

SERFF Tracking Number: SMM-125501494 State: Arkansas  
First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
Company Tracking Number: SAC-WC-2008-129  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: Workers Compensation  
Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

## Filing at a Glance

Companies: Meridian Security Insurance Company, State Auto Property and Casualty Insurance Company, State Automobile Mutual Insurance Company

Product Name: Workers Compensation

TOI: 16.0 Workers Compensation

Sub-TOI: 16.0004 Standard WC

SERFF Tr Num: SMM-125501494 State: Arkansas

SERFF Status: Closed

Co Tr Num: SAC-WC-2008-129

State Tr Num: EFT \$100

State Status: Fees verified and received

Filing Type: Rate/Rule

Co Status:

Reviewer(s): Betty Montesi, Carol Stiffler, Brittany Yielding

Author: Bev Griffin

Date Submitted: 04/16/2008

Disposition Date: 04/17/2008

Disposition Status: Approved

Effective Date Requested (New): 07/26/2008

Effective Date Requested (Renewal): 07/26/2008

Effective Date (New): 07/26/2008

Effective Date (Renewal):

State Filing Description:

## General Information

Project Name: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security

Project Number: SAC-WC-2008-129

Reference Organization: NCCI

Reference Title:

Filing Status Changed: 04/17/2008

State Status Changed: 04/16/2008

Corresponding Filing Tracking Number: SAC-WC-2008-128

Filing Description:

SMM-125501494

STATE AUTO INSURANCE COS, OUR FILING ID # SAC-WC-2008-129

- State Automobile Mutual Insurance Co, NAIC #25135, FEIN #31-4316080

- State Auto Property & Casualty Ins Co, NAIC #25127, FEIN #57-6010814

- Meridian Security Insurance Company, NAIC #23353, FEIN #35-1135866

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number: AR-2007-13

Advisory Org. Circular: AR-2007-13

Deemer Date:

*SERFF Tracking Number:* SMM-125501494                      *State:* Arkansas  
*First Filing Company:* Meridian Security Insurance Company, ...                      *State Tracking Number:* EFT \$100  
*Company Tracking Number:* SAC-WC-2008-129  
*TOI:* 16.0 Workers Compensation                      *Sub-TOI:* 16.0004 Standard WC  
*Product Name:* Workers Compensation  
*Project Name/Number:* Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

## Workers Compensation

Revised Loss Costs, Loss Cost Multipliers, Rules and Forms

Introductory Filing for Meridian Security Ins. Co.

The State Auto Insurance Companies are members of the National Council on Compensation Insurance.

With this filing we wish to accomplish the following:

### 1. State Automobile Mutual Insurance Company

A. Adopt NCCI's January 1, 2008 Loss Costs with our loss cost multiplier of 1.673.

B. Increase our minimum premium multiplier from 185 to 226.

### 2. State Auto Property and Casualty Insurance Company

A. Adopt NCCI's January 1, 2008 Loss Costs with our loss cost multiplier of 1.422.

B. Increase our minimum premium multiplier from 185 to 226.

### 3. Meridian Security Insurance Company

We wish to begin writing workers compensation in Meridian Security Insurance Company in addition to writing in State Automobile Mutual Insurance Company and State Auto Property and Casualty Insurance Company.

A. Use NCCI's January 1, 2008 Loss Costs with our loss cost multiplier of 1.255.

SERFF Tracking Number: SMM-125501494 State: Arkansas  
 First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
 Company Tracking Number: SAC-WC-2008-129  
 TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
 Product Name: Workers Compensation  
 Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

B. Expense Constant of \$160.00.

C. Minimum premium ceiling and floor of \$1,000 and \$350 respectively.

D. Minimum premium multiplier of 226.

## Company and Contact

### Filing Contact Information

Griffin Beverly, Filing Coordinator II bev.griffin@stateauto.com  
 State Auto Insurance Companies (800) 695-9436 [Phone]  
 Columbus, OH 43215 (614) 719-0297[FAX]

### Filing Company Information

Meridian Security Insurance Company	CoCode: 23353	State of Domicile: Indiana
2955 North Meridian Street	Group Code: 175	Company Type: Property and Casualty
Indianapolis, IN 46208-4788	Group Name:	State ID Number:
(614) 464-5000 ext. [Phone]	FEIN Number: 35-1135866	
	-----	

State Auto Property and Casualty Insurance Company	CoCode: 25127	State of Domicile: Iowa
1300 Woodland Avenue	Group Code: 175	Company Type: Property and Casualty

P. O. Box 66150	Group Name:	State ID Number:
West Des Moines, IA 50265-0150	FEIN Number: 57-6010814	
(614) 464-5000 ext. [Phone]	-----	

State Automobile Mutual Insurance Company	CoCode: 25135	State of Domicile: Ohio
518 East Broad Street	Group Code: 175	Company Type: Property and Casualty

P. O. Box 182822	Group Name:	State ID Number:
Columbus, OH 43215	FEIN Number: 31-4316080	
(614) 464-5000 ext. [Phone]	-----	

SERFF Tracking Number: SMM-125501494 State: Arkansas  
First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
Company Tracking Number: SAC-WC-2008-129  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: Workers Compensation  
Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

## Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Meridian Security Insurance Company	\$0.00	04/16/2008	
State Auto Property and Casualty Insurance Company	\$0.00	04/16/2008	
State Automobile Mutual Insurance Company	\$100.00	04/16/2008	19613746

SERFF Tracking Number: SMM-125501494 State: Arkansas  
 First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
 Company Tracking Number: SAC-WC-2008-129  
 TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
 Product Name: Workers Compensation  
 Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Approved	Carol Stiffler	04/17/2008	04/17/2008

### Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending	Carol Stiffler	04/16/2008	04/16/2008	Bev Griffin	04/17/2008	04/17/2008
Industry Response						

SERFF Tracking Number: SMM-125501494 State: Arkansas  
 First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
 Company Tracking Number: SAC-WC-2008-129  
 TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
 Product Name: Workers Compensation  
 Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

## Disposition

Disposition Date: 04/17/2008  
 Effective Date (New): 07/26/2008  
 Effective Date (Renewal):  
 Status: Approved  
 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:
Meridian Security Insurance Company	0.000%	\$0	0	\$0	0.000%	0.000%	0.000%
State Auto Property and Casualty Insurance Company	2.000%	\$6,212	43	\$316,824	25.500%	-15.300%	6.200%
State Automobile Mutual Insurance Company	1.100%	\$19,200	477	\$1,790,242	26.100%	-15.700%	6.200%

### Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing 6.200%  
 Overall Percentage Rate Impact For This Filing 1.200%

SERFF Tracking Number: SMM-125501494 State: Arkansas  
First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
Company Tracking Number: SAC-WC-2008-129  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: Workers Compensation  
Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

**Effect of Rate Filing-Written Premium Change For This Program** \$25,412  
**Effect of Rate Filing - Number of Policyholders Affected** 520



SERFF Tracking Number: SMM-125501494 State: Arkansas  
 First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
 Company Tracking Number: SAC-WC-2008-129  
 TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
 Product Name: Workers Compensation  
 Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	Name: Exhibit I - Explanation of Development of the Pure Premium Multiplier	Approved	Yes
Supporting Document	Exhibit II - Explanation of Minimum Premium	Approved	Yes
Rate	WORKERS COMPENSATION AND EMPLOYERS LIABILITY EXCEPTION PAGES	Approved	Yes

SERFF Tracking Number: SMM-125501494 State: Arkansas  
First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
Company Tracking Number: SAC-WC-2008-129  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: Workers Compensation  
Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

## Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 04/16/2008

Submitted Date 04/16/2008

Respond By Date

Dear Griffin Beverly,

Objection 1

No Objections

Comment: On the General Information tab in the Reference Number field, you have AR-2007-13. We have no record of an Item Filing by that number. You may have used the Circular number instead of the Item Filing Number which is a unique number that is applied to one filing only. We cannot accept the circular number. We do not receive the circulars and circulars may apply to multiple Item Filings. The Item Filing # is shown in the body of the circular and I believe you are trying to adopt Item # AR-1007-10. Please confirm.

Please feel free to contact me if you have questions.

Sincerely,

Carol Stiffler

## Response Letter

Response Letter Status Submitted to State

Response Letter Date 04/17/2008

Submitted Date 04/17/2008

Dear Carol Stiffler,

### Comments:

#### Response 1

Comments: We are in receipt of your 04/16/08 objection letter. Below is our response to your concerns:

On the General Information tab in the Reference Number field, you have AR-2007-13. We have no record of an Item Filing by that number. You may have used the Circular number instead of the Item Filing Number which is a unique number that is applied to one filing only. We cannot accept the circular number. We do not receive the circulars and circulars may apply to multiple Item Filings. The Item Filing # is shown in the body of the circular and I believe you are

SERFF Tracking Number: SMM-125501494 State: Arkansas  
First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
Company Tracking Number: SAC-WC-2008-129  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: Workers Compensation  
Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129  
trying to adopt Item # AR-1007-10. Please confirm.

RESPONSE: We are trying to adopt item # AR-2007-10, which is what I believe you meant when you stated AR-1007-10. We apologize for any inconvenience our error has caused the department.

#### **Related Objection 1**

Comment:

On the General Information tab in the Reference Number field, you have AR-2007-13. We have no record of an Item Filing by that number. You may have used the Circular number instead of the Item Filing Number which is a unique number that is applied to one filing only. We cannot accept the circular number. We do not receive the circulars and circulars may apply to multiple Item Filings. The Item Filing # is shown in the body of the circular and I believe you are trying to adopt Item # AR-1007-10. Please confirm.

#### **Changed Items:**

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,  
Bev Griffin

SERFF Tracking Number: SMM-125501494 State: Arkansas  
 First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
 Company Tracking Number: SAC-WC-2008-129  
 TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
 Product Name: Workers Compensation  
 Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

## Rate Information

Rate data applies to filing.

**Filing Method:** Prior Approval  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** -2.200%  
**Effective Date of Last Rate Revision:** 07/01/2007  
**Filing Method of Last Filing:** Prior Approval

## Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
Meridian Security Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%
State Auto Property and Casualty Insurance Company	6.200%	2.000%	\$6,212	43	\$316,824	25.500%	-15.300%
State Automobile Mutual Insurance Company	6.200%	1.100%	\$19,200	477	\$1,790,242	26.100%	-15.700%

## Overall Rate Information for Multiple Company Filings

SERFF Tracking Number: SMM-125501494 State: Arkansas  
First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
Company Tracking Number: SAC-WC-2008-129  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: Workers Compensation  
Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

**Overall % Rate Indicated:** 6.200%  
**Overall Percentage Rate Impact For This Filing:** 1.200%  
**Effect of Rate Filing - Written Premium Change For This Program:** \$25,412  
**Effect of Rate Filing - Number of Policyholders Affected:** 520



SERFF Tracking Number: SMM-125501494 State: Arkansas  
 First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
 Company Tracking Number: SAC-WC-2008-129  
 TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
 Product Name: Workers Compensation  
 Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Approved	WORKERS COMPENSATION AND EMPLOYERS LIABILITY EXCEPTION PAGES	WC-1 thru WC-6	Replacement	AR-PC-07-023864 SA 2008 AR WCP Manual.pdf side-by-side comparison.pdf

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**STATE RULE EXCEPTIONS**

**Rule 3 – Rating Definitions and Application of Premium Elements**

**A. Explanation and Application**

**14. Limits of Liability**

**b. Increased Limits of Liability**

**Table for Increased Limits**

<b>Limits of Liability (000 omitted)</b>	<b>Percentage</b>	<b>Minimum Premium For Increased Limits</b>
\$ 500/500/500	1.7%	\$ 100.00
\$ 500/500/1,000	2.3%	\$ 100.00
1,000/1,000/1,000	2.8	150.00

**22. Waiver of Right to Recover From Others (Subrogation)**

The additional premium charge for a waiver of subrogation is 5% of the premium developed in conjunction with the work for which the waiver of subrogation is provided, subject to a \$250 minimum annual charge per affected policy. Use endorsement **WC 00 03 13**.



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

**ARKANSAS WORKERS COMPENSATION PREMIUM ALGORITHM**

The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.

<b>PREMIUM ELEMENTS</b>		<b>EXPLANATORY NOTES</b>
<b>MANUAL PREMIUM</b>		[PAYROLL/100) * RATE]
+	Supplementary Disease (foundry, abrasive, sandblasting)	[SUBJECT PAYROLL/100) * DISEASE RATE]
+	USL&H Exposure for non-F classification codes	[SUBJECT PAYROLL/100) * (RATE * USL&H FACTOR)]
<b>TOTAL MANUAL PREMIUM</b>		
+	Waiver of Subrogation factor	[% applied to the portion of Total Manual Premium where waiver is applicable]
+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
+	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applied]
+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
<b>SUBJECT PREMIUM</b>		
X	Alcohol and Drug Free Workplace factor (1 – ADFW credit %)	
X	Managed Care factor (1 – M/C credit %)	
<b>TOTAL SUBJECT PREMIUM</b>		
X	Association Factor	
X	Experience Modification (Exp Mod)	
<b>TOTAL MODIFIED PREMIUM</b>		
X	Schedule Rating factor (1 – SR credit % or (1 – SR debit %	
X	Small Deductible factor (1 – Deductible credit %)	
-	Large Deductible Credit	
+	Supplemental Disease Exposure (Asbestos, NOC) †	
+	Atomic Energy Radiation Exposure NOC†	
+	Charge for nonratable catastrophe loading†	
+	Aircraft Seat Surcharge	
+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits]
+	Balance to Minimum Premium (Admiralty, FELA)	
<b>TOTAL STANDARD PREMIUM‡</b>		
-	Premium Discount§	[% applied to Standard Premium]
+	Coal Mine Disease Charge	[Underground, surface, surface auger]
+	Expense Constant	
+	Terrorism	[(PAYROLL / 100)* TERRORISM RATE]
+	Domestic Terrorism, Earthquakes and Catastrophic Industrial Accident (DTEC)	[(PAYROLL / 100)* DTEC RATE]
<b>ESTIMATED ANNUAL PREMIUM</b>		

† Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

‡ Statistical calls for ratemaking data contain a different definition of “Standard Premium.” Refer to the **Reporting Guidebook for the Annual Calls for Experience**.

§ For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply. NOC = Not Otherwise Classified.

**Note:** For short rate cancellations, short rate percentage/short rate penalty premium factor is subject to experience rating, included in Total Subject Premium, and applied prior to Experience Modification.



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**MISCELLANEOUS VALUES**

Expense Constant applicable in accordance with Basic Manual Rule VI-E-2 \$160.00

Loss Costs Multipliers	Standard Tier (State Auto Mutual Insurance Company)	1.673
	Preferred Tier (State Auto Property and Casualty Insurance Company)	1.422
	Advantage Tier (Meridian Security Insurance Company)	1.255

The above Loss Costs Multipliers applies to NCCI pages effective January, 1, 2008

Minimum Premium Multipliers and Limits	Minimum Premium Multiplier	226
	Minimum – Minimum Premium	\$350.00
	Maximum – Minimum Premium	\$1,000.00

Minimum Premium Formula    **Non Per Capita Classes:**  
(Rate/\$100 X Minimum Premium Multiplier)+Expense Constant

**Per Capita Classes:**  
Rate + Expense Constant

Premium Discount Percentages – (See Basic Manual Rule VII-D). Use discounts shown in Table 7 of Appendix A.

Waiver of Premium. Waive return premium of \$15.00 or less, unless specifically requested by the insured.



**STATE AUTO INSURANCE COMPANIES**

**WC-3**

**EFFECTIVE JULY 2008**

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**MISCELLANEOUS RULES-DEDUCTIBLE INSURANCE**

The following is added to this section:

**LARGE DEDUCTIBLE INSURANCE****I. Background**

The Large Deductible program provides increased flexibility for larger policyholders who wish to achieve a tailored balance between a fully insured program and pure self insurance which also meet their needs and financial capabilities.

**II. Coverage**

Coverage would be provided by the standard Workers Compensation and Employers Liability policy, subject to Deductible Endorsement SW 99 01 06

The endorsement does not relieve us of our obligation to provide benefits. It requires the insured to reimburse us for deductible amounts we pay and replaces the obligation to defend with an agreement that the policyholder contract for claims adjusting services with a claims service provider.

**III. Eligibility**

1. Minimum all states Workers Compensation standard premium is \$250,000
2. All employers must meet acceptable financial requirements which will be reviewed annually.
3. Employers shall maintain collateral, in the form of an irrevocable financial guarantee in an amount and form acceptable to us which must consist of one or more of the following:
  - (a) Cash;
  - (b) Securities designated by the Securities Valuation Office of the National Association of Insurance Commissioners as Class 1 or Class 2.
  - (c) An irrevocable letter of credit from a state or federally chartered banking institution that is insured by the Federal Deposit Insurance Corporation, which said banking institution may not have any affiliation or common ownership with the employer risk; or
  - (d) Certificates of Deposit issued by banking institutions as delimited above, which said certificates must either be issued in the name of the carrier or be properly endorsed and assigned to the carrier.

**IV. Deductible Amounts and Application**

The minimum deductible amount is \$50,000 with higher amounts permitted.

The deductible amount applies to both Part One (Workers Compensation) and Part Two (Employers Liability).

The deductible amount applies per accident with respect to bodily injury caused by an accident and per person with respect to bodily injury by disease.

The deductible amount applies on a combined basis to medical, indemnity and allocated claim expense, regardless of any characteristics of the claim.



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**V. Aggregate Limit**

An aggregate is available to limit the deductible amount assumed by the insured.

**VI. Rates**

Rates are determined on an individual risk basis with provisions for insurer expenses and the cost for losses not assumed by the insured.

**VII. Rating Formula**

The deductible premium (DP) equals:  $DP = [(EEL + AIC + FE) / (1 - VER)]$ , where:

**A. EEL = Expected Excess Losses**

1. Standard Premium
2. Expected Loss & ALAE Ratio
3. Expected Loss & ALAE (A1 x A2)
4. ELPPF (Excess Loss & ALAE Pure Premium Factor) for Deductible
5. Expected Excess Loss & ALAE (A3 x A4)

**B. AIC = Aggregate Insurance Charge**

1. Aggregate Limit
2. Expected Deductible Loss & ALAE (A3 - A5)
3. State Hazard Group Differential
4. Loss Group Adjustment Factor  $[1 + (0.8 \times A4)] / (1 - A4)$
5. Adjusted Expected Loss & ALAE (A3 x B3 x B4)
6. Table M Expected Loss Group for B5
7. Table M Entry Ratio (B1 / B2)
8. Table M Charge for B6 and B7
9. Aggregate Insurance Charge (B2 x B8)

**C. FE = Fixed Expenses**

1. Expected Excess Loss & ALAE plus Aggregate Insurance Charge (A5 + B9)
2. Non-Reimbursed ULAE (C1 x ULAE ratio)
3. Company Fixed Expenses
4. Fixed Taxes and Assessments
5. Total Fixed Expenses (C2 + C3 + C4)



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**D. VER = Variable Expense Ratio**

1. Variable Taxes and Assessments Ratio
2. Assigned Risk Burden Ratio
3. Company Variable Expense Ratio
4. Variable Expense Ratio (D1 + D2 + D3)

The factors used in this rating formula already contemplate premium discount where applicable.

**VIII. Definition of Terms in Rating Formula**

**A. Expected Excess Loss & ALAE** - Charge in the deductible premium to cover losses excess of the deductible limit.

A2) Expected Loss & ALAE Ratio - The Company's full coverage (subject to and not subject to the deductible) loss and ALAE forecast for the individual risk. Actual historical losses for the individual risk are modified by loss development; trend and on-level benefit factors and adjusted for changes in exposure to develop expected losses. Expected loss & ALAE divided by standard premium equals the Expected Loss & ALAE Ratio.

A4) ELPPF for Deductible - The filed retrospective rating excess loss and ALAE pure premium factor. In states that file excess loss and ALAE factors, this factor is divided by the filed retrospective rating expected loss ratio to obtain the ELPPF.

**B. Aggregate Insurance Charge** - Charge in the deductible premium to cover the amount of loss and ALAE expected to exceed the established aggregate limit. Computed using the most recently approved Table M.

**C. Fixed Expense Charge** - Charge in the deductible premium to cover expenses that are not a function of the final deductible premium.

C3) Company Fixed Expenses - Includes general expenses (e.g. branch expense, audit expense, loss control expense, etc.) that vary by full coverage premium size. Additional Loss Control expenses can be added to reflect the actual cost of providing the services (industrial hygiene, occupational health, ergonomics, etc.) requested by the insured.

C4) Fixed Taxes and Assessments - Includes taxes and assigned risk burdens in states that do not allow reductions for deductible credits. Also includes loss based assessments that are built into the deductible premium.

**D. Variable Expense Ratio** - Expenses that are a function of the final deductible premium.

D1) Variable Taxes and Assessment Ratio – Includes taxes and assessments in states that allow reductions for deductible credits.

D2) Assigned Risk Burden Ratio – Covers the cost of state assigned risk burdens.

D3) Company Variable Expenses - These include commission, other acquisition, and profit.



# Text Comparison

## Documents Compared

SA 2007 AR WCP Manual.pdf - Adobe Acrobat Professional

SA 2008 AR WCP Manual.pdf

## Summary

36 word(s) added

15 word(s) deleted

1763 word(s) matched

11 block(s) matched

To see where the changes are, scroll down.

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**STATE RULE EXCEPTIONS**

**Rule 3 – Rating Definitions and Application of Premium Elements**

**A. Explanation and Application**

**14. Limits of Liability**

**b. Increased Limits of Liability**

**Table for Increased Limits**

<b>Limits of Liability (000 omitted)</b>	<b>Percentage</b>	<b>Minimum Premium For Increased Limits</b>
\$ 500/500/500	1.7%	\$ 100.00
\$ 500/500/1,000	2.3%	\$ 100.00
1,000/1,000/1,000	2.8	150.00

**22. Waiver of Right to Recover From Others (Subrogation)**

The additional premium charge for a waiver of subrogation is 5% of the premium developed in conjunction with the work for which the waiver of subrogation is provided, subject to a \$250 minimum annual charge per affected policy. Use endorsement **WC 00 03 13**.



**STATE AUTO INSURANCE COMPANIES**

**WC-1**

**EFFECTIVE JULY 2007**

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**STATE RULE EXCEPTIONS**

**Rule 3 – Rating Definitions and Application of Premium Elements**

**A. Explanation and Application**

**14. Limits of Liability**

**b. Increased Limits of Liability**

**Table for Increased Limits**

<b>Limits of Liability (000 omitted)</b>	<b>Percentage</b>	<b>Minimum Premium For Increased Limits</b>
\$ 500/500/500	1.7%	\$ 100.00
\$ 500/500/1,000	2.3%	\$ 100.00
1,000/1,000/1,000	2.8	150.00

**22. Waiver of Right to Recover From Others (Subrogation)**

The additional premium charge for a waiver of subrogation is 5% of the premium developed in conjunction with the work for which the waiver of subrogation is provided, subject to a \$250 minimum annual charge per affected policy. Use endorsement **WC 00 03 13**.



**STATE AUTO INSURANCE COMPANIES**

**WC-1**

**EFFECTIVE JULY 2008**

## WORKERS COMPENSATION AND EMPLOYERS LIABILITY EXCEPTION PAGE

### ARKANSAS WORKERS COMPENSATION PREMIUM ALGORITHM

The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.

PREMIUM ELEMENTS		EXPLANATORY NOTES
<b>MANUAL PREMIUM</b>		[PAYROLL/100) * RATE]
+	Supplementary Disease (foundry, abrasive, sandblasting)	[SUBJECT PAYROLL/100) * DISEASE RATE]
+	USL&H Exposure for non-F classification codes	[SUBJECT PAYROLL/100) * (RATE * USL&H FACTOR)]
<b>TOTAL MANUAL PREMIUM</b>		
+	Waiver of Subrogation factor	[% applied to the portion of Total Manual Premium where waiver is applicable]
+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
+	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applied]
+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
<b>SUBJECT PREMIUM</b>		
X	Alcohol and Drug Free Workplace factor (1 – ADFW credit %)	
X	Managed Care factor (1 – M/C credit %)	
<b>TOTAL SUBJECT PREMIUM</b>		
X	Association Factor	
X	Experience Modification (Exp Mod)	
<b>TOTAL MODIFIED PREMIUM</b>		
X	Schedule Rating factor (1 – SR credit % or (1 – SR debit %	
X	Small Deductible factor (1 – Deductible credit %)	
-	Large Deductible Credit	
+	Supplemental Disease Exposure (Asbestos, NOC) †	
+	Atomic Energy Radiation Exposure NOC†	
+	Charge for nonratable catastrophe loading†	
+	Aircraft Seat Surcharge	
+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits]
+	Balance to Minimum Premium (Admiralty, FELA)	
<b>TOTAL STANDARD PREMIUM‡</b>		
-	Premium Discount§	[% applied to Standard Premium]
+	Coal Mine Disease Charge	[Underground, surface, surface auger]
+	Expense Constant	
+	<del>Foreign</del> Terrorism	[(PAYROLL / 100)* TERRORISM RATE]
+	Domestic Terrorism, Earthquakes and Catastrophic Industrial Accident (DTEC)	[(PAYROLL / 100)* DTEC RATE]
<b>ESTIMATED ANNUAL PREMIUM</b>		

† Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

‡ Statistical calls for ratemaking data contain a different definition of "Standard Premium." Refer to the **Reporting Guidebook for the Annual Calls for Experience**.

§ For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply. NOC = Not Otherwise Classified.

**Note:** For short rate cancellations, short rate percentage/short rate penalty premium factor is subject to experience rating, included in Total Subject Premium, and applied prior to Experience Modification.



STATE AUTO INSURANCE COMPANIES

WC-2

EFFECTIVE JULY 2007

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

**ARKANSAS WORKERS COMPENSATION PREMIUM ALGORITHM**

The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.

<b>PREMIUM ELEMENTS</b>		<b>EXPLANATORY NOTES</b>
	<b>MANUAL PREMIUM</b>	[PAYROLL/100) * RATE]
+	Supplementary Disease (foundry, abrasive, sandblasting)	[SUBJECT PAYROLL/100) * DISEASE RATE]
+	USL&H Exposure for non-F classification codes	[SUBJECT PAYROLL/100) * (RATE * USL&H FACTOR)]
	<b>TOTAL MANUAL PREMIUM</b>	
+	Waiver of Subrogation factor	[% applied to the portion of Total Manual Premium where waiver is applicable]
+	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
+	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
+	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applied]
+	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
	<b>SUBJECT PREMIUM</b>	
X	Alcohol and Drug Free Workplace factor (1 – ADFW credit %)	
X	Managed Care factor (1 – M/C credit %)	
	<b>TOTAL SUBJECT PREMIUM</b>	
X	Association Factor	
X	Experience Modification (Exp Mod)	
	<b>TOTAL MODIFIED PREMIUM</b>	
X	Schedule Rating factor (1 – SR credit % or (1 – SR debit %	
X	Small Deductible factor (1 – Deductible credit %)	
-	Large Deductible Credit	
+	Supplemental Disease Exposure (Asbestos, NOC) †	
+	Atomic Energy Radiation Exposure NOC†	
+	Charge for nonratable catastrophe loading†	
+	Aircraft Seat Surcharge	
+	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits]
+	Balance to Minimum Premium (Admiralty, FELA)	
	<b>TOTAL STANDARD PREMIUM‡</b>	
-	Premium Discount§	[% applied to Standard Premium]
+	Coal Mine Disease Charge	[Underground, surface, surface auger]
+	Expense Constant	
+	Terrorism	[(PAYROLL / 100)* TERRORISM RATE]
+	Domestic Terrorism, Earthquakes and Catastrophic Industrial Accident (DTEC)	[(PAYROLL / 100)* DTEC RATE]
	<b>ESTIMATED ANNUAL PREMIUM</b>	

† Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

‡ Statistical calls for ratemaking data contain a different definition of "Standard Premium." Refer to the **Reporting Guidebook for the Annual Calls for Experience**.

§ For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply. NOC = Not Otherwise Classified.

**Note:** For short rate cancellations, short rate percentage/short rate penalty premium factor is subject to experience rating, included in Total Subject Premium, and applied prior to Experience Modification.



**STATE AUTO INSURANCE COMPANIES**

**WC-2**

**EFFECTIVE JULY 2008**

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**MISCELLANEOUS VALUES**

Expense Constant applicable in accordance with Basic Manual Rule VI-E-2 \$160.00

Loss Costs Multipliers	Standard Tier	<del>4.624</del>
	<del>Preferred Tier</del>	<del>4.378</del>

The above Loss Costs Multipliers applies to NCCI pages effective ~~July, 1, 2005~~

Minimum Premium Multipliers and Limits	Minimum Premium Multiplier	<del>485</del>
	Minimum – Minimum Premium	\$350.00
	Maximum – Minimum Premium	\$1,000.00

Minimum Premium Formula     **Non Per Capita Classes:**  
(Rate/\$100 X Minimum Premium Multiplier)+Expense Constant

**Per Capita Classes:**  
Rate + Expense Constant

Premium Discount Percentages – (See Basic Manual Rule VII-D). Use discounts shown in Table 7 of Appendix A.

Waiver of Premium. Waive return premium of \$15.00 or less, unless specifically requested by the insured.



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**MISCELLANEOUS VALUES**

Expense Constant applicable in accordance with Basic Manual Rule VI-E-2 \$160.00

Loss Costs Multipliers	Standard Tier ( <a href="#">State Auto Mutual Insurance Company</a> )	<u>1.673</u>
	Preferred Tier ( <a href="#">State Auto Property and Casualty Insurance Company</a> )	<u>1.422</u>
	Advantage Tier ( <a href="#">Meridian Security Insurance Company</a> )	<u>1.255</u>

The above Loss Costs Multipliers applies to NCCI pages effective January 1, 2008

Minimum Premium Multipliers and Limits	Minimum Premium Multiplier	<u>226</u>
	Minimum – Minimum Premium	\$350.00
	Maximum – Minimum Premium	\$1,000.00

Minimum Premium Formula    **Non Per Capita Classes:**  
(Rate/\$100 X Minimum Premium Multiplier)+Expense Constant

**Per Capita Classes:**  
Rate + Expense Constant

Premium Discount Percentages – (See Basic Manual Rule VII-D). Use discounts shown in Table 7 of Appendix A.

Waiver of Premium. Waive return premium of \$15.00 or less, unless specifically requested by the insured.



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**MISCELLANEOUS RULES-DEDUCTIBLE INSURANCE**

The following is added to this section:

**LARGE DEDUCTIBLE INSURANCE**

**I. Background**

The Large Deductible program provides increased flexibility for larger policyholders who wish to achieve a tailored balance between a fully insured program and pure self insurance which also meet their needs and financial capabilities.

**II. Coverage**

Coverage would be provided by the standard Workers Compensation and Employers Liability policy, subject to Deductible Endorsement SW 99 01 06

The endorsement does not relieve us of our obligation to provide benefits. It requires the insured to reimburse us for deductible amounts we pay and replaces the obligation to defend with an agreement that the policyholder contract for claims adjusting services with a claims service provider.

**III. Eligibility**

1. Minimum all states Workers Compensation standard premium is \$250,000
2. All employers must meet acceptable financial requirements which will be reviewed annually.
3. Employers shall maintain collateral, in the form of an irrevocable financial guarantee in an amount and form acceptable to us which must consist of one or more of the following:
  - (a) Cash;
  - (b) Securities designated by the Securities Valuation Office of the National Association of Insurance Commissioners as Class 1 or Class 2.
  - (c) An irrevocable letter of credit from a state or federally chartered banking institution that is insured by the Federal Deposit Insurance Corporation, which said banking institution may not have any affiliation or common ownership with the employer risk; or
  - (d) Certificates of Deposit issued by banking institutions as delimited above, which said certificates must either be issued in the name of the carrier or be properly endorsed and assigned to the carrier.

**IV. Deductible Amounts and Application**

The minimum deductible amount is \$50,000 with higher amounts permitted.

The deductible amount applies to both Part One (Workers Compensation) and Part Two (Employers Liability).

The deductible amount applies per accident with respect to bodily injury caused by an accident and per person with respect to bodily injury by disease.

The deductible amount applies on a combined basis to medical, indemnity and allocated claim expense, regardless of any characteristics of the claim.



**STATE AUTO INSURANCE COMPANIES**

**WC-4**

**EFFECTIVE JULY 2007**

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**MISCELLANEOUS RULES-DEDUCTIBLE INSURANCE**

The following is added to this section:

**LARGE DEDUCTIBLE INSURANCE**

**I. Background**

The Large Deductible program provides increased flexibility for larger policyholders who wish to achieve a tailored balance between a fully insured program and pure self insurance which also meet their needs and financial capabilities.

**II. Coverage**

Coverage would be provided by the standard Workers Compensation and Employers Liability policy, subject to Deductible Endorsement SW 99 01 06

The endorsement does not relieve us of our obligation to provide benefits. It requires the insured to reimburse us for deductible amounts we pay and replaces the obligation to defend with an agreement that the policyholder contract for claims adjusting services with a claims service provider.

**III. Eligibility**

1. Minimum all states Workers Compensation standard premium is \$250,000
2. All employers must meet acceptable financial requirements which will be reviewed annually.
3. Employers shall maintain collateral, in the form of an irrevocable financial guarantee in an amount and form acceptable to us which must consist of one or more of the following:
  - (a) Cash;
  - (b) Securities designated by the Securities Valuation Office of the National Association of Insurance Commissioners as Class 1 or Class 2.
  - (c) An irrevocable letter of credit from a state or federally chartered banking institution that is insured by the Federal Deposit Insurance Corporation, which said banking institution may not have any affiliation or common ownership with the employer risk; or
  - (d) Certificates of Deposit issued by banking institutions as delimited above, which said certificates must either be issued in the name of the carrier or be properly endorsed and assigned to the carrier.

**IV. Deductible Amounts and Application**

The minimum deductible amount is \$50,000 with higher amounts permitted.

The deductible amount applies to both Part One (Workers Compensation) and Part Two (Employers Liability).

The deductible amount applies per accident with respect to bodily injury caused by an accident and per person with respect to bodily injury by disease.

The deductible amount applies on a combined basis to medical, indemnity and allocated claim expense, regardless of any characteristics of the claim.



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**V. Aggregate Limit**

An aggregate is available to limit the deductible amount assumed by the insured.

**VI. Rates**

Rates are determined on an individual risk basis with provisions for insurer expenses and the cost for losses not assumed by the insured.

**VII. Rating Formula**

The deductible premium (DP) equals:  $DP = [(EEL + AIC + FE) / (1 - VER)]$ , where:

**A. EEL = Expected Excess Losses**

1. Standard Premium
2. Expected Loss & ALAE Ratio
3. Expected Loss & ALAE (A1 x A2)
4. ELPPF (Excess Loss & ALAE Pure Premium Factor) for Deductible
5. Expected Excess Loss & ALAE (A3 x A4)

**B. AIC = Aggregate Insurance Charge**

1. Aggregate Limit
2. Expected Deductible Loss & ALAE (A3 - A5)
3. State Hazard Group Differential
4. Loss Group Adjustment Factor  $[1 + (0.8 \times A4)] / (1 - A4)$
5. Adjusted Expected Loss & ALAE (A3 x B3 x B4)
6. Table M Expected Loss Group for B5
7. Table M Entry Ratio (B1 / B2)
8. Table M Charge for B6 and B7
9. Aggregate Insurance Charge (B2 x B8)

**C. FE = Fixed Expenses**

1. Expected Excess Loss & ALAE plus Aggregate Insurance Charge (A5 + B9)
2. Non-Reimbursed ULAE (C1 x ULAE ratio)
3. Company Fixed Expenses
4. Fixed Taxes and Assessments
5. Total Fixed Expenses (C2 + C3 + C4)



**STATE AUTO INSURANCE COMPANIES**

**WC-5**

**EFFECTIVE JULY 2007**

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**V. Aggregate Limit**

An aggregate is available to limit the deductible amount assumed by the insured.

**VI. Rates**

Rates are determined on an individual risk basis with provisions for insurer expenses and the cost for losses not assumed by the insured.

**VII. Rating Formula**

The deductible premium (DP) equals:  $DP = [(EEL + AIC + FE) / (1 - VER)]$ , where:

**A. EEL = Expected Excess Losses**

1. Standard Premium
2. Expected Loss & ALAE Ratio
3. Expected Loss & ALAE (A1 x A2)
4. ELPPF (Excess Loss & ALAE Pure Premium Factor) for Deductible
5. Expected Excess Loss & ALAE (A3 x A4)

**B. AIC = Aggregate Insurance Charge**

1. Aggregate Limit
2. Expected Deductible Loss & ALAE (A3 - A5)
3. State Hazard Group Differential
4. Loss Group Adjustment Factor  $[1 + (0.8 \times A4)] / (1 - A4)$
5. Adjusted Expected Loss & ALAE (A3 x B3 x B4)
6. Table M Expected Loss Group for B5
7. Table M Entry Ratio (B1 / B2)
8. Table M Charge for B6 and B7
9. Aggregate Insurance Charge (B2 x B8)

**C. FE = Fixed Expenses**

1. Expected Excess Loss & ALAE plus Aggregate Insurance Charge (A5 + B9)
2. Non-Reimbursed ULAE (C1 x ULAE ratio)
3. Company Fixed Expenses
4. Fixed Taxes and Assessments
5. Total Fixed Expenses (C2 + C3 + C4)



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**D. VER = Variable Expense Ratio**

1. Variable Taxes and Assessments Ratio
2. Assigned Risk Burden Ratio
3. Company Variable Expense Ratio
4. Variable Expense Ratio (D1 + D2 + D3)

The factors used in this rating formula already contemplate premium discount where applicable.

**VIII. Definition of Terms in Rating Formula**

**A. Expected Excess Loss & ALAE** - Charge in the deductible premium to cover losses excess of the deductible limit.

A2) Expected Loss & ALAE Ratio - The Company's full coverage (subject to and not subject to the deductible) loss and ALAE forecast for the individual risk. Actual historical losses for the individual risk are modified by loss development; trend and on-level benefit factors and adjusted for changes in exposure to develop expected losses. Expected loss & ALAE divided by standard premium equals the Expected Loss & ALAE Ratio.

A4) ELPPF for Deductible - The filed retrospective rating excess loss and ALAE pure premium factor. In states that file excess loss and ALAE factors, this factor is divided by the filed retrospective rating expected loss ratio to obtain the ELPPF.

**B. Aggregate Insurance Charge** - Charge in the deductible premium to cover the amount of loss and ALAE expected to exceed the established aggregate limit. Computed using the most recently approved Table M.

**C. Fixed Expense Charge** - Charge in the deductible premium to cover expenses that are not a function of the final deductible premium.

C3) Company Fixed Expenses - Includes general expenses (e.g. branch expense, audit expense, loss control expense, etc.) that vary by full coverage premium size. Additional Loss Control expenses can be added to reflect the actual cost of providing the services (industrial hygiene, occupational health, ergonomics, etc.) requested by the insured.

C4) Fixed Taxes and Assessments - Includes taxes and assigned risk burdens in states that do not allow reductions for deductible credits. Also includes loss based assessments that are built into the deductible premium.

**D. Variable Expense Ratio** - Expenses that are a function of the final deductible premium.

D1) Variable Taxes and Assessment Ratio – Includes taxes and assessments in states that allow reductions for deductible credits.

D2) Assigned Risk Burden Ratio – Covers the cost of state assigned risk burdens.

D3) Company Variable Expenses - These include commission, other acquisition, and profit.



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY  
EXCEPTION PAGE**

---

**D. VER = Variable Expense Ratio**

1. Variable Taxes and Assessments Ratio
2. Assigned Risk Burden Ratio
3. Company Variable Expense Ratio
4. Variable Expense Ratio (D1 + D2 + D3)

The factors used in this rating formula already contemplate premium discount where applicable.

**VIII. Definition of Terms in Rating Formula**

**A. Expected Excess Loss & ALAE** - Charge in the deductible premium to cover losses excess of the deductible limit.

A2) Expected Loss & ALAE Ratio - The Company's full coverage (subject to and not subject to the deductible) loss and ALAE forecast for the individual risk. Actual historical losses for the individual risk are modified by loss development; trend and on-level benefit factors and adjusted for changes in exposure to develop expected losses. Expected loss & ALAE divided by standard premium equals the Expected Loss & ALAE Ratio.

A4) ELPPF for Deductible - The filed retrospective rating excess loss and ALAE pure premium factor. In states that file excess loss and ALAE factors, this factor is divided by the filed retrospective rating expected loss ratio to obtain the ELPPF.

**B. Aggregate Insurance Charge** - Charge in the deductible premium to cover the amount of loss and ALAE expected to exceed the established aggregate limit. Computed using the most recently approved Table M.

**C. Fixed Expense Charge** - Charge in the deductible premium to cover expenses that are not a function of the final deductible premium.

C3) Company Fixed Expenses - Includes general expenses (e.g. branch expense, audit expense, loss control expense, etc.) that vary by full coverage premium size. Additional Loss Control expenses can be added to reflect the actual cost of providing the services (industrial hygiene, occupational health, ergonomics, etc.) requested by the insured.

C4) Fixed Taxes and Assessments - Includes taxes and assigned risk burdens in states that do not allow reductions for deductible credits. Also includes loss based assessments that are built into the deductible premium.

**D. Variable Expense Ratio** - Expenses that are a function of the final deductible premium.

D1) Variable Taxes and Assessment Ratio – Includes taxes and assessments in states that allow reductions for deductible credits.

D2) Assigned Risk Burden Ratio – Covers the cost of state assigned risk burdens.

D3) Company Variable Expenses - These include commission, other acquisition, and profit.



SERFF Tracking Number: SMM-125501494 State: Arkansas  
First Filing Company: Meridian Security Insurance Company, ... State Tracking Number: EFT \$100  
Company Tracking Number: SAC-WC-2008-129  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: Workers Compensation  
Project Name/Number: Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

## Supporting Document Schedules

**Satisfied -Name:** Uniform Transmittal Document-Property & Casualty **Review Status:** Approved 04/17/2008

**Comments:**

**Attachment:**

pc transmittal.pdf

**Satisfied -Name:** NAIC Loss Cost Filing Document for Workers' Compensation **Review Status:** Approved 04/17/2008

**Comments:**

**Attachments:**

loss\_cost\_wc\_coverLC - samic.pdf  
loss\_cost\_wc\_coverLC - sapc.pdf  
loss\_cost\_wc\_coverLC - msic.pdf  
PC IRF-WC - samic.pdf  
PC IRF-WC - sapc.pdf  
PC IRF-WC - msic.pdf

**Satisfied -Name:** NAIC loss cost data entry document **Review Status:** Approved 04/17/2008

**Comments:**

**Attachments:**

PC RLC - samic.pdf  
PC RLC - sapc.pdf  
PC RLC - msic.pdf

**Satisfied -Name:** Name: Exhibit I - Explanation of Development of the Pure Premium Multiplier **Review Status:** Approved 04/17/2008

**Comments:**

**Attachment:**

*SERFF Tracking Number:* SMM-125501494      *State:* Arkansas  
*First Filing Company:* Meridian Security Insurance Company, ...      *State Tracking Number:* EFT \$100  
*Company Tracking Number:* SAC-WC-2008-129  
*TOI:* 16.0 Workers Compensation      *Sub-TOI:* 16.0004 Standard WC  
*Product Name:* Workers Compensation  
*Project Name/Number:* Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

**Exhibit I.pdf**

*SERFF Tracking Number:* SMM-125501494                      *State:* Arkansas  
*First Filing Company:* Meridian Security Insurance Company, ...                      *State Tracking Number:* EFT \$100  
*Company Tracking Number:* SAC-WC-2008-129  
*TOI:* 16.0 Workers Compensation                      *Sub-TOI:* 16.0004 Standard WC  
*Product Name:* Workers Compensation  
*Project Name/Number:* Revised Loss Costs, Loss Cost Multipliers and Rules and Introductory filing in Meridian Security/SAC-WC-2008-129

**Satisfied -Name:** Exhibit II - Explanation of Minimum                      **Review Status:** Approved                      04/17/2008  
Premium

**Comments:**

**Attachment:**

Exhibit II.pdf

### Property & Casualty Transmittal Document

<b>1. Reserved for Insurance Dept. Use Only</b>	<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: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">New Business</td> <td></td> </tr> <tr> <td>Renewal Business</td> <td></td> </tr> </table> f. State Filing #: g. SERFF Filing #: h. Subject Codes	New Business		Renewal Business	
New Business					
Renewal Business					

<b>3. Group Name</b>	<b>Group NAIC #</b>
State Auto Insurance Companies	175

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
State Automobile Mutual Ins Co	OH	25135	31-4316080	
State Auto Property & Casualty Ins Co	IA	25127	57-6010814	
Meridian Security Ins Co	IN	23353	35-1135866	

<b>5. Company Tracking Number</b>	SAC-WC-2008-129
-----------------------------------	-----------------

**Contact Info of Filer(s) or Corporate Officer(s)** [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Bev Griffin 518 East Broad Street Columbus, Ohio 43215	State Regulatory Analyst II	800-444-9950 (ext. 5507)	614-719-0297	bev.griffin@stateauto.com
<b>7.</b>	Signature of authorized filer				
<b>8.</b>	Please print name of authorized filer		Bev Griffin		

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

<b>9. Type of Insurance (TOI)</b>	16.0 Workers Compensation
<b>10. Sub-Type of Insurance (Sub-TOI)</b>	16.0004 Standard WC
<b>11. State Specific Product code(s)(if applicable)[See State Specific Requirements]</b>	
<b>12. Company Program Title (Marketing title)</b>	
<b>13. Filing Type</b>	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
<b>14. Effective Date(s) Requested</b>	New: 07/26/2008      Renewal: 07/26/2008
<b>15. Reference Filing?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>16. Reference Organization (if applicable)</b>	
<b>17. Reference Organization # &amp; Title</b>	
<b>18. Company's Date of Filing</b>	04/16/2008
<b>19. Status of filing in domicile</b>	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

## Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	SAC-WC-2008-128
-----	---	-----------------

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

With this filing we wish to accomplish the following:

### 1. State Automobile Mutual Insurance Company

- A. Adopt NCCI's January 1, 2008 Loss Costs with our loss cost multiplier of 1.673.
- B. Increase our minimum premium multiplier from 185 to 226.

### 2. State Auto Property and Casualty Insurance Company

- A. Adopt NCCI's January 1, 2008 Loss Costs with our loss cost multiplier of 1.422.
- B. Increase our minimum premium multiplier from 185 to 226.

### 3. Meridian Security Insurance Company

We wish to begin writing workers compensation in Meridian Security Insurance Company in addition to writing in State Automobile Mutual Insurance Company and State Auto Property and Casualty Insurance Company.

- A. Use NCCI's January 1, 2008 Loss Costs with our loss cost multiplier of 1.255.
- B. Expense Constant of \$160.00.
- C. Minimum premium ceiling and floor of \$1,000 and \$350 respectively.
- D. Minimum premium multiplier of 226.

**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 #: N/A - 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.)**

PC TD-1 pg 2 of 2

## 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>	<b>SAC-WC-2008-129</b>
-----------	--	------------------------

<b>2.</b>	<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	<b>SAC-WC-2008-128</b>
-----------	---	------------------------

Rate Increase     
  Rate Decrease     
  Rate Neutral (0%)

<b>3.</b>	<b>Filing Method (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	Prior Approval
-----------	--	----------------

<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)
SAMIC	6.2%	1.1%	19,200	477	1,790,242	+26.1	-15.7
SAPC	6.2%	2.0%	6,212	43	316,824	+25.5	-15.3
MSIC	0.0%	0.0%	\$0.00	0	\$0.00	0.0%	0.0%

<b>4b.</b>	<b>Rate Change by Company (As Accepted) For State Use Only</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	Minimum % Change

<b>5. Overall Rate Information (Complete for Multiple Company Filings only)</b>
---

		COMPANY USE	STATE USE
<b>5a</b>	<b>Overall percentage rate indication (when applicable)</b>	6.2%	
<b>5b</b>	<b>Overall percentage rate impact for this filing</b>	1.2%	
<b>5c</b>	<b>Effect of Rate Filing – Written premium change for this program</b>	25,412	
<b>5d</b>	<b>Effect of Rate Filing – Number of policyholders affected</b>	520	

<b>6.</b>	<b>Overall percentage of last rate revision</b>	-2.2%
-----------	---	-------

<b>7.</b>	<b>Effective Date of last rate revision</b>	07/01/2007
-----------	---	------------

<b>8.</b>	<b>Filing Method of Last filing (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	Prior Approval
-----------	---	----------------

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	WC-1 thru WC-6	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	AR-PC-07-023864
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	

Date: \_\_\_\_\_

Space Reserved for Insurance Department Use

**WORKERS' COMPENSATION  
LOSS COST FILING DOCUMENT COVER FORM**

INSURER RATE FILING  
ADOPTION OF ADVISORY ORGANIZATION  
PROSPECTIVE LOSS COSTS

1. INSURER NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. PERSON RESPONSIBLE FOR FILING \_\_\_\_\_  
TITLE \_\_\_\_\_ TELEPHONE # \_\_\_\_\_
3. INSURER NAIC # \_\_\_\_\_
4. ADVISORY ORGANIZATION \_\_\_\_\_
- 5A. PROPOSED RATE LEVEL CHANGE \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
- 5B. PROPOSED PREMIUM LEVEL CHANGE\* \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
- 6A. PRIOR RATE LEVEL CHANGE \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
- 6B. PRIOR PREMIUM LEVEL CHANGE\* \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
7. ATTACH "NAIC LOSS COST FILING DOCUMENT—WORKERS' COMPENSATION"  
(Attach this document separately for each insurer selected loss cost multiplier.)

\* The premium level change is the change in the insurer's annual collectible premium.

Date: \_\_\_\_\_

Space Reserved for Insurance Department Use

**WORKERS' COMPENSATION  
LOSS COST FILING DOCUMENT COVER FORM**

INSURER RATE FILING  
ADOPTION OF ADVISORY ORGANIZATION  
PROSPECTIVE LOSS COSTS

1. INSURER NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. PERSON RESPONSIBLE FOR FILING \_\_\_\_\_  
TITLE \_\_\_\_\_ TELEPHONE # \_\_\_\_\_
3. INSURER NAIC # \_\_\_\_\_
4. ADVISORY ORGANIZATION \_\_\_\_\_
- 5A. PROPOSED RATE LEVEL CHANGE \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_  
5B. PROPOSED PREMIUM LEVEL CHANGE\* \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
- 6A. PRIOR RATE LEVEL CHANGE \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_  
6B. PRIOR PREMIUM LEVEL CHANGE\* \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
7. ATTACH "NAIC LOSS COST FILING DOCUMENT—WORKERS' COMPENSATION"  
(Attach this document separately for each insurer selected loss cost multiplier.)

\* The premium level change is the change in the insurer's annual collectible premium.

Date: \_\_\_\_\_

Space Reserved for Insurance Department Use

**WORKERS' COMPENSATION  
LOSS COST FILING DOCUMENT COVER FORM**

INSURER RATE FILING  
ADOPTION OF ADVISORY ORGANIZATION  
PROSPECTIVE LOSS COSTS

1. INSURER NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. PERSON RESPONSIBLE FOR FILING \_\_\_\_\_  
TITLE \_\_\_\_\_ TELEPHONE # \_\_\_\_\_
3. INSURER NAIC # \_\_\_\_\_
4. ADVISORY ORGANIZATION \_\_\_\_\_
- 5A. PROPOSED RATE LEVEL CHANGE \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
- 5B. PROPOSED PREMIUM LEVEL CHANGE\* \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
- 6A. PRIOR RATE LEVEL CHANGE \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
- 6B. PRIOR PREMIUM LEVEL CHANGE\* \_\_\_\_\_ % EFFECTIVE DATE \_\_\_\_\_
7. ATTACH "NAIC LOSS COST FILING DOCUMENT—WORKERS' COMPENSATION"  
(Attach this document separately for each insurer selected loss cost multiplier.)

\* The premium level change is the change in the insurer's annual collectible premium.

**CALCULATION OF COMPANY LOSS COST MULTIPLIER**

<b>This filing transmittal is part of Company Tracking #</b>	<b>SAC-WC-2008-129</b>
<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	<b>SAC-WC-2008-128</b>

(  ) **Loss Cost Reference Filing**      NCCLAR-2007-13      ( ) **Independent Rate Filing**  
 (Advisory Org. & Reference filing #)

If this is a loss cost filing adopting an advisory organization's loss costs, the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

**1. Check one of the following: STATE AUTOMOBILE MUTUAL INSURANCE COMPANY**

- The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer. **Note: Some states have statutes that prohibit this option for some lines of business.**
- The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

**2. Does this filing apply to all class codes? yes. If no, complete a copy of this form for each affected class with appropriate justification.**

**3. Loss cost modification:**

**A.** The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:  
 (Check One)

- ( ) Without Modification (factor = 1.000)  
 (  ) With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) -6.80%

**B.** Loss Cost Modification Expressed as a Factor: (See Examples Below) 0.9320

Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 ( 1.000 + .150) should be used.

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-11 BELOW.

**4. Development of Expected Loss and Loss Adjustment Expense (Target Cost) Ratio.** (Attach exhibit detailing insurer expense data, impact of premium discount plans, and/or other supporting information.)  
**PROJECTED EXPENSES:** Compared to standard premium at company rates.

		Selected Provisions
A.	Total Production Expense	16.5%
B.	General Expense	10.0%
C.	Taxes, Licenses & Fee	5.6%
D.	Underwriting profit & contingencies*	5.75%
E.	Other (explain)	--%
F.	Total	37.85%
* Explain how investment income is taken into account		

<b>5.</b>	A.	Expected Loss Ratio: $ELR = 100\% - 4F =$	<b>62.15%</b>
	B.	ELR in Decimal Form =	<b>0.6215</b>

**NAIC LOSS COST FILING DOCUMENT—FOR WORKERS' COMPENSATION**

<b>6.</b>	Overall Impact of Expense Constant and Minimum Premiums: (a 2.3% impact would be expressed as 1.023)	<b>1.0423</b>
<b>7.</b>	Overall Impact of Size-of-Risk Discounts plus Expense Graduation Recognition in Retrospective Rating: (An 8.6% average discount would be expressed as 0.914)	<b>0.9627</b>
<b>8.</b>	Company Formula Loss Cost Multiplier [3B / ((7 - 4F) X 6)]	<b>1.531</b>
<b>9.</b>	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	<b>1.673</b>

- |            |   |                                     |                                     |
|------------|---|-------------------------------------|-------------------------------------|
|            |   | Yes                                 | No                                  |
| <b>10.</b> | <b>Are you amending your minimum premium formula?</b> If yes, attach documentation, including rate level impact as well as changes in multipliers, expense constants, maximum, etc. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| <b>11.</b> | <b>Are you changing your premium discount schedules?</b> If yes, attach schedules and support, detailing premium or rate level changes.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |

**Explanation for any differences between 6 and 7**

**1.673 = 1.531 x 1.0930 (Line 7 x Factor to Adjust NCCI's LAE Load)**

**CALCULATION OF COMPANY LOSS COST MULTIPLIER**

<b>This filing transmittal is part of Company Tracking #</b>	<b>SAC-WC-2008-129</b>
<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	<b>SAC-WC-2008-128</b>

(  ) **Loss Cost Reference Filing**      NCCLAR-2007-13      ( ) **Independent Rate Filing**  
 (Advisory Org. & Reference filing #)

If this is a loss cost filing adopting an advisory organization's loss costs, the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

**1. Check one of the following: STATE AUTO PROPERTY AND CASUALTY INSURANCE COMPANY**

- The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer. **Note: Some states have statutes that prohibit this option for some lines of business.**
- The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

**2. Does this filing apply to all class codes? yes. If no, complete a copy of this form for each affected class with appropriate justification.**

**3. Loss cost modification:**

**A.** The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:  
 (Check One)

- ( ) Without Modification (factor = 1.000)  
 (  ) With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) -20.78%

**B.** Loss Cost Modification Expressed as a Factor: (See Examples Below) 0.7922

Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 ( 1.000 + .150) should be used.

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-11 BELOW.

**4. Development of Expected Loss and Loss Adjustment Expense (Target Cost) Ratio.** (Attach exhibit detailing insurer expense data, impact of premium discount plans, and/or other supporting information.)  
**PROJECTED EXPENSES:** Compared to standard premium at company rates.

		Selected Provisions
A.	Total Production Expense	16.5%
B.	General Expense	10.0%
C.	Taxes, Licenses & Fee	5.6%
D.	Underwriting profit & contingencies*	5.75%
E.	Other (explain)	--%
F.	Total	37.85%
* Explain how investment income is taken into account		

<b>5.</b>	A.	Expected Loss Ratio: ELR = 100% - 4F =	<b>62.15%</b>
	B.	ELR in Decimal Form =	<b>0.6215</b>

**NAIC LOSS COST FILING DOCUMENT—FOR WORKERS' COMPENSATION**

<b>6.</b>	Overall Impact of Expense Constant and Minimum Premiums: (a 2.3% impact would be expressed as 1.023)	<b>1.0423</b>
<b>7.</b>	Overall Impact of Size-of-Risk Discounts plus Expense Graduation Recognition in Retrospective Rating: (An 8.6% average discount would be expressed as 0.914)	<b>0.9627</b>
<b>8.</b>	Company Formula Loss Cost Multiplier [3B / ((7 - 4F) X 6)]	<b>1.3010</b>
<b>9.</b>	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	<b>1.422</b>

- |            |   |   |   |
|------------|---|---|---|
|            |   | Yes                                     | No                                      |
| <b>10.</b> | <b>Are you amending your minimum premium formula?</b> If yes, attach documentation, including rate level impact as well as changes in multipliers, expense constants, maximum, etc. | <input checked="" type="checkbox"/> (X) | <input type="checkbox"/> ( )            |
| <b>11.</b> | <b>Are you changing your premium discount schedules?</b> If yes, attach schedules and support, detailing premium or rate level changes.   | <input type="checkbox"/> ( )            | <input checked="" type="checkbox"/> (X) |

**Explanation for any differences between 6 and 7**

**1.422 = 1.3010 x 1.0930 (Line 7 x Factor to Adjust NCCI's LAE Load)**

**CALCULATION OF COMPANY LOSS COST MULTIPLIER**

<b>This filing transmittal is part of Company Tracking #</b>	<b>SAC-WC-2008-129</b>
<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	<b>SAC-WC-2008-128</b>

( x ) **Loss Cost Reference Filing**      NCCLAR-2007-13      ( ) **Independent Rate Filing**  
 (Advisory Org. & Reference filing #)

If this is a loss cost filing adopting an advisory organization's loss costs, the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

**1. Check one of the following: MERIDIAN SECURITY INSURANCE COMPANY**

- The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer. **Note: Some states have statutes that prohibit this option for some lines of business.**
- The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

**2. Does this filing apply to all class codes? yes. If no, complete a copy of this form for each affected class with appropriate justification.**

**3. Loss cost modification:**

**A.** The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:  
 (Check One)

( ) Without Modification (factor = 1.000)

(X) With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) -30.10%

**B.** Loss Cost Modification Expressed as a Factor: (See Examples Below) 0.6990

Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 (1.000 + .150) should be used.

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-11 BELOW.

**4. Development of Expected Loss and Loss Adjustment Expense (Target Cost) Ratio.** (Attach exhibit detailing insurer expense data, impact of premium discount plans, and/or other supporting information.)  
**PROJECTED EXPENSES:** Compared to standard premium at company rates.

		Selected Provisions
A.	Total Production Expense	16.5%
B.	General Expense	10.0%
C.	Taxes, Licenses & Fee	5.6%
D.	Underwriting profit & contingencies*	5.75%
E.	Other (explain)	--%
F.	Total	37.85
* Explain how investment income is taken into account		

<b>5.</b>	A.	Expected Loss Ratio: ELR = 100% - 4F =	<b>62.15%</b>
	B.	ELR in Decimal Form =	<b>0.6215</b>

**NAIC LOSS COST FILING DOCUMENT—FOR WORKERS' COMPENSATION**

<b>6.</b>	Overall Impact of Expense Constant and Minimum Premiums: (a 2.3% impact would be expressed as 1.023)	<b>1.0423</b>
<b>7.</b>	Overall Impact of Size-of-Risk Discounts plus Expense Graduation Recognition in Retrospective Rating: (An 8.6% average discount would be expressed as 0.914)	<b>0.9627</b>
<b>8.</b>	Company Formula Loss Cost Multiplier [3B / ((7 - 4F) X 6)]	<b>1.1479</b>
<b>9.</b>	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	<b>1.255</b>

- |            |   |     |     |
|------------|---|-----|-----|
|            |   | Yes | No  |
| <b>10.</b> | <b>Are you amending your minimum premium formula?</b> If yes, attach documentation, including rate level impact as well as changes in multipliers, expense constants, maximum, etc. | ( ) | ( ) |
| <b>11.</b> | <b>Are you changing your premium discount schedules?</b> If yes, attach schedules and support, detailing premium or rate level changes.   | ( ) | ( ) |

**Explanation for any differences between 6 and 7**

**1.255 = 1.1479 x 1.0930 (Line 7 x Factor to Adjust NCCI's LAE Load)**

### NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	<b>SAC-WC-2008-129</b>
----	---	------------------------

2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	<b>NCCI AR-2007-13</b>
----	---	------------------------

Company Name		Company NAIC Number	
3.	A.	<b>State Automobile Mutual Insurance Company</b>	B.
		<b>25135</b>	

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.	<b>16.0 Workers Compensation</b>	B.
		<b>16.0004 Standard WC</b>	

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
<b>Workers Comp</b>	<b>6.2%</b>	<b>1.1%</b>	<b>62.15</b>	<b>0.9320</b>	<b>1.673</b>	<b>160</b>	<b>1.621</b>
<b>TOTAL OVERALL EFFECT</b>	<b>6.2%</b>	<b>1.1%</b>					

6.		5 Year History	Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio	
<b>2003</b>	<b>545</b>	<b>N/A</b>	<b>N/A</b>	<b>1419</b>	<b>1224</b>	<b>86.3</b>	<b>81.8</b>	
<b>2004</b>	<b>488</b>	<b>+3.6</b>	<b>04/01/04</b>	<b>1531</b>	<b>414</b>	<b>27.0</b>	<b>48.8</b>	
<b>2005</b>	<b>527</b>	<b>+3.8</b>	<b>04/01/05</b>	<b>1710</b>	<b>359</b>	<b>21.0</b>	<b>48.1</b>	
<b>2006</b>	<b>507</b>	<b>0.0</b>	<b>07/01/06</b>	<b>1749</b>	<b>874</b>	<b>50.0</b>	<b>65.3</b>	
<b>2007</b>	<b>477</b>	<b>-2.2</b>	<b>07/01/07</b>	<b>1754</b>	<b>979</b>	<b>55.8</b>	<b>72.6</b>	

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	<b>16.5%</b>
B. General Expense	<b>10.0%</b>
C. Taxes, License & Fees	<b>5.6%</b>
D. Underwriting Profit & Contingencies	<b>5.75%</b>
E. Other (explain)	<b>--</b>
<b>F. TOTAL</b>	<b>37.85%</b>

8. N Apply Lost Cost Factors to Future filings? (Y or N)
9. +26.1% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_
10. -15.7% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_

### NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	<b>SAC-WC-2008-129</b>
----	---	------------------------

2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	<b>NCCI AR-2007-13</b>
----	---	------------------------

Company Name		Company NAIC Number		
3.	A.	<b>State Auto Property and Casualty Insurance Company</b>	B.	<b>25127</b>

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.	<b>16.0 Workers Compensation</b>	B.	<b>16.0004 Standard WC</b>

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
<b>Workers Comp</b>	<b>6.2%</b>	<b>2.0%</b>	<b>62.15</b>	<b>0.7922</b>	<b>1.422</b>	<b>160</b>	<b>1.378</b>
<b>TOTAL OVERALL EFFECT</b>	<b>6.2%</b>	<b>2.0%</b>					

6.		5 Year History	Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio	
<b>2003</b>	<b>22</b>	<b>N/A</b>	<b>N/A</b>	<b>109</b>	<b>33</b>	<b>30.1</b>	<b>86.2</b>	
<b>2004</b>	<b>33</b>	<b>-0.2</b>	<b>04/01/04</b>	<b>134</b>	<b>113</b>	<b>84.6</b>	<b>54.4</b>	
<b>2005</b>	<b>18</b>	<b>+1.7</b>	<b>04/01/05</b>	<b>124</b>	<b>118</b>	<b>94.9</b>	<b>53.8</b>	
<b>2006</b>	<b>24</b>	<b>0.0</b>	<b>07/01/06</b>	<b>106</b>	<b>11</b>	<b>10.3</b>	<b>53.1</b>	
<b>2007</b>	<b>43</b>	<b>-5.3</b>	<b>07/01/07</b>	<b>161</b>	<b>137</b>	<b>85.4</b>	<b>65.9</b>	

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	<b>16.5%</b>
B. General Expense	<b>10.0%</b>
C. Taxes, License & Fees	<b>5.6%</b>
D. Underwriting Profit & Contingencies	<b>5.75%</b>
E. Other (explain)	<b>--</b>
<b>F. TOTAL</b>	<b>37.85%</b>

8. N Apply Lost Cost Factors to Future filings? (Y or N)
9. +25.5% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_
10. -15.3% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_

**NAIC LOSS COST DATA ENTRY DOCUMENT**

1.	This filing transmittal is part of Company Tracking #	<b>SAC-WC-2008-129</b>
----	---	------------------------

2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	<b>NCCI AR-2007-13</b>
----	---	------------------------

Company Name		Company NAIC Number	
3.	<b>A.</b>	<b>Meridian Security Insurance Company</b>	<b>B.</b> <b>23353</b>

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
4.	<b>A.</b>	<b>16.0 Workers Compensation</b>	<b>B.</b> <b>16.0004 Standard WC</b>

5.			FOR LOSS COSTS ONLY				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
COVERAGE (See Instructions)	Indicated % Rate Level Change	Requested % Rate Level Change	Expected Loss Ratio	Loss Cost Modification Factor	Selected Loss Cost Multiplier	Expense Constant (If Applicable)	Co. Current Loss Cost Multiplier
<b>Workers Comp</b>	<b>0.0%</b>	<b>0.0%</b>	<b>62.15</b>	<b>0.6990</b>	<b>1.255</b>	<b>160</b>	<b>N/A - Intro</b>
TOTAL OVERALL EFFECT	<b>0.0%</b>	<b>0.0%</b>					

6.		5 Year History	Rate Change History				
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
<b>THIS IS OUR INTRODUCTORY FILING</b>							
<b>2004</b>							<b>36.4</b>
<b>2005</b>							<b>76.3</b>
<b>2006</b>							<b>30.1</b>
<b>2007</b>							<b>67.6</b>

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	<b>16.5%</b>
B. General Expense	<b>10.0%</b>
C. Taxes, License & Fees	<b>5.6%</b>
D. Underwriting Profit & Contingencies	<b>5.75%</b>
E. Other (explain)	<b>--</b>
F. TOTAL	<b>37.85%</b>

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

**EXPLANATION OF DEVELOPMENT OF THE PURE PREMIUM MULTIPLIER**

The following explains the calculation of the various expense components included in the development of the pure premium multiplier.

**2. Commission**

The current Commission Schedule that will be used in conjunction with the filed rates is shown on Page 13. The commission rate as a percentage of Earned Premium (including contingent commission) is 10.0%.

**3. & 5. Other Acquisition Expenses and General Expense**

The calculation of the provision for other acquisition expense and general expense as a percentage of standard earned premium (adjusted for premium discounts and the expense constant) is attached on Page 14. The sources of the data included on this exhibit are State Auto's Insurance Expense Exhibit.

**8. & 12. Effect of Expense Gradation and Expense Constant Effect**

The calculations for the provisions for the effect of the premium discount and expense constant are attached on Page 15.

**10. Profit and Contingencies Provision**

The profit and contingencies provision is 5.75%.

**13. Effect of Minimum Premium**

The offset for the minimum premium is 1.0035.

**15. Factor to Adjust NCCI's LAE Load**

The selected pure premium multiplier reflects the difference in unallocated loss adjustment expense (ULAE) for State Auto (17.9%), as opposed to that included in NCCI's loss costs (17.9%).

State Auto Insurance Companies  
 Workers' Compensation  
**Arkansas**

## EXPLANATION OF MINIMUM PREMIUM

Policy year data by class within policy were used to calculate both the effect of minimum premiums and the effect of the change in minimum premiums. These policies had policy effective dates between January 1, 2006 and December 31, 2007. The current and proposed rates were applied to the written exposure by class for each of these policies and the appropriate minimum premium was applied to each policy. Finally the current and proposed premium size discount factors were used obtain a current and proposed premium for each policy. Additionally, a premium was calculated for each policy using the proposed rates and premium size discount factors, but excluding the minimum premium procedure.

<u>Current Minimum Premium Procedure</u>		<u>Proposed Minimum Premium Procedure</u>	
Non Per Capita Classes (Rate/\$100 X Min Prem Mult)+Exp Const		Non Per Capita Classes (Rate/\$100 X Min Prem Mult)+Exp Const	
Per Capita Classes Rate + Expense Constant		Per Capita Classes Rate + Expense Constant	
Minimum Premium Multiplier	185	Minimum Premium Multiplier	226
Expense Constant	160	Expense Constant	160
Minimum Minimum Premium	\$350	Minimum Minimum Premium	\$350
Maximum Minimum Premium	\$1,000	Maximum Minimum Premium	\$1,000
		State Average Weekly Wage (SAWW)	\$652.00

**Calculation of Minimum Premium Effect and Effect of Minimum Premium Change**

(1) Premium Produced by Extension of Exposures with the Current Minimum Premium Procedure	\$2,115,207
(2) Premium Produced by Extension of Exposures with the Proposed Minimum Premium Procedure	\$2,141,969
(3) Total Premium Change (((2) / (1)) - 1)	1.3%
(4) Premium Produced by Extension of Exposures Using Current Rates and Excluding Minimum Premium	\$2,109,099
(5) Premium Produced by Extension of Exposures Using Proposed Rates and Excluding Minimum Premium	\$2,134,510
(6) Effect of Rate Change (((5) / (4)) - 1)	1.2%
(7) Effect of Minimum Premium Change (((1+(3))/(1+(6))) - 1)	0.1%
(8) Effect of Minimum Premium (((2)/(5)) - 1)	0.3%