

SERFF Tracking Number: ARKS-125655778 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104863 \$250
Company Tracking Number: EP-2008-RLA 1
TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0010 Employment Practices Liability
Product Name: Employment-Related Practices Liability
Project Name/Number: /

Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: Employment-Related Practices SERFF Tr Num: ARKS-125655778 State: Arkansas

Liability

TOI: 17.0 Other Liability - Claims
Made/Occurrence

SERFF Status: Closed

State Tr Num: #104863 \$250

Sub-TOI: 17.0010 Employment Practices
Liability

Co Tr Num: EP-2008-RLA 1

State Status: Fees verified and
received

Filing Type: Rate

Co Status:

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

Author:

Disposition Date: 05/29/2008

Date Submitted: 05/19/2008

Disposition Status: Filed

Effective Date Requested (New): 10/01/2008

Effective Date (New):

Effective Date Requested (Renewal): 10/01/2008

Effective Date (Renewal):

State Filing Description:

General Information

Project Name:

Status of Filing in Domicile: Not Filed

Project Number:

Domicile Status Comments:

Reference Organization: Not Applicable

Reference Number:

Reference Title: Not Applicable

Advisory Org. Circular:

Filing Status Changed: 05/29/2008

State Status Changed: 05/29/2008

Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

Company and Contact

Filing Contact Information

NA NA,

NA@NA.com

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Project Name/Number: /

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

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas
INC.
No Address Group Code: Company Type:
City, AR 99999 Group Name: State ID Number:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

SERFF Tracking Number: ARKS-125655778 State: Arkansas
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Filing Fees

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

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	05/29/2008	05/29/2008

SERFF Tracking Number: ARKS-125655778 State: Arkansas
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Disposition

Disposition Date: 05/29/2008

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment: ISO loss costs -13.2% rate decrease Employment-Related Practices Liability.

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125655778 State: Arkansas
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Item Type	Item Name	Item Status	Public Access
Supporting Document	ARKS-125655778		Yes

SERFF Tracking Number: ARKS-125655778 State: Arkansas
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Product Name: Employment-Related Practices Liability
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Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125655778 State: Arkansas
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TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0010 Employment Practices Liability
Product Name: Employment-Related Practices Liability
Project Name/Number: /

Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125655778

05/29/2008

Comments:

Attachments:

ARKS-125655778-1.pdf

ARKS-125655778-2.pdf

ARKS-125655778-3.pdf

CH#104863 \$ 250
ARKS-125655718

ER



2828 E. TRINITY MILLS ROAD SUITE 150 CARROLLTON, TX 75006
TEL: (214) 390-1825 FAX: (214) 390-1975

Kenneth J. Hill, CPCU
Regional Director, Government Relations

May 7, 2008

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

Attention: William R. Lacy, Director
Property and Casualty Division

RE: Insurance Services Office, Inc.
EP 2008-RLA1
Revision of Employment-Related Practices Liability Loss Costs
REFERENCE FILING
State of Arkansas

RECEIVED

MAY 19 2008

**PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT**

FILED

May 19 2008

**PROPERTY AND CASUALTY
ARKANSAS INSURANCE DEPT.**

Dear Mr. Lacy:

We hereby file the enclosed advisory reference document.

We propose this revision become effective in accordance with the following rule of application:

These changes are applicable to all policies written on or after October 1, 2008.

In accordance with your loss cost procedures, this effective date applies only to those insurers who have filed their Employment-Related Practices Liability loss cost multipliers to be automatically applicable to future ISO loss cost revisions. Any other ISO participating insurer may adopt ISO loss costs by filing its loss cost multipliers and selecting an effective date.

Please return an acknowledged copy of this cover letter for our records. An addressed, stamped envelope is enclosed for your convenience. We have also included an additional copy of this letter and envelope; we request that you return it now with a "received" stamp to confirm that you have received the filing.

Very truly yours,


Donald J. Beckel, CPCU, ARM
Assistant Regional Manager
Government Relations

DJB:dlb
Encl.

Property & Casualty Transmittal Document

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

3. Group Name	Group NAIC #
----------------------	---------------------

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Insurance Services Office, Inc.	DE		13-3131412	
RECEIVED				
MAY 19 2008				

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

5. Company Tracking Number	EP-2008-RLA1
-----------------------------------	--------------

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

6. Name and address	Title	Telephone #s	FAX #	e-mail
Donald J. Beckel Insurance Services Office, Inc. 2828 E. Trinity Mills Rd., Ste. 150 Carrollton, TX 75006	Asst. Regional Manager	(214) 390-1825 Ext. 224	(214) 390-1975	DBECKEL@iso.com
7. Signature of authorized filer				
8. Please print name of authorized filer		Donald J. Beckel		

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

9. Type of Insurance (TOI)	17.0000 - Other Liability
10. Sub-Type of Insurance (Sub-TOI)	17.0010 - Employment Practices Liability
11. State Specific Product code(s) (if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	Employment-Related Practices Liability
13. Filing Type	<input checked="" type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14. Effective Date(s) Requested	New: 10/1/2008 Renewal: 10/1/2008
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	Not Applicable
17. Reference Organization # & Title	Not Applicable
18. Company's Date of Filing	5/7/08
19. Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document---

20.	This filing transmittal is part of Company Tracking #	EP-2008-RLA1
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21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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Revises advisory prospective loss costs for Employment-Related Practices Liability coverage.

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]
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Check #: 104863
Amount: \$250.00

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

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

RATE/RULE FILING SCHEDULE

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

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

1.	This filing transmittal is part of Company Tracking #	EP-2008-RLA1
----	---	--------------

2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
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Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	File & Use
----	---	------------

4a. Rate Change by Company (As Proposed)							
Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Insurance Services Office, Inc.	-13.2%	-13.2%	N/A	N/A	N/A	-13.2%	-13.2%

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

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

6.	Overall percentage of last rate revision	-11.5%
7.	Effective Date of last rate revision	11/1/2006
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File & Use

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	EP-LC-1	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

ARKANSAS

EMPLOYMENT-RELATED PRACTICES LIABILITY EXPERIENCE REVIEW

FILING EP-2008-RLA1

EXECUTIVE SUMMARY

PURPOSE

This document:

- revises advisory prospective loss costs for Employment-Related Practices Liability coverage. These loss costs represent a -13.2% change from the current loss costs.
- provides the analyses used to derive these revised advisory loss costs.

DEFINITION OF
THE ISO
ADVISORY
PROSPECTIVE
LOSS COST

Advisory prospective loss costs in this document are that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit, and are based on historical aggregate losses and loss adjustment expenses adjusted through development to their ultimate value and projected through trending to a future point in time.

LOSS COST
LEVEL
CHANGES

The statewide advisory loss cost level changes are:

<u>Coverage</u>	<u>Indicated</u>	<u>Selected</u>
Employment-Related Practices Liability	-13.2%	-13.2%

Indicated and selected loss cost level changes are changes from the current loss costs.

ARKANSAS

EMPLOYMENT-RELATED PRACTICES LIABILITY EXPERIENCE REVIEW

FILING EP-2008-RLA1

EXECUTIVE SUMMARY

CHANGES IN RATEMAKING PROCEDURE

The following changes in ratemaking procedure are being introduced with this review:

- Calculation of multistate change (see Table 1 and its explanatory notes for details):
 - the multistate data excludes experience for two jurisdictions, for which separate reviews were conducted.
 - this review was expanded to include the latest five years of experience.
 - a weighted experience ratio replaces a straight average. The use of a weighted experience ratio better balances responsiveness and stability.
 - the full credibility standard is revised from 5,000 to 2,000 claims. The current selections of confidence levels and the likelihood band associated with the derivation of the full credibility standard are more consistent with the selections in other liability lines of business.
 - the complement of credibility is applied to the expected experience ratio, instead of to no change. Applying the complement of credibility to the expected experience ratio better reflects expected costs in the prospective period.
 - A state relativity procedure is introduced to calculate state-specific loss cost changes for all applicable jurisdictions.
 - In the prior review, annual severity trend factors were determined on an accident year basis. For the current review, severity trend factors are determined and applied on a report year basis; this is more appropriate for Employment-Related Practices Liability, which is written predominantly on a claims-made basis.
-

ARKANSAS

EMPLOYMENT-RELATED PRACTICES LIABILITY EXPERIENCE REVIEW

FILING EP-2008-RLA1

EXECUTIVE SUMMARY

PRIOR
REVISION

The latest loss cost revisions in this state are:

<u>Filing</u>	EP-2006-RLA1	EP-2000-RLC1
<u>Dates</u>		
Filed	05/10/2006	12/29/2000
Implemented	11/01/2006	01/01/2002
<u>Changes</u>		
Indicated	-11.5%	N/A*
Filed	-11.5%	N/A*
Implemented	-11.5%	N/A*

* Coverage changes only.

ARKANSAS

EMPLOYMENT-RELATED PRACTICES LIABILITY EXPERIENCE REVIEW

FILING EP-2008-RLA1

EXECUTIVE SUMMARY

**HISTORICAL
SOURCE DATA**

The data used in this review is:

- ISO reporting companies' experience;
 - Five calendar/report years ending 12/31/2006, evaluated as of 6/30/2007.
-

**ADJUSTMENTS
TO REPORTED
EXPERIENCE**

The period of use of this review is anticipated to begin on October 1, 2008 and extend to October 1, 2010. To adjust the loss data to levels expected to prevail during the period in which it is anticipated the revised loss costs will be in effect, historical losses have been multiplied by trend factors. These trend factors are estimates of changes in claim severity and claim frequency that are expected to arise between the historical experience period and the prospective period during which the revised loss costs are assumed to be in effect. The selected average annual changes are +5.0% and +0.0% for severity and frequency, respectively.

Standard actuarial procedures have been used in calculating the loss costs including adjusting losses to ultimate settlement level and reflecting all loss adjustment expenses.

ARKANSAS

EMPLOYMENT-RELATED PRACTICES LIABILITY EXPERIENCE REVIEW

FILING EP-2008-RLA1

EXECUTIVE SUMMARY

COMPANY
DECISION

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the loss costs contained herein are appropriate for its use. We have included within this document the information upon which ISO relied in order to enable companies to make such independent judgments.

The data underlying the enclosed material comes from companies reporting to Insurance Services Office, Inc. Therefore, this experience permits the establishment of a much broader statistical ratemaking base than could be employed by using any individual company's data. A broader database enhances the validity of ratemaking analyses derived therefrom. At the same time, however, an individual company may benefit from a comparison of its own experience to the aggregate ISO experience, and may reach valid conclusions with respect to the manner in which its own costs can be expected to differ from ISO's projections based on the aggregate data.

Some calculations included in this document involve areas of staff judgment. Each company should carefully review and evaluate its own experience in order to determine whether the ISO advisory loss costs are appropriate for its use.

This material has been developed exclusively by the staff of Insurance Services Office, Inc.

EMPLOYMENT-RELATED PRACTICES LIABILITY EXPERIENCE REVIEW

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EMPLOYMENT-RELATED PRACTICES LIABILITY EXPERIENCE REVIEW

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EMPLOYMENT-RELATED PRACTICES LIABILITY

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

OBJECTIVE

The objective of this procedure is to determine the indicated advisory loss cost level change. This procedure answers the question:

What percentage change must be made, on average, to the current loss costs in order for them to be adequate to cover indemnity losses and all loss adjustment expenses incurred in the prospective period in which it is anticipated the revised loss costs will be in effect?

DESCRIPTION

The procedure compares trended and developed incurred losses and loss adjustment expenses with the aggregate loss costs at current loss cost level, which is the aggregate amount that would have been collected if the current loss costs were used during the experience period. This experience ratio (losses and loss adjustment expenses divided by aggregate loss costs) is calculated for each year in the experience period and an average is calculated, which is the indicated loss cost level change.

EXPERIENCE INCLUDED

The experience used in this review is based on the latest available multistate data reported to ISO under the Commercial Statistical Plan (CSP) and the Commercial Minimum Statistical Plan (CMSP).

In addition, this experience represents business written on a claims-made basis only. Claims-made policies cover claims reported during the policy period, regardless of the accident date. Therefore, the data is aggregated on a calendar/report year basis.

EMPLOYMENT-RELATED PRACTICES LIABILITY

TABLE 1

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

MULTISTATE

(1) Calendar Report Year	(2) Aggregate Basic Limit Loss Costs at Current Level	(3) Basic Limit Incurred Losses and Loss Adj. Expenses	(4) Experience Ratio (3)/(2)	(5) Year Weights	(6) Number of Reported Claims
2002	6,513,815	6,054,836	0.930	.10	180
2003	6,175,188	6,607,104	1.070	.15	190
2004	6,754,280	6,277,247	0.929	.20	186
2005	8,420,830	7,069,342	0.840	.25	153
2006	10,566,437	8,032,504	0.760	.30	169
(7) Weighted Multistate Experience Ratio					0.877
(8) Factor to Adjust from Per Occurrence to Per Policy Basis					0.920
(9) Weighted Multistate Experience Ratio on per Policy Basis (7)x(8)					0.807
(10) Expected Multistate Experience Ratio					1.103
(11) Credibility					0.66
(12) Credibility-Weighted Multistate Experience Ratio [(9)x(11)+(10)x(1.000-(11))]					0.908
(13) State Balanced Experience Ratio Relativity [Table 3, Column (8)]					0.956
(14) Indicated State Loss Cost Level Change [(12)x(13)-1.000]					-13.2%
(15) Selected State Loss Cost Level Change					-13.2%

EMPLOYMENT-RELATED PRACTICES LIABILITY

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

EXPLANATORY NOTES TO TABLE 1

COLUMN (1) EXPERIENCE PERIOD

The experience for the five latest available calendar report years is displayed.

COLUMN (2) AGGREGATE BASIC LIMIT LOSS COSTS AT CURRENT LEVEL

Since the objective of the review procedure is to test the adequacy of the current loss costs, the aggregate loss costs for each year in the review period must be calculated at the level which would have been earned had the current loss costs applied throughout the experience period. This calculation is accomplished by extending the exposures for each policy at the current \$100,000 basic limit loss cost, and reflects the application of various rating factors used in the determination of the loss cost for the policy.

COLUMN (3) BASIC LIMIT INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

In order to determine future loss cost level needs, incurred losses and allocated loss adjustment expenses must be adjusted to the levels expected to apply during the period the revised loss costs are anticipated to be in effect. Losses and allocated loss adjustment expenses are adjusted to reflect trend from the average date of loss of each year under review to April 1, 2010, the average date of loss in the prospective period. In addition, losses and allocated loss adjustment expenses have been: brought to their ultimate settlement value by the application of loss development factors; capped at the \$100,000 basic limit on a per occurrence basis; and loaded for all unallocated loss adjustment expenses by the application of a multistate unallocated loss adjustment expense factor. Details of the adjustments made to incurred losses and allocated loss adjustment expenses are shown on Table 2.

COLUMN (4) EXPERIENCE RATIO

The experience ratios in this column are calculated by dividing the incurred losses and loss adjustment expenses in column (3) by the aggregate loss costs at current level in column (2).

COLUMN (5) YEAR WEIGHTS

Weights of 10%, 15%, 20%, 25% and 30% are used to weight the yearly experience ratios, with the greatest weight assigned to the most recent year. These weights recognize the need to balance responsiveness and stability.

COLUMN (6) NUMBER OF REPORTED CLAIMS

The number of reported claims for the years in the experience period is shown.

EMPLOYMENT-RELATED PRACTICES LIABILITY

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

EXPLANATORY NOTES TO TABLE 1 (Cont'd)

LINE (7) WEIGHTED MULTISTATE EXPERIENCE RATIO

The weights are applied to the yearly experience ratios to yield the weighted experience ratio.

LINE (8) FACTOR TO ADJUST FROM PER OCCURRENCE TO PER POLICY BASIS

The experience included in this review reflects losses reported separately for each distinct occurrence. The applicable limit on the policies underlying these losses, however, is applied on an aggregate/per policy basis. Hence, the losses and allocated loss adjustment expenses in column (3), which have been capped at the \$100,000 basic limit on a per occurrence basis, must be adjusted to a per policy basis. This adjustment is effectively accomplished by multiplying the weighted multistate experience ratio on line (7) by the factor shown, which represents the average effect of converting losses from a per occurrence basis to a per policy basis.

LINE (9) WEIGHTED MULTISTATE EXPERIENCE RATIO ON PER POLICY BASIS

This is the product of lines (7) and (8).

LINE (10) EXPECTED MULTISTATE EXPERIENCE RATIO

The annual net trend factor, which represents the product of the selected annual severity and frequency trend factors, is 1.050 (see page B-4 for details on the trend procedure). The expected experience ratio is equal to the annual net trend factor of 1.050 to an exponent of 2.0, where this exponent represents the time period between the prior and current experience reviews.

LINE (11) CREDIBILITY

The credibility value is based on the total number of claims in the experience period. The full credibility standard is 2,000 claims, and partial credibility is determined using the following rule:

$$\text{Credibility} = \sqrt{\frac{\text{Total number of claims during the experience period}}{2,000}}$$

The full credibility standard is based on 90% confidence of being within 5% of the actual value.

LINE (12) CREDIBILITY-WEIGHTED MULTISTATE EXPERIENCE RATIO

This is calculated by assigning the credibility value on line (11) to the weighted experience ratio on line (9), and assigning 1.0 minus that credibility value to the expected experience ratio on line (10).

EMPLOYMENT-RELATED PRACTICES LIABILITY

CALCULATION OF ADVISORY LOSS COST LEVEL CHANGE

EXPLANATORY NOTES TO TABLE 1 (Cont'd)

LINE (13) STATE BALANCED EXPERIENCE RATIO RELATIVITY

This relativity, derived in Table 3 and shown in column (8) of that table, indicates by how much the credibility weighted multistate experience ratio should be modified in order to derive the indication in this state.

LINE (14) INDICATED STATE LOSS COST LEVEL CHANGE

The indicated state loss cost level change is the credibility-weighted multistate experience ratio times the state balanced experience ratio relativity minus one.

LINE (15) SELECTED STATE LOSS COST LEVEL CHANGE

The selected state loss cost level change is shown.

EMPLOYMENT-RELATED PRACTICES LIABILITY

TABLE 2

DETERMINATION OF ADJUSTED INCURRED LOSSES

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Report Year	Accident Year	Reported Claims	Inc. Losses & Alloc. Loss Adj. Expenses (ALAE)	Loss and ALAE Development Factor	Ultimate Incurred Losses and ALAE [(4) x (5)]	Ult. Incurred Losses & ALAE at Basic Limits (B/L)	Basic Limits Loss & ALAE Trend Factor	Ultimate Incurred Trended B/L Losses & ALAE (7) x (8) x 1.045
2002	1998	0	-	1.000	-	-	1.460	-
2002	1999	2	79,880	1.000	79,880	79,880	1.460	121,873
2002	2000	3	161,719	1.000	161,719	118,685	1.460	181,078
2002	2001	46	1,608,303	1.016	1,634,036	921,540	1.460	1,405,994
2002	2002	129	3,340,814	1.019	3,404,289	2,848,457	1.460	4,345,891
2002	Total	180	5,190,716		5,279,924	3,968,562		6,054,836
2003	1998	0	-	1.000	-	-	1.390	-
2003	1999	0	-	1.000	-	-	1.390	-
2003	2000	1	35,130	1.000	35,130	35,130	1.390	51,028
2003	2001	2	192,555	1.016	195,636	163,280	1.390	237,172
2003	2002	59	1,663,528	1.019	1,695,135	1,165,317	1.390	1,692,681
2003	2003	128	4,050,012	1.068	4,325,413	3,184,897	1.390	4,626,223
2003	Total	190	5,941,225		6,251,314	4,548,624		6,607,104
2004	1998	0	-	1.000	-	-	1.324	-
2004	1999	0	-	1.000	-	-	1.324	-
2004	2000	0	-	1.000	-	-	1.324	-
2004	2001	0	-	1.016	-	-	1.324	-
2004	2002	6	315,135	1.019	321,123	216,433	1.324	299,452
2004	2003	39	1,010,604	1.068	1,079,325	843,524	1.324	1,167,084
2004	2004	141	3,697,196	1.146	4,236,987	3,477,002	1.324	4,810,711
2004	Total	186	5,022,935		5,637,435	4,536,960		6,277,247
2005	1998	0	-	1.000	-	-	1.261	-
2005	1999	0	-	1.000	-	-	1.261	-
2005	2000	0	-	1.000	-	-	1.261	-
2005	2001	0	-	1.016	-	-	1.261	-
2005	2002	1	41,744	1.019	42,537	42,537	1.261	56,053
2005	2003	4	57,695	1.068	61,618	61,618	1.261	81,197
2005	2004	44	2,194,353	1.146	2,514,729	1,754,270	1.261	2,311,680
2005	2005	104	4,722,428	1.369	6,465,004	3,506,302	1.261	4,620,412
2005	Total	153	7,016,220		9,083,888	5,364,727		7,069,342
2006	1998	0	-	1.000	-	-	1.201	-
2006	1999	0	-	1.000	-	-	1.201	-
2006	2000	0	-	1.000	-	-	1.201	-
2006	2001	0	-	1.016	-	-	1.201	-
2006	2002	0	-	1.019	-	-	1.201	-
2006	2003	0	-	1.068	-	-	1.201	-
2006	2004	2	58,753	1.146	67,331	67,331	1.201	84,503
2006	2005	36	576,505	1.369	789,235	713,802	1.201	895,854
2006	2006	131	3,993,897	2.051	8,191,483	5,619,039	1.201	7,052,147
2006	Total	169	4,629,155		9,048,049	6,400,172		8,032,504

EMPLOYMENT-RELATED PRACTICES LIABILITY
DETERMINATION OF ADJUSTED INCURRED LOSSES
EXPLANATORY NOTES TO TABLE 2

This table details the determination of incurred losses and loss adjustment expenses shown in column (3) of Table 1.

COLUMN (1) REPORT YEAR

The experience for the five latest available calendar report years is displayed.

COLUMN (2) ACCIDENT YEAR

The experience by accident year within each report year is shown.

COLUMN (3) REPORTED CLAIMS

Reported claims are displayed.

COLUMN (4) INCURRED LOSSES AND ALLOCATED LOSS ADJUSTMENT EXPENSES

Unadjusted incurred losses and allocated loss adjustment expenses (ALAE) is shown.

COLUMN (5) LOSSES AND ALAE DEVELOPMENT FACTOR

Accident year development factors are displayed. These factors are determined on Table 8.

COLUMN (6) ULTIMATE INCURRED LOSSES AND ALAE

This is the product of columns (4) and (5).

COLUMN (7) ULTIMATE INCURRED LOSSES AND ALAE AT BASIC LIMITS

This represents the losses in column (6) after being capped at the basic limit on a per occurrence basis.

COLUMN (8) BASIC LIMITS LOSS & ALAE TREND FACTOR

These factors result from the selected annual severity and frequency trend factors shown on Tables 6 and 7, respectively.

COLUMN (9) ULTIMATE INCURRED TRENDED BASIC LIMITS LOSSES AND ALAE

This is the product of the losses and ALAE in column (7) and the trend factor in column (8), as well as the selected unallocated loss adjustment expense factor of 1.045 displayed on Table 5.

EMPLOYMENT-RELATED PRACTICES LIABILITY

TABLE 3

CALCULATION OF BALANCED STATE EXPERIENCE RATIO RELATIVITY

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
State	2006 B/L Aggregate Loss Costs at Current Level	5-Year Combined Experience Ratio	5-Yr. Claim Count	Credibility	Credibility - Weighted Experience Ratio	Experience Ratio Relativity	Balanced Experience Ratio Relativity
1	3,923	1085.3%	6	5%	134.8%	1.590	1.584
2	50,272	311.9%	15	9%	105.2%	1.241	1.236
3	524,631	166.0%	87	21%	101.9%	1.202	1.197
4	4,613	653.6%	2	3%	101.9%	1.202	1.197
5	156,142	219.6%	30	12%	101.0%	1.191	1.186
6	23,170	271.4%	9	7%	97.9%	1.154	1.149
7	10,465	588.4%	1	2%	94.9%	1.119	1.115
8	133,581	145.1%	19	10%	90.8%	1.071	1.067
9	114,211	169.2%	8	6%	89.9%	1.060	1.056
10	345,611	118.3%	48	15%	89.8%	1.059	1.055
11	238,667	131.5%	21	10%	89.5%	1.055	1.051
12	51,622	136.0%	8	6%	87.9%	1.037	1.033
13	20,705	144.3%	5	5%	87.8%	1.035	1.031
14	85,188	149.1%	4	4%	87.4%	1.031	1.027
15	173,188	113.1%	13	8%	87.1%	1.027	1.023
16	145,018	112.8%	13	8%	87.0%	1.026	1.022
17	32,383	123.3%	5	5%	86.7%	1.022	1.018
18	157,677	104.7%	16	9%	86.6%	1.021	1.017
19	179,475	99.1%	20	10%	86.2%	1.017	1.013
20	71,286	85.5%	11	7%	84.8%	1.000	0.996
21	436,933	84.6%	50	16%	84.8%	1.000	0.996
22	14,728	84.2%	3	4%	84.8%	1.000	0.996
23	34,645	0.0%	0	0%	84.8%	1.000	0.996
24	7,442	0.0%	0	0%	84.8%	1.000	0.996
25	980,072	84.0%	60	17%	84.7%	0.999	0.995
26	512,317	84.0%	11	7%	84.7%	0.999	0.995
27	85,145	78.4%	5	5%	84.5%	0.996	0.992
28	325,262	81.6%	27	12%	84.4%	0.995	0.991
29	606,841	81.9%	57	17%	84.3%	0.994	0.990
30	483,006	80.5%	38	14%	84.2%	0.993	0.989
31	140,115	77.3%	13	8%	84.2%	0.993	0.989
32	26,063	66.1%	3	4%	84.1%	0.992	0.988
33	904,920	77.3%	47	15%	83.7%	0.987	0.983
34	21,650	20.4%	1	2%	83.5%	0.985	0.981
35	147,182	61.7%	7	6%	83.4%	0.983	0.979
36	28,159	46.8%	3	4%	83.3%	0.982	0.978
37	74,565	50.5%	5	5%	83.1%	0.980	0.976
38	31,865	48.5%	5	5%	83.0%	0.979	0.975
39	332,653	70.1%	36	13%	82.9%	0.978	0.974
40	55,924	17.9%	2	3%	82.8%	0.976	0.972
41	92,192	46.9%	8	6%	82.5%	0.973	0.969
42	186,976	40.9%	7	6%	82.2%	0.969	0.965
43	296,552	58.6%	29	12%	81.7%	0.963	0.959
Arkansas	143,849	36.1%	11	7%	81.4%	0.960	0.956
45	320,215	38.4%	13	8%	81.1%	0.956	0.952
46	117,572	10.9%	5	5%	81.1%	0.956	0.952
47	627,611	49.1%	27	12%	80.5%	0.949	0.945
48	455,208	29.3%	22	10%	79.3%	0.935	0.931
49	554,946	42.3%	42	14%	78.9%	0.930	0.926
Total/Avg	10,566,437	84.8%	878			1.004	1.000

EMPLOYMENT-RELATED PRACTICES LIABILITY

CALCULATION OF BALANCED STATE EXPERIENCE RATIO RELATIVITY

EXPLANATORY NOTES TO TABLE 3

COLUMN (1) STATE

The ratemaking experience for all jurisdictions used in the analysis is shown. All jurisdictions are displayed in descending order based on the indicated state relativity shown in column (8).

COLUMN (2) 2006 B/L (BASIC LIMITS) AGGREGATE LOSS COSTS AT CURRENT LEVEL

Basic limits aggregate loss costs at current level for the latest available year is shown.

COLUMN (3) FIVE-YEAR COMBINED EXPERIENCE RATIO

This is the ratio of five-year adjusted basic limits incurred losses to five-year basic limits aggregate loss costs at current level. The five years used are calendar report years 2002 through 2006.

COLUMN (4) FIVE-YEAR CLAIM COUNT

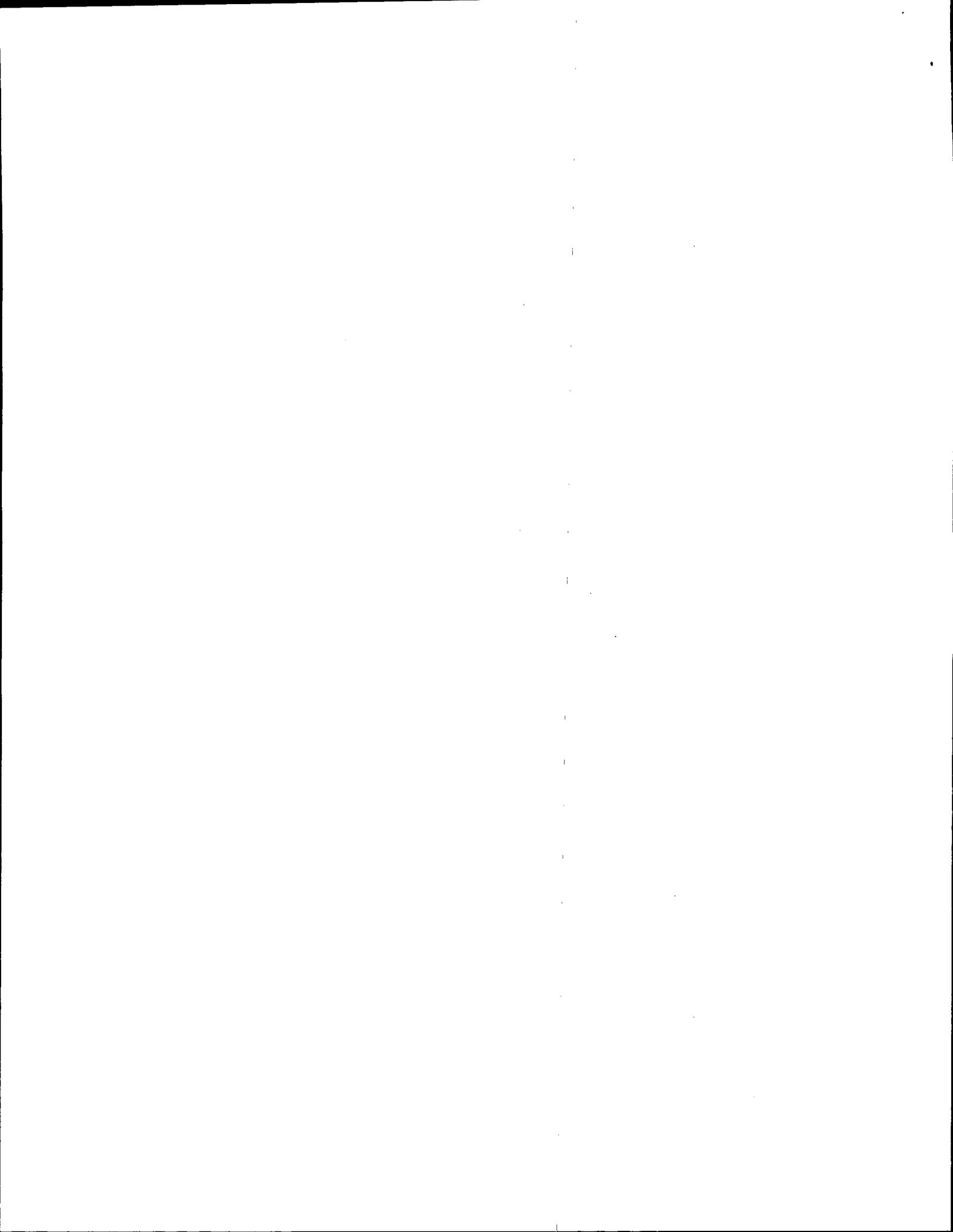
Reported claims for the latest available five years are displayed. The five latest report years correspond to 2002 through 2006.

COLUMN (5) CREDIBILITY

The credibility value is based on the number of five-year claims in column (4). The full credibility standard is 2,000 claims, and partial credibility is determined using the following rule:

$$\text{Credibility} = \sqrt{\frac{\text{Total number of claims during the experience period}}{2,000}}$$

The full credibility standard is based on 90% confidence of being within 5% of the actual value.



EMPLOYMENT-RELATED PRACTICES LIABILITY

CALCULATION OF BALANCED STATE EXPERIENCE RATIO RELATIVITY

EXPLANATORY NOTES TO TABLE 3 (cont'd)

COLUMN (6) CREDIBILITY-WEIGHTED EXPERIENCE RATIO

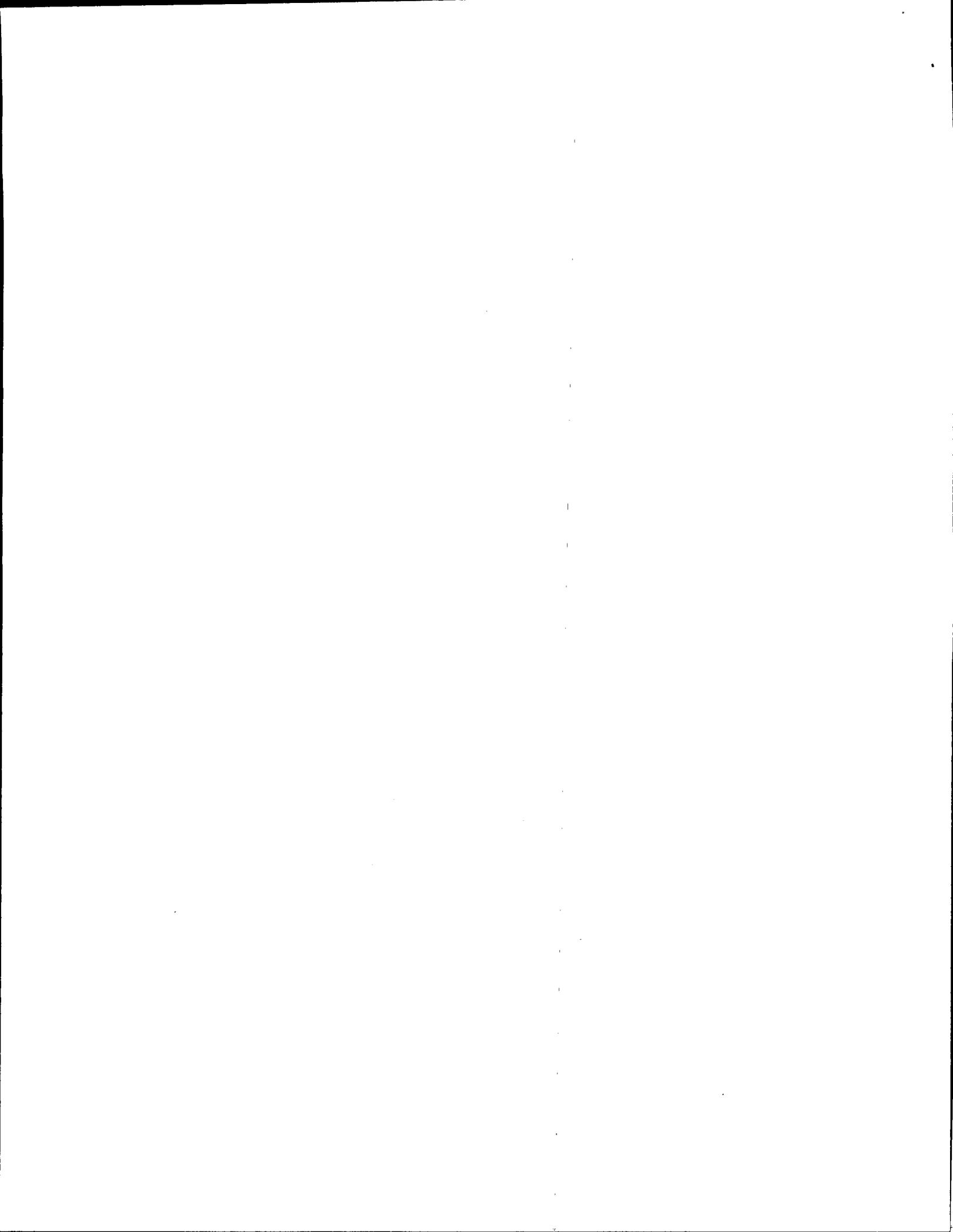
The credibility-weighted experience ratio is calculated by assigning the credibility value in column (5) to the state experience ratio in column (3), and assigning 1.00 minus that credibility value to the overall multistate average experience ratio in column (3).

COLUMN (7) EXPERIENCE RATIO RELATIVITY

Experience ratio relativities in each state are calculated by comparing the credibility-weighted experience ratio in column (6) to the overall multistate average experience ratio in column (3).

COLUMN (8) BALANCED EXPERIENCE RATIO RELATIVITY

The experience ratio relativities in column (7) have been normalized by dividing each experience ratio relativity by the average of column (7).



EMPLOYMENT-RELATED PRACTICES LIABILITY

ARKANSAS

TABLE 4

CALCULATION OF REVISED LOSS COSTS BY EMPLOYEE INTERVAL

(1)	(2)	(3)	(4)
<u>Number Of Employees</u>	<u>Current Graded Loss Costs By Employee Interval</u>	<u>Proposed Statewide Change</u>	<u>Proposed Graded Loss Costs By Employee Interval</u>
1 to 25	109.90	-13.2%	95.39
26 to 50	91.75	-13.2%	79.64
51 to 100	68.23	-13.2%	59.22
101 to 250	50.33	-13.2%	43.69
251 to 500	45.69	-13.2%	39.66
501 +	40.10	-13.2%	34.81

EMPLOYMENT-RELATED PRACTICES LIABILITY

CALCULATION OF REVISED LOSS COSTS BY EMPLOYEE INTERVAL

EXPLANATORY NOTES TO TABLE 4

Column (1) NUMBER OF EMPLOYEES

The existing ranges of employees that currently have separate loss costs are shown.

Column (2) CURRENT GRADED LOSS COSTS BY EMPLOYEE INTERVAL

These are the current incremental loss costs for each employee within each respective Number of Employees range in this jurisdiction.

Column (3) PROPOSED STATEWIDE CHANGE

This is the selected loss cost change from Table 1.

Column (4) PROPOSED GRADED LOSS COSTS BY EMPLOYEE INTERVAL

This is the product of the current loss cost and (one plus) the proposed statewide change.

EMPLOYMENT-RELATED PRACTICES LIABILITY EXPERIENCE REVIEW

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EMPLOYMENT-RELATED PRACTICES LIABILITY

UNALLOCATED LOSS ADJUSTMENT FACTOR METHODOLOGY

BACKGROUND

Allocated loss adjustment expenses are reported on a unit transaction basis with the loss records and are thus included with indemnity loss data. Since the prospective loss costs include all loss adjustment expenses, we must load for unallocated loss adjustment expenses.

IMPORTANCE OF APPLICATION

The unallocated loss adjustment expense factor is necessary to account for loss adjustment expenses which cannot be allocated to a particular claim.

METHODOLOGY FOR LIABILITY COVERAGES

The unallocated loss adjustment expense factor used in this review is based on multistate data for ISO member and subscriber companies, as shown on Table 5. The calculation is based on data for General Liability excluding Medical Professional Liability because data for Employment-Related Practices Liability is not available. The factor is calculated as the ratio of unallocated expenses to losses and allocated expenses.

For this review, a factor is 1.045 was selected.

EMPLOYMENT-RELATED PRACTICES LIABILITY

TABLE 5

Multistate Review of ULAE Experience
 General Liability Excluding Medical Professional Liability
 Loss Adjustment Expense Special Call
 Calendar Years 2002 - 2006

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2002 - 2006</u> <u>Mean</u>	<u>2004 - 2006</u> <u>Mean</u>
1. Direct Losses Incurred	17,316,648	18,078,086	20,621,418	18,828,196	14,816,398		
2. Allocated Loss Adjustment Expenses Incurred (ALAE)	3,142,207	3,804,652	5,078,430	5,265,077	4,050,421		
3. Unallocated Loss Adjustment Expenses Incurred (ULAE)	902,763	1,011,316	1,002,177	1,061,548	989,764		
4. Incurred Losses + ALAE [(1) + (2)].	20,458,855	21,882,738	25,699,848	24,093,273	18,866,819		
	<u>Incurred Percentage</u>						
5. Ratio of ULAE to (Losses + ALAE) [(3)/(4)]	4.4%	4.6%	3.9%	4.4%	5.2%	4.5%	4.5%
6. Selected	4.5%						

Notes: All dollar amounts are displayed in thousands.

* Items (1) - (4) are from the special call submissions for available writers.

EMPLOYMENT-RELATED PRACTICES LIABILITY

TREND PROCEDURE

OBJECTIVE

The prospective loss cost level established in this document reflects anticipated cost levels for the prospective period during which the revised loss costs are assumed to be in effect.

CLAIM SEVERITY AND CLAIM FREQUENCY TREND

The application of loss trend factors to historical data recognizes two important ratemaking concepts. First, loss costs are being calculated for use in a future period based on historical experience. Second, due to economic and social factors, claim cost and claim frequency levels continue to change from those underlying the historical data.

Claim severity and claim frequency trend factors are calculated using a selected annual rate of change based on observed changes in claim severity and claim frequency for multistate Employment-Related Practices Liability experience.

The method of trend determination used in this review makes use of the Least Squares Method fitted to the reported time series data; specifically, an exponential curve represented by the equation

$$Y = Ae^{Bx}$$

is fitted to the claim cost and claim frequency data. The claim cost data reflects basic limit incurred losses developed to their ultimate settlement value and incurred claims. The claim frequency data reflects basic limit aggregate loss costs at current level and incurred claims. The parameters A and B are constants; x is the unit of time; e is the natural logarithm base with the numerical value of 2.7182818...; and Y is the fitted value on the curve.

The claim severity curve was calculated for the latest 5, 6 and 7 years of experience; the underlying data and the indicated and selected annual rates of change in claim severity are shown on Table 6. The selected trend is a judgmental selection reflecting a tempering of the indicated trend. The high magnitude of the indicated trend is unlikely to be sustained going forward.

The claim frequency curve was calculated for the latest 5, 6 and 7 years of experience; the underlying data and the indicated and selected annual rates of change in claim frequency are shown on Table 7. The selected trend is a judgmental selection reflecting a significant increase in filed complaints based on the most recently available statistics from the U.S. Equal Employment Opportunity Commission.

EMPLOYMENT-RELATED PRACTICES LIABILITY

TABLE 6

SEVERITY TREND CALCULATION

(1)	(2)	(3)	(4) =(2)/(3)
Report Year	Multistate (a) Ultimate Basic Limit <u>Incurred Losses</u>	Multistate (a) Reported <u>Claims</u>	<u>Claim Severity</u>
2000	2,152,650	134	16,065
2001	4,469,047	211	21,180
2002	5,564,631	226	24,622
2003	6,156,512	247	24,925
2004	6,184,127	233	26,541
2005	7,436,449	213	34,913
2006	9,809,423	242	40,535
Indicated 5-Year Annual Severity Trend			14.3%
Indicated 6-Year Annual Severity Trend			13.3%
Indicated 7-Year Annual Severity Trend			14.7%
Selected Annual Severity Trend			5.0% (b)

(a) Includes all jurisdictions.

(b) The selected trend is a judgmental selection reflecting a tempering of the indicated trend. The high magnitude of the indicated trend is unlikely to be sustained going forward.

EMPLOYMENT-RELATED PRACTICES LIABILITY

TABLE 7

FREQUENCY TREND CALCULATION

(1) <u>Report Year</u>	(2) Multistate (a) Basic Limit Aggregate Loss Costs at Current Level <u>(ALCCL)</u>	(3) Multistate (a) Reported <u>Claims</u>	(4) =(3)/(2) x 1,000 Claim Frequency Per \$1,000 <u>of ALCCL</u>
2000	5,358,432	134	0.0250
2001	7,936,576	211	0.0266
2002	8,444,994	226	0.0268
2003	8,106,085	247	0.0305
2004	8,760,125	233	0.0266
2005	11,012,569	213	0.0193
2006	13,570,288	242	0.0178
Indicated 5-Year Annual Frequency Trend			-11.9%
Indicated 6-Year Annual Frequency Trend			-8.5%
Indicated 7-Year Annual Frequency Trend			-5.7%
Selected Annual Frequency Trend			0.0% (b)

(a) Includes all jurisdictions.

(b) Selection takes into account a significant increase in filed complaints made to the U.S. Equal Employment Opportunity Commission (EEOC) in 2007 compared to 2006 based on EEOC published statistics. This increase was over 9%.

EMPLOYMENT-RELATED PRACTICES LIABILITY

LOSS DEVELOPMENT PROCEDURE

OBJECTIVE

The application of loss development factors recognizes the important ratemaking concept that all of the losses for a particular accident year have not been finally determined at the time experience is compiled.

APPLICATION OF LOSS DEVELOPMENT FACTORS

The incurred losses underlying the multistate loss cost level indication were evaluated as of June 30, 2007.

For example, the accident year ending December 31, 2006 includes all losses and allocated loss adjustment expenses paid on accidents occurring from January 1, 2006 through December 31, 2006 and all losses and allocated loss adjustment expenses outstanding on those accidents as of June 30, 2007, 18 months after the inception of the accident year.

Thus, for example, the immature experience reported as of 18, 30, and 42 months for accident years ending 12/31/2006, 12/31/2005, and 12/31/2004, respectively, must be adjusted to an ultimate settlement basis. This adjustment is accomplished through the use of loss development factors.

Table 8 details the calculation of the loss development factors. Incurred losses, individual age-to-age factors, average factors (both arithmetic and loss-weighted) and selected age-to-age factors, as well as the final cumulative factors, are shown.

EMPLOYMENT-RELATED PRACTICES LIABILITY

TABLE 8

ACCIDENT YEAR LOSS DEVELOPMENT

Accident Year	Evaluation Age (Months)									
	18	30	42	54	66	78	90	102	114	
1998	(a)	161,476	265,319	267,443	266,877	266,877	266,877	266,877	266,877	266,877
1999	1,001,249	1,593,350	1,672,200	1,653,596	1,810,676	1,813,635	1,893,949	1,893,949	1,893,949	266,877
2000	6,064,038	8,922,609	11,126,576	11,854,983	12,460,986	12,446,206	12,598,023			1,893,949
2001	10,670,162	17,096,869	19,659,772	21,420,768	22,200,368	22,318,642				12,598,023
2002	21,901,060	29,844,723	37,500,686	39,417,344	41,439,916					
2003	18,222,849	26,462,536	31,459,172	34,579,218						
2004	23,278,362	33,769,887	39,028,354							
2005	25,105,188	41,468,953								
2006	39,897,341									

Accident Year	Development Factors									
	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90-102	102 - 114	114 - Ult.	
1998	N/A	1.643	1.008	0.998	1.000	1.000	1.000	1.000	1.000	1.000
1999	1.591	1.049	0.989	1.095	1.002	1.044	1.000	1.000	1.000	1.000
2000	1.471	1.247	1.065	1.051	0.999	1.012				
2001	1.602	1.150	1.090	1.036	1.005					
2002	1.363	1.257	1.051	1.051						
2003	1.452	1.189	1.099							
2004	1.451	1.156								
2005	1.652									

Arith. Avg.	1.512	1.242	1.050	1.046	1.001	1.019	1.000	1.000	1.000	1.000
Wtd. Avg.	1.498	1.194	1.074	1.048	1.003	1.016	1.000	1.000	1.000	1.000

Selected	1.498	1.194	1.074	1.048	1.003	1.016	1.000	1.000	1.000	1.000
Cumulative	2.051	1.369	1.146	1.068	1.019	1.016	1.000	1.000	1.000	1.000

(a) No losses reported.

EMPLOYMENT-RELATED PRACTICES LIABILITY EXPERIENCE REVIEW

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COMMERCIAL LINES MANUAL
 DIVISION ELEVEN
 EMPLOYMENT-RELATED PRACTICES LIABILITY
 LOSS COST PAGES

ARKANSAS (03)

**RULE 21.
 BASE COMPANY RATES OR ISO LOSS COSTS**

A. Basic Limit

SUBLINE CODE 360	
Territory Code(s) 001*	Mature Claims-Made \$500,000 Limit
Number Of Employees	Loss Cost Per Employee
First 25	\$ 95.39
Next 25	79.64
Next 50	59.22
Next 150	43.69
Next 250	39.66
Over 500	34.81

* Entire state.

Table 21.A. Basic Limit Loss Costs