

SERFF Tracking Number: TRVE-125556001 State: Arkansas  
Filing Company: Travelers Casualty and Surety Company of America State Tracking Number: EFT \$100  
Company Tracking Number: 2008-01-0040  
TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0006 Directors & Officers Liability  
Product Name: Non-Profit D&O Rates Filing 2008-01-0040  
Project Name/Number: Non-Profit D&O Rates Filing 2008-01-0040/2008-01-0040

## Filing at a Glance

Company: Travelers Casualty and Surety Company of America

Product Name: Non-Profit D&O Rates Filing SERFF Tr Num: TRVE-125556001 State: Arkansas

2008-01-0040

TOI: 17.0 Other Liability - Claims  
Made/Occurrence

SERFF Status: Closed

State Tr Num: EFT \$100

Sub-TOI: 17.0006 Directors & Officers Liability Co Tr Num: 2008-01-0040

State Status: Fees verified and  
received

Filing Type: Rate

Co Status:

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

Authors: Socorro Armstrong,  
Theresa Lavenburg, Michelle Smith  
Cotto, Celina Caez

Disposition Date: 03/19/2008

Date Submitted: 03/19/2008

Disposition Status: Exempt from  
Review

Effective Date Requested (New): 06/01/2008

Effective Date (New):

Effective Date Requested (Renewal): 06/01/2008

Effective Date (Renewal):

State Filing Description:

## General Information

Project Name: Non-Profit D&O Rates Filing 2008-01-0040

Status of Filing in Domicile:

Project Number: 2008-01-0040

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 03/19/2008

Deemer Date:

State Status Changed: 03/19/2008

Corresponding Filing Tracking Number:

Filing Description:

Purpose

SERFF Tracking Number: TRVE-125556001 State: Arkansas  
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America  
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In 1998, we introduced our Nonprofit Directors and Officers Liability rating plan. As with most new rating plans, the need to monitor and update the plan after implementation was expected. As such, we made a rate filing in 2006, which did not have a countrywide rate impact. This filing consists of replacing our currently approved rates with the attached rate plan. This filing reflects the results of analysis that determined that some of the current factors and rating elements require modification. We now have sufficient credible internal data to revise our rates to allow us to maintain profitability while improving our pricing accuracy. The new rate plan was designed using our actuarial data, underwriting knowledge, and marketplace intelligence. The key enhancements include revisions to the following factors and rating elements:

Hazard Group definitions and associated base rates;  
Revisions to minimum retentions;  
Introduction of retention factors; and  
Introduction of a shared limit factor.

Rate Impact

The overall countrywide impact of the revised rate plan will be a decrease of 3%.

## Company and Contact

### Filing Contact Information

Michelle Smith Cotto, Regulatory Analyst MSMITHCO@travelers.com  
One Tower Square (860) 277-2345 [Phone]  
Hartford, CT 06183 (860) 235-4951[FAX]

### Filing Company Information

Travelers Casualty and Surety Company of CoCode: 31194 State of Domicile: Connecticut  
America  
One Tower Square Group Code: 3548 Company Type:

SERFF Tracking Number: TRVE-125556001 State: Arkansas  
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America  
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2S2B

Hartford, CT 06183  
(860) 277-0179 ext. [Phone]

Group Name:  
FEIN Number: 06-0907370

State ID Number:

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## Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Travelers Casualty and Surety Company of America	\$100.00	03/19/2008	18777605

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Edith Roberts	03/19/2008	03/19/2008

*SERFF Tracking Number:* TRVE-125556001      *State:* Arkansas  
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## **Disposition**

Disposition Date: 03/19/2008

Effective Date (New):

Effective Date (Renewal):

Status: Exempt from Review

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: TRVE-125556001 State: Arkansas  
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Item Type	Item Name	Item Status	Public Access
Supporting Document	Explanatory Memorandum	Accepted for Informational Purposes	Yes
Supporting Document	NAIC	Accepted for Informational Purposes	Yes
Rate	55848	Accepted for Informational Purposes	Yes
Rate	State Exception Rate Page	Accepted for Informational Purposes	Yes

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## **Rate Information**

Rate data does NOT apply to filing.

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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	55848	Rate Page 1-7	New	55848 CW 200802a.pdf
Accepted for Informational Purposes	State Exception Rate Page	AR 1	New	55848 AR EX 200802.pdf

Travelers Casualty and Surety Company of America

**Countrywide**

**Filing Number: 2008-01-0040**

**RATING RULES**

The policy premium is obtained by multiplying the base premium by underwriting credit(s) and / or debits(s). Appropriate increased limits and retention factors are then used.

**HAZARD GROUPS**

Group	Definitions
<b>Low Hazard</b>	Any non-medical services account with lowest exposure (which may include local associations, all volunteer local organizations and chapters of larger organizations) with fewer than 30 employees and is not High Hazard or Hard to Place.
<b>High Hazard</b>	Any non-profit which has one of the following risk characteristics.
<b>Hard to Place</b>	Any non-profit which has two or more of the following risk characteristics.
<b>Standard</b>	Any entity other than Low Hazard, High Hazard, or Hard to Place.

**RISK CHARACTERISTICS**

- Any Non-Profit which is a sanctioning body for professional sports teams;
- Any Non-Profit which has credentialing or disciplinary authority over any profession or enterprise;
- Any Non-Profit which, because of the nature of operations have a higher susceptibility to litigation;
- Any Non-Profit with a fund balance deficit, more than two years of net operating losses, a working capital deficit, or other issues which threaten its solvency;
- High employee or volunteer count;
- Use of an anti-trust extension endorsement with sub-limits greater than \$1,000,000;
- Incidental medical or professional services
- For-profit subsidiaries with sub-limits greater than \$1,000,000 if the subsidiary is engaged in operations unrelated to those of parent;
- Merger or acquisition activity
- Any Non-Profit which because of other documented characteristics is deemed to be High Hazard or Hard to Place.

Travelers Casualty and Surety Company of America

**Countrywide**

Filing Number: 2008-01-0040

**BASE PREMIUMS**

Total Assets	Hazard Groups			
	Low Hazard	Standard	High Hazard	Hard to Place
up to \$1,000,000	1,042	1,562	3,600	6,870
\$1,000,001 to \$2,500,000	1,580	1,975	4,550	8,670
\$2,500,001 to \$5,000,000	1,764	2,205	5,000	9,460
\$5,000,001 to \$10,000,000	2,024	2,530	5,775	10,980
\$10,000,001 to \$25,000,000	2,684	3,355	7,650	14,520
\$25,000,001 to \$50,000,000	3,780	4,725	10,750	20,275
\$50,000,001 to \$100,000,000	4,824	6,030	13,850	25,785
\$100,000,001 to \$150,000,000	5,644	7,055	15,750	30,190
\$150,000,001 to \$250,000,000	6,872	8,590	19,250	36,619
\$250,000,001 to \$500,000,000	8,480	10,600	23,550	43,500
\$500,000,001 to \$1,000,000,000	9,484	11,855	26,350	50,607
over \$1,000,000,000	10,388	12,985	29,000	55,426

**PUNITIVE DAMAGES**

Apply the following factor.

Factor
1.10



Travelers Casualty and Surety Company of America

**Countrywide**

Filing Number: 2008-01-0040

**MINIMUM CORPORATE RETENTIONS**

Hazard Groups			
Low Hazard	Standard	High Hazard	Hard to Place
\$0	\$0	\$2,500	\$5,000

**RETENTION FACTORS**

Retention Amount	Limit			
	Less than \$1,000,000	\$1,000,000 to \$2,500,000	\$2,500,001 to \$5,000,000	Greater than \$5,000,000
\$0	1.021	1.016	1.010	1.009
\$1,000	1.000	1.000	1.000	1.000
\$2,500	0.936	0.950	0.971	0.979
\$5,000	0.913	0.931	0.961	0.975
\$10,000	0.890	0.912	0.951	0.965
\$25,000	0.824	0.859	0.922	0.945
\$50,000	0.740	0.793	0.888	0.916
\$100,000	0.672	0.737	0.853	0.887
\$250,000	0.515	0.636	0.777	0.833



Travelers Casualty and Surety Company of America

**Countrywide**

Filing Number: 2008-01-0040

**INCREASED LIMITS FACTORS**

To get the premium for a limit, multiply factor times premium for the indicated limit.

Limit	Factor		Indicated Limit
\$250,000	0.75	X	\$1,000,000
\$500,000	0.80	X	\$1,000,000
\$2,000,000	1.50	X	\$1,000,000
\$3,000,000	1.75	X	\$1,000,000
\$5,000,000	2.25	X	\$1,000,000
\$10,000,000	1.40 - 1.50	X	\$5,000,000
\$15,000,000	1.25 - 1.30	X	\$10,000,000
\$20,000,000	1.20 - 1.30	X	\$15,000,000
\$25,000,000	1.10 - 1.20	X	\$20,000,000
\$30,000,000	1.08 - 1.11	X	\$25,000,000
\$35,000,000	1.07 - 1.08	X	\$30,000,000
\$40,000,000	1.06 - 1.07	X	\$35,000,000
\$45,000,000	1.05 - 1.06	X	\$40,000,000
\$50,000,000	1.04 - 1.05	X	\$45,000,000



Travelers Casualty and Surety Company of America

**Countrywide**

**Filing Number: 2008-01-0040**

**SHARED LIMIT OPTION**

Apply the following factor if a combined single aggregate limit option (Shared Limit) is selected.

Factor
0.96

Travelers Casualty and Surety Company of America

**Countrywide**

**Filing Number: 2008-01-0040**

**CREDITS / DEBITS**

To be eligible for Credits / Debits the basic limits premium is \$500.

**CREDITS**

Note: The ranges and credits given below are suggested ranges and subject to the underwriter's discretion. Other credits and debits may be used depending on individual risk characteristics as long as they are documented in the rating sheet.

Reason	Credit
Only function is disbursement of funds	5% - 10%
No previous D&O losses	10% - 15%
Attachment of Government Exclusion	10% - 25%
Fund Balance / Total Assets ratio greater than .33 = 1	5% - 10%
More than 10 years in operation	10% - 25%
Low Employee count	10% - 25%

**DEBITS**

Note: The ranges and debits given below are suggested ranges and subject to the underwriter's discretion. Higher / lower and other debits may be used depending on individual risk characteristics as long as they are documented in the rating sheet.

Reason	Debit
Large charitable organization such as Catholic Charities / Federation of Jewish Philanthropies	10% - 25%
IRS investigations / problems	10% - 25%
Previous D&O Claims	10% - 25%
Non D&O Litigation	10% - 25%
Discrimination Exposure	10% - 25%
High Employee Count	10% - 25%
Defense Outside of Limits Endorsement	10%



Travelers Casualty and Surety Company of America

**Countrywide**

**Filing Number: 2008-01-0040**

**STATE MODIFICATION LIMITS**

The table below shows the maximum available rating credit / debits for each state.

State	Maximum
Alabama	-25 / +25
Alaska	-40 / +40
Arizona	-25 / +25
Arkansas	-40 / +40
California	-50 / +50
Colorado	-25 / +25
Connecticut	-25 / +25
Delaware	-25 / +25
District of Columbia	-25 / +25
Florida	-25 / +25
Georgia	-50 / +40
Hawaii	not avail
Idaho	-50 / +50
Illinois	-50 / +50
Indiana	-50 / +50
Iowa	-25 / +25
Kansas	-25 / +25
Kentucky	-50 / +50
Louisiana	-25 / +25
Maine	-40 / +40
Maryland	-40 / +40
Massachusetts	-40 / +25
Michigan	-25 / +25
Minnesota	-50 / +50
Mississippi	-25 / +25
Missouri	-25 / +25

State	Maximum
Montana	-40 / +40
Nebraska	-25 / +25
Nevada	-50 / +50
New Hampshire	-40 / +40
New Jersey	-25 / +25
New Mexico	-50 / +50
New York	-15 / +15
North Carolina	-50 / +50
North Dakota	-25 / +25
Ohio	-25 / +25
Oklahoma	-25 / +25
Oregon	does not apply
Pennsylvania	-25 / +25
Puerto Rico	-25 / +25
Rhode Island	-40 / +40
South Carolina	-40 / +25
South Dakota	-25 / +25
Tennessee	-50 / +50
Texas	-40 / +25
Utah	-25 / +25
Vermont	-50 / +25
Virginia	-50 / +50
Washington	-25 / +25
West Virginia	-40 / +40
Wisconsin	-50 / +50
Wyoming	-50 / +50



STATE EXCEPTIONS

Travelers Casualty and Surety Company of America

Arkansas

Filing Number: 2008-01-0040

INCREASED LIMITS FACTORS is replaced by the following INCREASED LIMITS FACTORS

To get the premium for a limit, multiply factor times premium for the indicated limit. Minimum required liability limits is \$500,000 in Arkansas.

Limit	Factor		Indicated Limit
\$250,000	0.75	X	\$1,000,000
\$500,000	0.80	X	\$1,000,000
\$2,000,000	1.50	X	\$1,000,000
\$3,000,000	1.75	X	\$1,000,000
\$5,000,000	2.25	X	\$1,000,000
\$10,000,000	1.40	X	\$5,000,000
\$15,000,000	1.25	X	\$10,000,000
\$20,000,000	1.20	X	\$15,000,000
\$25,000,000	1.10	X	\$20,000,000
\$30,000,000	1.08	X	\$25,000,000
\$35,000,000	1.07	X	\$30,000,000
\$40,000,000	1.06	X	\$35,000,000
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\$50,000,000	1.04	X	\$45,000,000

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## Supporting Document Schedules

**Satisfied -Name:** Explanatory Memorandum **Review Status:** Accepted for Informational Purposes 03/19/2008

**Comments:**

**Attachments:**

AR 2008-01-0040Cover Letter 4.pdf  
NonProfit D&O Actuarial Memo.pdf  
Countrywide Rate Indication Exhibits.pdf

**Satisfied -Name:** NAIC **Review Status:** Accepted for Informational Purposes 03/19/2008

**Comments:**

**Attachments:**

2007 PC NAIC Transmittal (generic) (2).pdf  
AR Rate Header.pdf



One Tower Square, S202B  
Hartford, CT 06183

Michelle Smith Cotto  
Travelers Bond and Financial Products  
Phone: (860) 277-2345  
FAX: (866) 235-4951  
Email: msmithco@travelers.com

March 19, 2008

Honorable Mike Pickens  
Commissioner of Insurance  
Arkansas Insurance Dept  
1200 West Third Street  
Little Rock, AR 72201-1904

**2008-01-0040  
Other Liability- Nonprofit Directors & Officers Liability  
Rate & Rule Filing**

**TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA      3548-31194      06-0907370**

Dear Mr. Pickens:

In compliance with the insurance laws and regulations of your state, we submit an enhancement to our Nonprofit Directors and Officers Liability program, which was approved by your department on June 18, 1998 under company filing number 1998-3-MC-120a.

**Purpose**

In 1998, we introduced our Nonprofit Directors and Officers Liability rating plan. As with most new rating plans, the need to monitor and update the plan after implementation was expected. As such, we made a rate filing in 2006, which did not have a countrywide rate impact. This filing consists of replacing our currently approved rates with the attached rate plan. This filing reflects the results of analysis that determined that some of the current factors and rating elements require modification. We now have sufficient credible internal data to revise our rates to allow us to maintain profitability while improving our pricing accuracy. The new rate plan was designed using our actuarial data, underwriting knowledge, and marketplace intelligence. The key enhancements include revisions to the following factors and rating elements:

- Hazard Group definitions and associated base rates;
- Revisions to minimum retentions;
- Introduction of retention factors; and
- Introduction of a shared limit factor.

**Rate Impact**

The overall countrywide impact of the revised rate plan will be a decrease of 3%.

**Enclosures and Implementation**

The following are enclosed to facilitate your review:

- Actuarial Memorandum;
- Rate Indication Exhibits;
- Rate Plan, Countrywide Manual, State Exception Page; and
- Any applicable state filing forms and fees.

We propose to implement this filing with respect to all new and renewal businesses effective June 1, 2008. Should you have any questions, please feel free to call me at (860) 277-0754.

Sincerely,

**Travelers Bond  
Non Profit Management and Organizations D&O Liability Insurance  
Rating Plan – 2008 Enhancement  
Actuarial Memorandum**

**Rating Plan Impact**

This adjustment to the rating plan has an overall countrywide decrease of approximately 3%. This estimate is based on a large sample of individual Non Profit D&O Liability Insurance (hereafter referred to as Non Profit) policies rated at current and proposed rates. Individual policies will be impacted differently depending on the nature of their association and their chosen scope of coverage.

We introduced our Non Profit rating plan in 1998. As with most new rating plans, the need to monitor and update the plan after implementation was expected. A rate filing in 2006 had no countrywide rate impact. This current submission reflects the results of analysis that determined that some of the factors and rating elements require modification. Some modifications are a revision of Hazard Group definitions and associated base rates; revisions to minimum retentions; introduction of retention factors; introduction of a shared limit factor.

**Rating Plan Components**

Individual risk characteristics adjust the actual premium that the insured will pay for their Non Profit D&O coverage. This section discusses the issues and development of the individual risk components of the rating plan.

The base premium varies with the interaction of two factors: the Hazard Group for the insured (according to the risk characteristics of the Non Profit organization), and the organization's total assets. Each of these factors is an integral part of the rating plan. Consideration given to any one of these factors should be in the context of the change to the total premium as a result of varying that one factor while the other remains constant.

There is a base charge of \$1,042 for Low Hazard organizations with assets up to \$1,000,000, and a schedule of premiums that increase as the assets or the number of risk characteristics (and hence the Hazard Group) increase. Note the overall premium continues to increase as the assets grow, but the rate of increase gets smaller per additional unit. The overall impact of the base rate change is an increase of approximately 7.8%.

The three most pertinent modifiers to the rating plan include the Retention Factors, the Increased Limits Factors, and the Shared Limits Factor.

The amount of risk an insured is able to retain will have a direct effect on the losses payable under the policy. This Base Rates reflect a retention of \$1,000. If the insured desires a \$0 retention, they will pay more (1.021 for limits less than \$1M, 1.016 for limits from \$1M to \$2.5M, 1.010 for limits from \$2.5M to \$5M, and 1.009 for limits over \$5M). If the insured

desires a higher retention, they will pay less, with factors decreasing as the retention increases (for a \$10,000 retention: 0.890 for limits less than \$1M, 0.912 for limits from \$1M to \$2.5M, 0.951 for limits from \$2.5M to \$5M, and 0.965 for limits over \$5M.) The overall countrywide impact of the retention factor changes is a decrease of 6.6%.

The rating plan provides that the insured may purchase increased limits of loss. The Base Rate reflects a \$1,000,000 Limit and the Increased Limit Factors are applied to adjust to the desired limit. These factors are not changing.

The Shared Limit Option arises from the fact that this policy includes both D&O and EPL coverages. The Base Rates provide for separate limits of liability for each of these coverages. The insured may choose the Shared Limit Option which applies a factor of .96 to the rated premium. The overall countrywide impact of the shared limit factor change is a decrease of 3.6%.

## **Rate Indication**

The development of the rate indication is detailed in the attached Exhibits. The overall indication is -18.2% and is displayed in Exhibit 1.

The development of the expense factors, which are based on countrywide data, is displayed in Exhibit 2. A load for the unallocated loss adjustment expenses is also shown. Countrywide expense factors are appropriate because expenses do not vary considerably from state to state.

The development of the profit and contingency load, including a consideration for investment income, is detailed in Exhibit 3.

Loss development is determined in Exhibit 5. This exhibit includes countrywide loss and allocated loss adjustment expense experience and loss development. The loss development factors are selected based on this data.

Loss Trend is determined in Exhibit 6, and the complement of credibility used in determining the overall countrywide indication is determined in Exhibit 7.

Year	Earned Premium	Premium Adjustment Factor	Adjusted Earned Premium	Loss and ALAE	Loss and ALAE Trend	Loss Development Factor	Trended Ultimate Loss and Loss Expense	Adjusted Loss Ratio
2002	10,601,689	1.00	10,601,689	1,942,086	1.477	1.0252	2,940,715	27.7%
2003	14,920,383	1.00	14,920,383	1,460,592	1.396	1.0970	2,236,719	15.0%
2004	18,598,032	1.00	18,598,032	6,926,180	1.319	1.1848	10,827,154	58.2%
2005	27,472,086	1.00	27,472,086	6,717,490	1.247	1.7179	14,391,628	52.4%
2006	32,153,859	1.00	32,153,859	5,476,376	1.179	2.6971	17,410,455	54.1%
Total	103,746,049		103,746,049	22,522,724			47,806,670	46.1%

A. Projected loss Ratio	46.1%
B. Unallocated Loss Expense as a Percent of Loss and ALAE	1.6%
C. Countrywide Projected Loss Ratio with ULAE: $(1+B) \times A$	46.8%
D. Total Expense & Profit Ratio (From the attached Expense Exhibit)	26.4%
E. State Ultimate Claim Count ***	395
F. Credibility (credibility standard = 1082 claims) $(E/1082)^{.05}$	60.4%
G. Complement of Credibility	80.5%
H. Credibility Weighted Loss Ratio with ULAE $(C \times F + G \times (1-F))$	60.1%
I. Expected Loss Ratio (1-D)	73.6%
J. Indicated Rate Change $((H/I) - 1)$	-18.2%

**Expense and Profit Provisions**

A. Commissions	14.9%
B. General	2.2%
C. Other Acquisition	7.3%
D. Taxes, Licenses & Fees	2.3%
E. Profit and Contingencies	-0.2%
F. Total Expenses	26.4%

**Information Source:**

A-D: 3 Year Average from the Travelers Casualty and Surety Company of America Insurance Expense Exhibit.  
The IEE data is not specific to Nonprofit D&O and EPL, but is inclusive of all Other Liability data.

E. See the attached Investment Income exhibit

F. (A + B + C + D + E)

Investment Income Exhibit

1) Expenses and Profit Provision:	Nominal Value (NV)	Discount Factor (DFe)	Present Value (PV)
a) Commissions and Brokerage	14.9%	1.035	15.5%
b) Other Acquisition Expenses	7.3%	1.047	7.6%
c) General Expenses	2.2%	1.047	2.3%
d) Taxes, Licenses and Fees	2.3%	1.047	2.4%
<u>e) Unallocated Loss Adjustment Expenses</u>	<u>1.6%</u>	<u>0.963</u>	<u>1.5%</u>
f) Total Expenses { (1a) + (1b) + (1c) + (1d) + (1e) }	28.3%	1.036	29.3%
g) Target Pre-Tax Return on Premium (ROP) - based on 16% Target ROE	9.2%	1.000	9.2%
2) Premium Discount Factor (DFp) { (1.0 + pre-tax ROI)^(1-Prem. Receipt Lag/365.25 days) }			1.035
3) Loss Discount Factor (DFl) { (1.0 + pre-tax ROI)^(1 - Avg. Loss Payment Lag) }			0.904
4) Permissible Loss Ratio (PLR) { [(2) - PV(1f) - PV(1g)] / (3) }			72.0%
5) Expected Combined Ratio Under Indicated Rate Change { (4) + NV(1f) }			100.2%
6) Expected Pre-Tax ROP Under Indicated Rate Change { (2) - PV(1f) - (3) x (4) }			9.2%
<b>7) Underwriting Profit Provision Under Indicated Rate Change { 1.0 - (5) }</b>			<b>-0.2%</b>
8) Investment Income Ratio Under Indicated Rate Change { (6) - (7) }			9.4%
9) Expected ROE Under Indicated Rate Change { (1.0 - FIT) x (6) x P/S + ROC }			15.0%

Assumptions and Notes

1. a) through e) - Nominal Values are expense provisions selected for filing.
1. a) - Discount factor is Premium Discount Factor =  $(1 + \text{pre-tax ROI})^{(1 - \text{Prem Receipt Lag days} / 365.25 \text{ days})}$   
Assumes Commissions paid when premium collected
1. b) through d) - Discount factor is  $(1 + \text{pre-tax ROI})$ . Assumes Other Acq. General Exp/ and TLF paid at beginning of year
1. e) - Discount factor for ULAE is avg. of Loss Discount Factor and the discount factor for the avg. incurred date (mid year)  
Discount factor for ULAE is average of Loss Discount Factor and  $(1 + \text{pre-tax ROI})^{.5}$
1. f) Sum of 1. a) through e).
1. g) pre-tax ROP = after-tax ROP / (1 - Fed Income Tax rate).

The target pre-tax ROP was derived as follows:

$$\text{after-tax ROP} = \frac{\text{ROE} - \text{ROC}}{\text{P/S}} = 6.0\%$$

$$\text{pre-tax ROP} = \frac{\text{after-tax ROP}}{1 - \text{FIT}} = 9.2\%$$

Financial Assumptions:

Target ROE	=	15.00%
ROC (after-tax ROI)	=	3.02%
Federal Income Tax (FIT)	=	35.00%
pre-tax ROI	=	4.65%
Premium/Surplus (P/S)	=	2.00

2. Premium Discount Factor =  $(1 + \text{pre-tax ROI})^{(1 - \text{Prem Receipt Lag days} / 365.25 \text{ days})}$

3. Loss Discount Factor (DFI) =  $(1 + \text{pre-tax ROI})^{-(1 - \text{Avg. Loss Payment Lag})}$

Losses are assumed paid in the middle of the indicated year. All amounts are discounted to the end of the incurred year (thus the positive discount factors for amounts paid or received before the end of the year). The average loss payment lag is computed so that paying all losses at that point in time has the same discounted value as for the indicated loss payout pattern.

Timing Assumptions and Calculations:

Premium Receipt Lag: 87 days                      Premium Discount Factor: 1.035  
 Avg. Loss Payment Lag: 3.23 years                  Loss Discount Factor: 0.904

<u>Year</u>	<u>% Loss Paid</u>	<u>Discount Factor @ 4.7%</u>	<u>Discounted % Loss Paid</u>
1	6.4%	1.023	6.6%
2	21.8%	0.978	21.3%
3	24.0%	0.934	22.4%
4	16.0%	0.893	14.3%
5	10.9%	0.853	9.3%
6	10.2%	0.815	8.3%
7	8.0%	0.779	6.2%
8	2.1%	0.744	1.6%
9	0.0%	0.711	0.0%
<u>10</u>	<u>0.6%</u>	<u>0.680</u>	<u>0.4%</u>
Total	100%	0.904	90.4%

4. The formula for the Permissible Loss Ratio (PLR) was derived as follows:

$$\text{pre-tax ROP} = \{ \text{Premium} \times \text{DFp} - \text{Loss} \times \text{DFI} - \text{Expense} \times \text{DFe} \} / \text{Premium} \quad \{ \text{DF} = \text{discount factor} \}$$

$$\text{PLR} = \text{Loss} / \text{Premium} = \{ \text{DFp} - (\text{Expense} / \text{Premium}) \times \text{DFe} - \text{pre-tax ROP} \} / \text{DFI}$$

5) Expected Combined Ratio Under Indicated Rate Change =  $\{ \text{PLR} + \text{nominal value of expense} \}$

6) Expected Pre-Tax ROP Under Indicated Rate Change  
 =  $\{ \text{Premium} \times \text{DFp} - \text{loss} \times \text{DFI} - \text{Expense} \times \text{DFe} \} / \text{Premium}$                       { DF = discount factor }

7) Underwriting Profit Provision Under Indicated Rate Change { 1.0 - combined ratio }

8) Investment Income Ratio Under Indicated Rate Change  
 = Expect pre-tax ROP under indicated rate change - underwriting profit provision under indicated rate change

9) Expected ROE Under Indicated Rate Change {  $(1.0 - \text{FIT}) \times (6) \times \text{P/S} + \text{ROC}$  }  
 =  $(1 - \text{Fed. Income Tax rate}) \times (\text{pre-tax ROP} \times (\text{premium} / \text{Surplus}) + \text{after-tax ROI})$

## Travelers Bond

### Other Liability\*

	Selected	3 Yr Total		2002		2003		2004		2005		2006	
		(000's)	%	(000's)	%	(000's)	%	(000's)	%	(000's)	%	(000's)	%
Direct Written Premium		934,587		181,536		261,705		289,963		313,798		330,826	
Direct Earned Premium		897,387		155,077		228,230		277,119		299,143		321,125	
Direct Losses Incurred		519,564	57.9%	100,520	64.8%	147,313	64.5%	200,642	72.4%	175,154	58.6%	143,768	44.8%
Direct ALAE Incurred		23,759	2.6%	-7,565	-4.9%	9,396	4.1%	12,884	4.6%	4,079	1.4%	6,796	2.1%
Direct ULAE Incurred		8,681	1.6%	3,662	3.9%	3,347	2.1%	1,336	0.6%	3,430	1.9%	3,915	2.6%
Commission & Brokerage <sup>1</sup>	14.9%	139,546	14.9%	24,305	13.4%	34,656	13.2%	42,137	14.5%	47,126	15.0%	50,283	15.2%
T, L, & F <sup>1</sup>	2.3%	21,138	2.3%	4,066	2.2%	5,798	2.2%	6,573	2.3%	7,076	2.3%	7,489	2.3%
Other Acq <sup>1</sup>	7.3%	68,091	7.3%	11,014	6.1%	19,558	7.5%	23,638	8.2%	21,300	6.8%	23,153	7.0%
General	2.2%	19,700	2.2%	7,944	5.1%	3,145	1.4%	3,976	1.4%	5,801	1.9%	9,923	3.1%

\*The IEE data above is not specific to Nonprofit D&O and EPL, but is inclusive of all Other Liability. The selected percentages are representative of Nonprofit D&O and EPL.

<sup>1</sup>Expenses as a percentage of Direct Written Premium

**Loss Triangle**

## Incurred Loss &amp; ALAE

	Evaluation							
AY	6	18	30	42	54	66	78	Grand Total
2001	33,022	657,692	730,861	965,179	1,290,179	1,513,004	1,886,668	7,076,604
2002	56,351	1,124,377	1,664,373	1,918,854	1,942,086	1,942,086		8,648,128
2003	189,452	962,930	1,507,735	1,465,047	1,460,592			5,585,756
2004	155,823	2,231,669	3,835,977	6,926,180				13,149,649
2005	798,467	4,255,008	6,717,490					11,770,966
2006	306,041	5,476,376						5,782,417
Grand Total	1,539,156	14,708,051	14,456,437	11,275,259	4,692,857	3,455,091	1,886,668	52,013,519

## Incremental Development Factors

AY	6 to 18	18 to 30	30 to 42	42 to 54	54 to 66	66 to 78
2001	19.92	1.11	1.32	1.34	1.17	1.25
2002	19.95	1.48	1.15	1.01	1.00	
2003	5.08	1.57	0.97	1.00		
2004	14.32	1.72	1.81			
2005	5.33	1.58				
2006	17.89					

3 year Average	12.515	1.621	1.310	1.115	1.086	1.247		
5 Year Average	12.516	1.491	1.313	1.115	1.086	1.247		
5 year x hi/lo weighted	12.515	1.542	1.237	1.012				
	9.556	1.566	1.457	1.079	1.069	1.247		
selected	9.560	1.570	1.450	1.080	1.070	1.020	1.005	1.000
Cumulative	25.784	2.697	1.718	1.185	1.097	1.025	1.005	1.000

**Loss Trend Factors**

Due to the small size of the book of business subject to this filing, average trend calculations can be volatile. The selected average trend is based on an examination of the history of the Travelers Non Profit D&O book, knowledge of Travelers' liability line of business and the overall liability market, and on actuarial judgement.

(1) Year *	(2) Begin Eff Date	(3) avg Loss Date	(4) Proposed Eff Date	(5) Proposed eff date	(6) = (5)-(3) in years	(7) (1+A)^(6)
2002	1/1/2002	7/1/2002	6/1/2008	6/1/2009	6.917	1.477
2003	1/1/2003	7/1/2003	6/1/2008	6/1/2009	5.917	1.396
2004	1/1/2004	7/1/2004	6/1/2008	6/1/2009	4.917	1.319
2005	1/1/2005	7/1/2005	6/1/2008	6/1/2009	3.917	1.247
2006	1/1/2006	7/1/2006	6/1/2008	6/1/2009	2.917	1.179

A. 

Selected Annual Loss Trend	5.80%
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Calculation of Complement of Credibility

<b>A. Permissible loss ratio underlying current filed rates</b>	73.6%
<b>B. Trend</b>	
1. assumed effective date underlying current rates	10/26/2006
2. assumed effective date for prospective rates:	6/1/2008
3. trend period difference:	1.60
4. annual trend	5.8%
5. trend factor	1.09
= ( 1.0 + (B4) ) ^ (B3)	
<b>C. Trended permissible loss ratio underlying current base rates</b>	80.5%
= (A) × (B5)	



**Property & Casualty Transmittal Document—**

<b>20.</b>	<b>This filing transmittal is part of Company Tracking #</b>	<b>2008-01-0040</b>
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<b>21.</b>	<b>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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**2008-01-0040****Other Liability- Nonprofit Directors & Officers Liability  
Rate & Rule Filing**

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA          3548-31194    06-0907370

**Purpose**

In 1998, we introduced our Nonprofit Directors and Officers Liability rating plan. As with most new rating plans, the need to monitor and update the plan after implementation was expected. As such, we made a rate filing in 2006, which did not have a countrywide rate impact. This filing consists of replacing our currently approved rates with the attached rate plan. This filing reflects the results of analysis that determined that some of the current factors and rating elements require modification. We now have sufficient credible internal data to revise our rates to allow us to maintain profitability while improving our pricing accuracy. The new rate plan was designed using our actuarial data, underwriting knowledge, and marketplace intelligence. The key enhancements include revisions to the following factors and rating elements:

- Hazard Group definitions and associated base rates;
- Revisions to minimum retentions;
- Introduction of retention factors; and
- Introduction of a shared limit factor.

**Rate Impact**

The overall countrywide impact of the revised rate plan will be a decrease of 3%.

<b>22.</b>	<b>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]
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**Check #: EFT**  
**Amount: 100.00**

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

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

**RATE/RULE FILING SCHEDULE**

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)  
 (Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	2008-01-0040
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
<input type="checkbox"/> Rate Increase <input checked="" type="checkbox"/> Rate Decrease <input type="checkbox"/> Rate Neutral (0%)		

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	F&U
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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)
	Travelers Casualty and Surety Company of America	-16.39%	-2.38%	-16,684	231	699,893	4%	-19.55%

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

Overall Rate Information (Complete for Multiple Company Filings only)			
			<b>STATE USE</b>
5a.	Overall percentage rate indication (when applicable)		
5b.	Overall percentage rate impact for this filing	-2.38%	
5c.	Effect of Rate Filing – Written premium change for this program	-16,684	
5d.	Effect of Rate Filing - Number of policyholders affected	231	

6.	Overall percentage of last rate revision	0.00%
7.	Effective Date of last rate revision	10/11/2006
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	55848	X New Replacement Withdrawn	0
02	0	New Replacement Withdrawn	0
03	0	New Replacement Withdrawn	0
04	0	New Replacement Withdrawn	0
05	0	New Replacement Withdrawn	0