		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2004 067	CA 2004 ORU1	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2003 059		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2003 084	RP 2003 RAL03	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2007 234		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2007 255	RP 2007 RAL07	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2004 141		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2004 174	RP 2004 RPD04	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2007 235		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2007 253	RP 2007 RPD07	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2003 414		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2003 449	RP 2003 RCR03	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2006 386		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2006 403	RP 2006 RCR06	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2003 254		Filed	GAIC, GANY, GAAS, GAAL
LI CA 20003 308	RP 2003 RRP03	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2006 377		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2006 397	RP 2006 RRP03	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2006 149		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2006 199	CA 2006 RZR1	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2006 150		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2006 200	CA 2006 RZRLC	Approved	GAIC, GANY, GAAS, GAAL
LI CA 2005 021		Filed	GAIC, GANY, GAAS, GAAL
LI CA 2005 047	CA 2005 RCP1	Approved	GAIC, GANY, GAAS, GAAL

Property & Casualty Transmittal Document

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 #
Great American Insurance Group	084

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Great American Insurance Company	OH	16691	31-0501234	
Great American Insurance of New York	NY	22136	13-5539046	
Great American Assurance Company	OH	26344	15-6020948	
Great American Alliance Insurance Co.	OH	26832	95-1542353	

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FEB 20 2008

5. Company Tracking Number	CA AR 0802 DELY
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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
Jackie Bisbe	Product Analyst	513.333.6927	513.333.6996	jbisbe@gaic.com
49 E. 4 th Street, DTN 6 Cincinnati OH 45202				

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

7. Signature of authorized filer	<i>Jackie Bisbe</i>
8. Please print name of authorized filer	Jackie Bisbe

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

9. Type of Insurance (TOI)	Commercial Auto 20.0000
10. Sub-Type of Insurance (Sub-TOI)	
11. State Specific Product code(s) (if applicable) [See State Specific Requirements]	
12. Company Program Title (Marketing title)	
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: 4/1/2008 Renewal: 4/1/2008

Property & Casualty Transmittal Document---

15.	Reference Filing?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
16.	Reference Organization (if applicable)	ISO
17.	Reference Organization # & Title	
18.	Company's Date of Filing	2/22/2008
19.	Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

20.	This filing transmittal is part of Company Tracking #	CA AR 0802 DELY
------------	--	-----------------

21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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to adopt ISO revised loss costs and rule changes

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: \$100
 \$100 per rate filing

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

*****Refer to 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 #	CA AR 0802 DELY
----	---	-----------------

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.)	
----	---	--

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)
GAIC GANY GAAS GAAL		0.1%			\$1,833,323		

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	0.1%	
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	4.5%
7.	Effective Date of last rate revision	6/1/2004
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	Prior Approval

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	See Filing Rule Exception pages	<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	

RATE EXCEPTION PAGE

Commercial Automobile rates are developed by multiplying the Loss Costs contained in the Commercial Lines Manual – Division One of the Insurance Services Office by the appropriate Loss Cost Multiplier (LCM) from below.

The effective date of these Loss Cost Multipliers is April 1, 2008.

Loss Cost Multiplier – All Vehicle Classes

Liability	Physical Damage
1.484	1.572

RATE EXCEPTION PAGE

Commercial Automobile rates are developed by multiplying the Loss Costs contained in the Commercial Lines Manual – Division One of the Insurance Services Office by the appropriate Loss Cost Multiplier (LCM) from below.

The effective date of these Loss Cost Multipliers is April 1, 2008.

Loss Cost Multiplier – All Vehicle Classes

Liability	Physical Damage
1.706	1.808

Great American Insurance Company of New York

CA – AR

Rate Exception Page – 2

Edition 04/08

RATE EXCEPTION PAGE

Commercial Automobile rates are developed by multiplying the Loss Costs contained in the Commercial Lines Manual – Division One of the Insurance Services Office by the appropriate Loss Cost Multiplier (LCM) from below.

The effective date of these Loss Cost Multipliers is April 1, 2008.

Loss Cost Multiplier – All Vehicle Classes

Liability	Physical Damage
2.003	2.123

Great American Assurance Company

CA – AR

Rate Exception Page – 3

Edition 04/08

RATE EXCEPTION PAGE

Commercial Automobile rates are developed by multiplying the Loss Costs contained in the Commercial Lines Manual – Division One of the Insurance Services Office by the appropriate Loss Cost Multiplier (LCM) from below.

The effective date of these Loss Cost Multipliers is April 1, 2008.

Loss Cost Multiplier – All Vehicle Classes

Liability	Physical Damage
1.113	1.179

GREAT AMERICAN INSURANCE GROUP

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COMMERCIAL AUTO - LIABILITY

**ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES**

A. Unearned Premium Reserve			
1.	Direct Earned Premium for 2006		\$210,384
2.	Mean Unearned Premium Reserve	(1) X	0.574 \$120,687
3.	Deduction for Prepaid Expenses		
	Commission and Brokerage Expense		18.0%
	Taxes, Licenses and Fees		4.0%
	50% of Other Acquisition Expense		1.8%
	50% of Company Operating Expense		6.1%
	TOTAL		29.9%
4.	Deduction for Federal Taxes Payable		7.0%
5.	(2) X [(3) + (4)]		\$44,533
6.	Net Subject to Investment (2) - (5)		\$76,153
B. Delayed Remission of Premium (Agents' Balances)			
1.	Direct Earned Premium (A-1)		\$210,384
2.	Average Agents' Balance		0.254
3.	Delayed Remission (1) X (2)		\$53,460
C. Loss Reserve			
1.	Direct Earned Premium (A-1)		\$210,384
2.	Expected Incurred Losses and Loss Adjustment Expenses	(1) X	62.2% \$130,859
3.	Expected Mean Loss Reserves	(2) X	2.021 \$264,466
D.	Net Subject to Investment (A-6) - (B-3) + (C-3)		\$287,159
E.	Average Rate of Return		4.98%
F.	Investment Earnings on Net Subject to Investment (D) X (E)		\$14,302
G.	Average Rate of Return as a Percent of Direct Earned Premium (F)/(A-1)		6.80%
H.	Average Rate of Return as a Percent of Direct Earned Premium After Federal Income Taxes	(G) X	0.772 5.25%

GREAT AMERICAN INSURANCE GROUP

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COMMERCIAL AUTO - LIABILITY

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

Line A-1

Direct earned premiums are the earned premiums for Commercial Auto - Liability for the latest year.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums by the countrywide ratio of the mean unearned premium reserve to the net earned premium for the latest year for Commercial Auto - Liability for the Great American Insurance Pooled Companies.

1.	Net Earned Premium for Calendar Year 2006	\$1,594,457
2.	Unearned Premium Reserve as of 12/31/2005	\$876,996
3.	Unearned Premium Reserve as of 12/31/2006	\$952,324
4.	Mean Unearned Premium Reserve [(2) + (3)]/2	\$914,660
5.	Ratio (4)/(1)	0.574

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of Commercial Auto - Liability policies exclusive of claim adjustment expenses, 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.

Line A-4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate rate of 35%, this tax equals 7.0% (.20 X .35 = 0.070) of the unearned premium reserve.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premium to the companies beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

GREAT AMERICAN INSURANCE GROUP

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COMMERCIAL AUTO - LIABILITY

**ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES**

Line B-2 (cont.)

Agents' balances or uncollected premiums due less than 90 days amount to 0.254 of net earned premiums for the Great American Insurance Pooled Companies. This is based on the following:

		(In Thousands of Dollars)
1.	Net Earned Premium for Calendar Year 2006	1,594,457
2.	Net Agents' Balances as of 12/31/2005	395,394
3.	Net Agents' Balances as of 12/31/2006	414,932
4.	Mean Agents' Balances [(2) + (3)]/2	\$405,163
5.	Ratio (4)/(1)	0.254

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions used in the filing.

Line C-3

The expected mean loss reserve is determined by summing over the years with outstanding loss reserves 1-1/{paid loss development factor}. This is based on the following algebraic relationships:

$$\text{loss reserve/incurred losses} = (\text{IBNR reserve} + \text{case reserve}) / \text{ult. incurred losses}$$

$$= \{(\text{incurred ldf}-1) * \text{reported losses} / \text{ult losses}\} + \{\text{reported losses} - \text{pd losses}\} / \text{ult. losses}$$

$$= \{(\text{incurred ldf} * \text{reported losses}) / \text{ult losses}\} - \{\text{paid losses} / \text{ult losses}\} = 1 - 1 / \text{pd ldf}$$

This ratio is based on the Great American Insurance Pooled Companies data, and includes an adjustment for the estimated Federal Income Taxes payable and due to discounting of loss reserves, as required by the Tax Reform Act of 1986.

Age	Paid LDFs	(1-1/pd ldf)
12/ult	4.646	0.785
24/ult	2.184	0.542
36/ult	1.479	0.324
48/ult	1.252	0.201
60/ult	1.109	0.098
72/ult	1.069	0.065
84/ult	1.039	0.038
96/ult	1.014	0.014
108/ult	1.013	0.013
Total		2.079
Selected Ratio		2.079
Estimated Reserve Discount		8.0%
Federal Taxes (ratio to reserve): (20) x .35		0.028
(19) x [1.0 - (21)]		2.021

GREAT AMERICAN INSURANCE GROUP

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COMMERCIAL AUTO - LIABILITY

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line E

The rate of return is the ratio of net investment income earned to mean cash and investment assets for the Great American Insurance Pooled Companies as follows:

<u>Year</u>	<u>Net Investment*</u> <u>Income Earned</u>	<u>Mean Cash and *</u> <u>Invested Assets</u>	<u>Rate of</u> <u>Return</u>
2002	\$160,917	\$3,471,413	4.64%
2003	\$145,024	\$3,739,732	3.88%
2004	\$233,488	\$3,956,422	5.90%
2005	\$208,535	\$4,128,586	5.05%
2006	231,766	\$4,374,692	5.30%
Average			4.98%

* (000)'s omitted

GREAT AMERICAN INSURANCE GROUP

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COMMERCIAL AUTO - LIABILITY

**ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES**

Line H

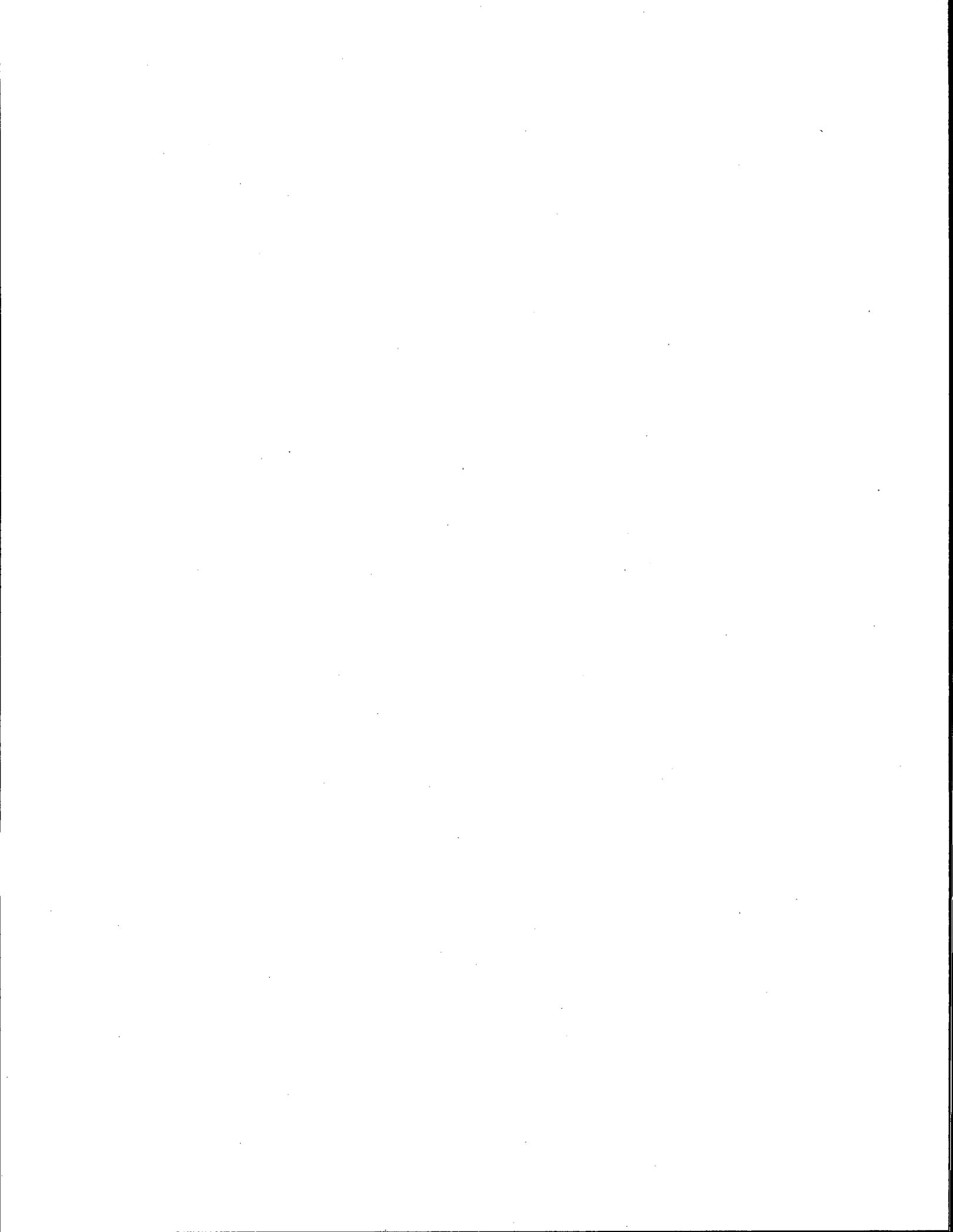
The average rate of federal income tax was determined by applying current tax rates to the distribution of investment income earned in the latest year, for the Great American Insurance Pooled Companies.

	<u>Investment Income Earned *</u>	<u>Tax Rate</u>
Bonds		
Taxable	\$149,741,833	0.350
Non-Taxable	\$14,647,718	0.000
Subtotal	<u>\$164,389,551</u>	<u>0.319</u>
Stocks		
Taxable	\$6,597,874	0.122
Non-Taxable	\$61,749,172	0.000
Subtotal	<u>\$68,347,046</u>	<u>0.012</u>
Mortgage Loans on Real Estate	\$4,718,388	
Real Estate	\$8,639,558	
Collateral Loans	\$0	
Cash on Deposit and Short Term Investments	\$7,274,672	
All Other	\$9,377,197	
Subtotal	<u>\$30,009,815</u>	0.350
Gross Investment Income Earned	\$262,746,412	0.243
Investment Deductions	\$30,980,877	0.350
Net Investment Income Earned	\$231,765,535	0.228

* (000)'s Omitted

Assume 0% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed as a full corporate income tax rate of 35%. The applicable tax rate is thus
0.00 $(.00 \times .15 \times .35 = .000)$

Only 30% of dividend income is subject to a full corporate income tax rate of 35%. Assume 48% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 35%. The applicable tax rate is thus: 12.2%
 $((.30 \times .35) + (.48 \times .70 \times .15 \times .35) = .122)$



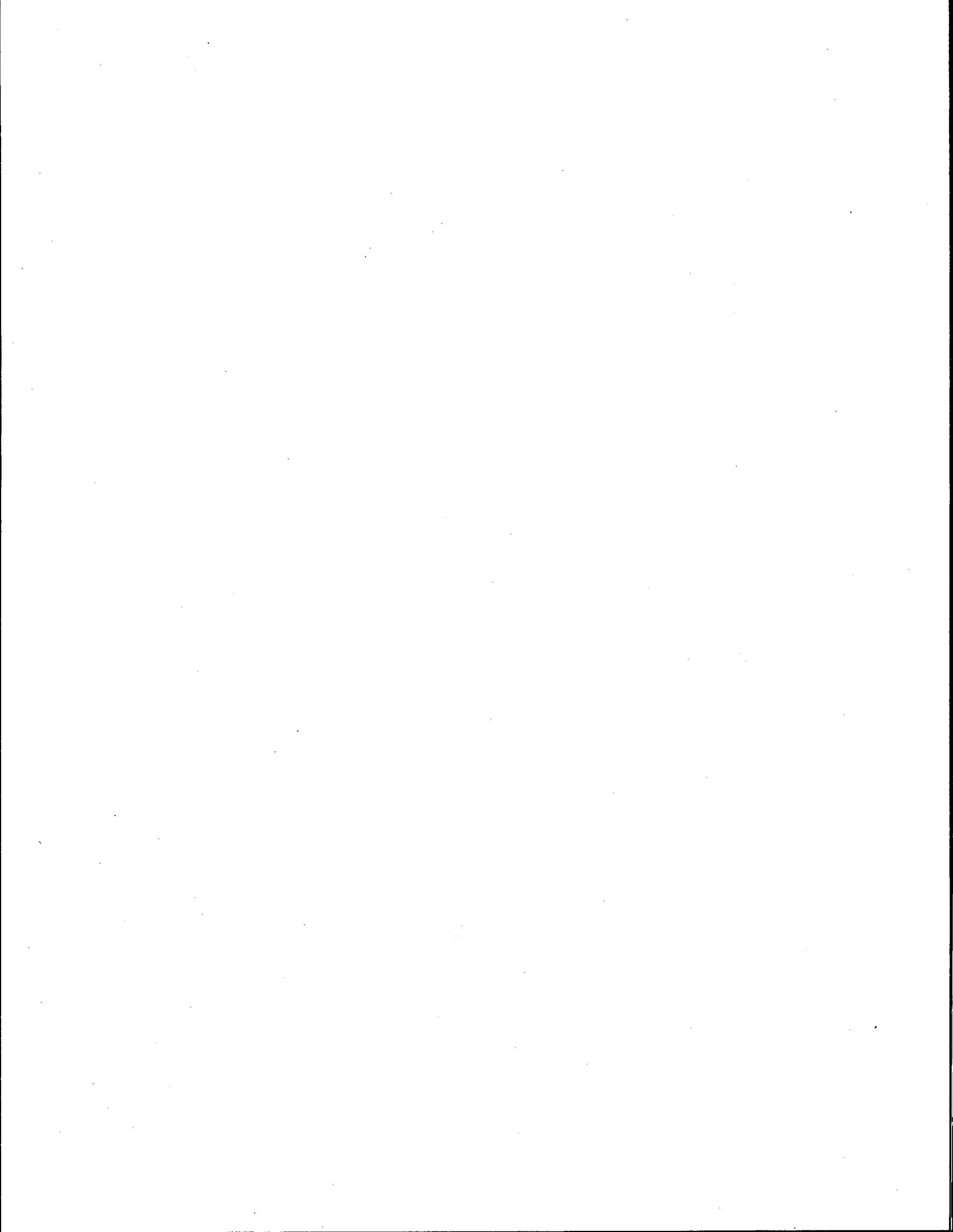
GREAT AMERICAN INSURANCE GROUP

AR

COMMERCIAL AUTO - PHYSICAL DAMAGE

**ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES**

A. Unearned Premium Reserve			
1.	Direct Earned Premium for 2006		\$200,721
2.	Mean Unearned Premium Reserve	(1) X	0.574
3.	Deduction for Prepaid Expenses		\$115,144
	Commission and Brokerage Expense		18.2%
	Taxes, Licenses and Fees		3.6%
	50% of Other Acquisition Expense		2.0%
	50% of Company Operating Expense		4.3%
	TOTAL		28.1%
4.	Deduction for Federal Taxes Payable		7.0%
5.	(2) X [(3) + (4)]		\$40,415
6.	Net Subject to Investment (2) - (5)		\$74,728
B. Delayed Remission of Premium (Agents' Balances)			
1.	Direct Earned Premium (A-1)		\$200,721
2.	Average Agents' Balance		0.254
3.	Delayed Remission (1) X (2)		\$51,005
C. Loss Reserve			
1.	Direct Earned Premium (A-1)		\$200,721
2.	Expected Incurred Losses and Loss Adjustment Expenses	(1) X	65.6%
3.	Expected Mean Loss Reserves	(2) X	0.228
D.	Net Subject to Investment (A-6) - (B-3) + (C-3)		\$53,745
E.	Average Rate of Return		4.98%
F.	Investment Earnings on Net Subject to Investment (D) X (E)		\$2,677
G.	Average Rate of Return as a Percent of Direct Earned Premium (F)/(A-1)		1.33%
H.	Average Rate of Return as a Percent of Direct Earned Premium After Federal Income Taxes	(G) X	0.772
			1.03%



GREAT AMERICAN INSURANCE GROUP

AR

COMMERCIAL AUTO - PHYSICAL DAMAGE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

Line A-1

Direct earned premiums are the earned premiums for Commercial Auto - Physical Damage for the latest year.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the state ratio of the mean unearned premium reserve to the net earned premium for the latest year for Commercial Auto - Physical Damage for the Great American Insurance Pooled Companies.

1.	Net Earned Premium for Calendar Year 2006	\$1,594,457
2.	Unearned Premium Reserve as of 12/31/2005	\$876,996
3.	Unearned Premium Reserve as of 12/31/2006	\$952,324
4.	Mean Unearned Premium Reserve [(2) + (3)]/2	\$914,660
5.	Ratio (4)/(1)	0.574

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of Commercial Auto - Physical Damage policies exclusive of claim adjustment expenses, 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.

Line A-4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate rate of 35%, this tax equals 7.0% ($.20 \times .35 = 0.070$) of the unearned premium reserve.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premium to the companies beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

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**ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES**

Line B-2 (cont.)

Agents' balances or uncollected premiums due less than 90 days amount to 0.254 of net earned premiums for the Great American Insurance Pooled Companies. This is based on the following:

		(In Thousands of Dollars)
1.	Net Earned Premium for Calendar Year 2006	1,594,457
2.	Net Agents' Balances as of 12/31/2005	395,394
3.	Net Agents' Balances as of 12/31/2006	414,932
4.	Mean Agents' Balances [(2) + (3)]/2	405,163
5.	Ratio (4)/(1)	0.254

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions used in the filing.

Line C-3

The expected mean loss reserve is determined by summing over the years with outstanding loss reserves $1 - 1/\{\text{paid loss development factor}\}$. This is based on the following algebraic relationships:

$$\begin{aligned} \text{loss reserve/incurred losses} &= (\text{IBNR reserve} + \text{case reserve}) / \text{ult. incurred losses} \\ &= \{(\text{incurred ldf} - 1) * \text{reported losses} / \text{ult losses}\} + \{\text{reported losses} - \text{pd losses}\} / \text{ult. losses} \\ &= \{(\text{incurred ldf} * \text{reported losses}) / \text{ult losses}\} - \{\text{paid losses} / \text{ult losses}\} = 1 - 1/\text{pd ldf} \end{aligned}$$

This ratio is based on the Great American Insurance Pooled Companies data, and includes an adjustment for the estimated Federal Income Taxes payable and due to discounting of loss reserves, as required by the Tax Reform Act of 1986.

Age	Paid LDFs	(1-1/pd ldf)
12/ult	1.257	0.205
24/ult	1.028	0.027
36/ult	0.999	-0.001
48/ult	1.004	0.004
60/ult	0.998	-0.002
72/ult	0.999	-0.001
84/ult	0.999	-0.001
96/ult	1.000	0.000
108/ult	1.000	0.000
Total		0.230
Selected Ratio		0.230
Estimated Reserve Discount		2.0%
Federal Taxes (ratio to reserve): (20) x .35		0.007
(19) x [1.0 - (21)]		0.228

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ESTIMATED INVESTMENT EARNINGS ON UNEARNED
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EXPLANATORY NOTES

Line E

The rate of return is the ratio of net investment income earned to mean cash and investment assets for the Great American Insurance Pooled Companies as follows:

<u>Year</u>	<u>Net Investment*</u> <u>Income Earned</u>	<u>Mean Cash and *</u> <u>Invested Assets</u>	<u>Rate of</u> <u>Return</u>
2002	160,917	3,471,413	4.64%
2003	145,024	3,739,732	3.88%
2004	233,488	3,956,422	5.90%
2005	208,535	4,128,586	5.05%
2006	231,766	4,374,692	5.30%
Average			4.98%

* (000)'s omitted

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**ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES**

Line H

The average rate of federal income tax was determined by applying current tax rates to the distribution of investment income earned in the latest year, for the Great American Insurance Pooled Companies.

	<u>Investment Income Earned *</u>	<u>Tax Rate</u>
Bonds		
Taxable	\$149,741,833	0.350
Non-Taxable	\$14,647,718	0.000 #
Subtotal	<u>\$164,389,551</u>	0.319
Stocks		
Taxable	\$6,597,874	0.122 ##
Non-Taxable	\$61,749,172	0.000
Subtotal	<u>\$68,347,046</u>	0.012
Mortgage Loans on Real Estate	\$4,718,388	
Real Estate	\$8,639,558	
Collateral Loans	\$0	
Cash on Deposit and Short Term Investments	\$7,274,672	
All Other	\$9,377,197	
Subtotal	<u>\$30,009,815</u>	0.350
Gross Investment Income Earned	\$262,746,412	0.243
Investment Deductions	\$30,980,877	0.350
Net Investment Income Earned	\$231,765,535	0.228

* (000)'s Omitted

Assume 0% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed as a full corporate income tax rate of 35%. The applicable tax rate is thus
0.00 ($.00 \times .15 \times .35 = .000$)

Only 30% of dividend income is subject to a full corporate income tax rate of 35%. Assume 48% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 35%. The applicable tax rate is thus: 12.2%
($.30 \times .35$) + ($.48 \times .70 \times .15 \times .35$) = .122).