

SERFF Tracking Number: FNBL-125536873 State: Arkansas
First Filing Company: Mid-Century Insurance Company, ... State Tracking Number: #1452 \$125
Company Tracking Number:
TOI: 17.1 Other Liability - Claims Made Only Sub-TOI: 17.1010 Employment Practices Liability
Product Name: Employment Practices Liability Insurance Program
Project Name/Number: Farmers Insurance Group Filings /1002-01

Filing at a Glance

Companies: Mid-Century Insurance Company, Farmers Insurance Exchange, Truck Insurance Exchange

Product Name: Employment Practices Liability SERFF Tr Num: FNBL-125536873 State: Arkansas

Insurance Program

TOI: 17.1 Other Liability - Claims Made Only SERFF Status: Closed

State Tr Num: #1452 \$125

Sub-TOI: 17.1010 Employment Practices

Co Tr Num:

State Status: Fees verified and received

Liability

Filing Type: Rate/Rule

Co Status:

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

Author: Fred Santiago

Disposition Date: 05/23/2008

Date Submitted: 03/26/2008

Disposition Status: Filed

Effective Date Requested (New): 05/01/2008

Effective Date (New):

Effective Date Requested (Renewal): 07/01/2008

Effective Date (Renewal):

State Filing Description:

rec'd check 1452 for \$225....applied \$125 to FNBL-125536873 (rate/rule) and \$100 to FNBL-125536872 (forms)

General Information

Project Name: Farmers Insurance Group Filings

Status of Filing in Domicile: Pending

Project Number: 1002-01

Domicile Status Comments:

Reference Organization: N/A

Reference Number: N/A

Reference Title: N/A

Advisory Org. Circular: N/A

Filing Status Changed: 05/23/2008

State Status Changed: 05/23/2008

Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

Farmers Insurance Exchange

Mid-Century Insurance Company

Truck Insurance Exchange

Employment Practices Liability

Explanatory Filing Memorandum

SERFF Tracking Number: FNBL-125536873 State: Arkansas
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With this filing, The Farmers Insurance Group of Companies (“FIGC”) proposes to introduce a new program, Employment Practices Liability Insurance (“EPLI”). The program will provide liability protection to an employer for employment-related practices, personnel policies, acts, or omissions. The intended customers of this program are those insureds that currently purchase FIGC’s Businessowners’ coverage.

There are two EPLI programs available: a Standard program, and a Preferred program that offers more choices of limits and coverages.

The proposed EPLI program is a new coverage offering for FIGC and does not replace any program currently offered by FIGC. As such, the rates and rating factors for this EPL program have been developed based on underwriting judgment.

The attached expense exhibits display the derivation of the projected loss and loss adjustment expense ratio for the EPLI program. Since this is a new program, the proposed expense provisions are based on FIGC expense experience for the Other Liability Annual Statement line of business.

Company and Contact

Filing Contact Information

(This filing was made by a third party - funkandboltonpa)

Fred Santiago, Paralegal fsantiago@fblaw.com
 36 South Charles Street (410) 659-4976 [Phone]
 Baltimore, MD 21201

Filing Company Information

Mid-Century Insurance Company	CoCode: 21687	State of Domicile: California
36 South Charles Street	Group Code: 212	Company Type:
Baltimore, MD 21201	Group Name: Farmers Insurance Group	State ID Number:
(410) 659-4976 ext. [Phone]	FEIN Number: 95-6016640	

Farmers Insurance Exchange	CoCode: 21652	State of Domicile: California
36 South Charles Street	Group Code: 212	Company Type:
Baltimore, MD 21201	Group Name: Farmers Insurance Group	State ID Number:

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(410) 659-4976 ext. [Phone]

FEIN Number: 95-2575893

Truck Insurance Exchange
36 South Charles Street
Baltimore, MD 21201

CoCode: 21709

State of Domicile: California

Group Code: 212

Company Type:

Group Name: Farmers Insurance

State ID Number:

Group

(410) 659-4976 ext. [Phone]

FEIN Number: 95-2575892

SERFF Tracking Number: FNBL-125536873 *State:* Arkansas
First Filing Company: Mid-Century Insurance Company, ... *State Tracking Number:* #1452 \$125
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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	05/23/2008	05/23/2008

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending	Edith Roberts	04/14/2008	04/14/2008	Fred Santiago	05/12/2008	05/12/2008

Industry
Response

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Filing Fees	Note To Reviewer	Fred Santiago	04/14/2008	04/14/2008

SERFF Tracking Number: FNBL-125536873 State: Arkansas
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Disposition

Disposition Date: 05/23/2008
 Effective Date (New):
 Effective Date (Renewal):
 Status: Filed
 Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
Mid-Century Insurance Company	0.000%	\$0	0	\$0	0.000%	0.000%	0.000%
Farmers Insurance Exchange	0.000%	\$0	0	\$0	0.000%	0.000%	0.000%
Truck Insurance Exchange	0.000%	\$0	0	\$0	0.000%	0.000%	0.000%

Overall Rate Information for Multiple Company Filings

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

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Effect of Rate Filing - Number of Policyholders Affected

0

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Supporting Documentation	Filed	Yes
Rate	CLM Employment Practices Liability Insurance	Filed	Yes

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Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 04/14/2008

Submitted Date 04/14/2008

Respond By Date

Dear Fred Santiago,

This will acknowledge receipt of the captioned filing.

Please advise if the fees have been submitted for this filing or for the companion forms filing.

If so, please advise how and when they were submitted.

Thanks.

Please feel free to contact me if you have questions.

Sincerely,

Edith Roberts

Response Letter

Response Letter Status Submitted to State

Response Letter Date 05/12/2008

Submitted Date 05/12/2008

Dear Edith Roberts,

Comments:

Response 1

Comments: Sorry for not responding sooner, your department acknowledged receipt of the filing fees on April 21, 2008. If you need any additional information, please do not hesitate to ask.

Thank you

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Fred Santiago

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,
Fred Santiago

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Note To Reviewer

Created By:

Fred Santiago on 04/14/2008 03:30 PM

Subject:

Filing Fees

Comments:

I can't find where filing fees were sent. Can I overnight them? There are three companies so would the correct filing fee be \$75.00?

Thank You

Fred Santiago

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Rate Information

Rate data applies to filing.

Filing Method:

Rate Change Type:

Neutral

Overall Percentage of Last Rate Revision:

0.000%

Effective Date of Last Rate Revision:

Filing Method of Last Filing:

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):
Mid-Century Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%
Farmers Insurance Exchange	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%
Truck Insurance Exchange	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

Overall Rate Information for Multiple Company Filings

Overall % Rate Indicated:

0.000%

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Project Name/Number: Farmers Insurance Group Filings /1002-01

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

SERFF Tracking Number: FNBL-125536873 State: Arkansas
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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	CLM Employment Practices Liability Insurance	N/A	New	AR EPLI.pdf

COMMERCIAL LINES MANUAL

ARKANSAS

CHECKING SLIP

SECTION: EMPLOYMENT PRACTICES LIABILITY INSURANCE

EFFECTIVE:

NEW BUSINESS: May 1, 2008

RENEWALS: July 1, 2008

DO NOT DESTROY ANY OTHER PAGES OF YOUR MANUAL.

CONFIDENTIAL INFORMATION – TRADE SECRETS

Farmers Agents and the Company have a vital interest in protecting information used by Agents in conducting their business. This includes Underwriting Manuals and Guidelines, and documents and information about policyholders that is contained in their files.

THIS INFORMATION IS CONFIDENTIAL!

Agents and their employees are expected to keep such confidential information secure from outside visitors. Under no circumstances is confidential information to be generally released to regulatory bodies, the press and/or the public at large. Anyone claiming a legitimate reason to use such information must do so as required by law or judicial process.

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RESERVED FOR FUTURE USE

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Interstate Accounts	5
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Retention Factor	11
SIC Hazard Factor	10

RESERVED FOR FUTURE USE

RULES, RATES AND TERRITORIES

A. GENERAL ITEMS

Policy Term

The Employment Practices Liability Insurance policy is always written for a one-year term.

Enabling Rule

We may use any form and its corresponding rules and rates that have been filed by Farmers Insurance Exchange, Truck Insurance Exchange, or Mid-Century Insurance Company.

Interstate Accounts

Policies providing coverage on locations in more than one state may be written in one policy subject to the rules and forms of the state in which the:

1. Insured's headquarters is located; or
2. Insurance is negotiated.

Facultative and Treaty Special Acceptance Reinsurance

In the event a risk is to be reinsured on a facultative, or treaty special acceptance basis, the following rating procedure shall apply:

- A. The applicable rating procedure of this manual shall apply for the limits of liability or coverages which are not subject to facultative reinsurance.
- B. For limits of liability or coverage obtained by means of facultative reinsurance, the premium shall be the facultative cost for such insurance increased by a charge up to but not exceeding 50%.
- C. For limits of liability or coverage obtained by means of a treaty special acceptance, the premium shall be the treaty special acceptance cost for such insurance.

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B. RATING RULES

General Rules

Plan B: Optional Higher Limits Program

Optional higher limits can be purchased for new business and renewal BOPs. Coverage applies on a per-policy rather than a per-location basis.

The available limits are: \$500,000 and \$1,000,000 Per Each Insured Event/Aggregate Limit.

Two coverage options are available – Standard and Preferred.

Minimum Premium

The minimum premium varies by Plan and by Limit of Liability.

Plan B: Optional Higher Limits Program

Limit of Liability	Minimum Premium
\$500,000	\$1,000
1,000,000	1,190

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RATING RULES (Continued)

Premium Computation

I. Plan B: Optional Higher Limit Program

A. Rating Sequence

1. Select the Per Employee Base Rate for the selected coverage option.
2. Multiply by the FTE number of employees.
3. Multiply by the SIC Hazard Relativity Factor.
4. Multiply by the Limits Factor.
5. Multiply by the Retention Factor.

B. Per Employee Base Rate (\$1,000,000 Limit of Insurance)

Coverage Option	Rate
Standard	\$52.38
Preferred	60.24

The FTE number of employees is determined as follows:

$$\text{FTE number of employees} = \text{Number of full time employees} + (\text{number of part time employees}/2)$$

Example: A policyholder with 20 full time employees and 10 part time employees would have:
 $20 + (10/2) = 25$ FTE number of employees.

RATING RULES (Continued)

C. SIC Hazard Factor

Hazard Level	Factor
Average	1.00
High	1.45

All classifications are average hazard except those identified below

SIC	Description	Standard	Preferred
0742	Veterinary Services for Animal Specialties	High	High
1741	Masonry, Stone Setting, and Other Stone Work	High	High
1742	Plastering Drywall and acoustical insulation work	High	High
1751	Carpentry Work	High	High
1771	Concrete Construction	High	High
2741	Miscellaneous Publishing	High	High
2771	Greeting Card Printing	High	High
4724	Travel Agents	High	High
5511	Motor Vehicle Dealers – New and Used	High	High
6163	Loan Brokers	High	High
6282	Investment Advice	High	High
6411	Insurance Agents – other than Farmers	High	High
6512	Operators of Nonresidential Buildings	Average	High
6513	Apartment Buildings	Average	High
6531	Real Estate Agents and Managers	High	High
7299	Miscellaneous Personal Services (Day Spas)	High	High
7331	Direct Mail Advertising Service	High	High
7371	Computer Programming Services	High	High
7373	Computer Integrated System Design	High	High
7374	Computer Processing & Data Preparation	High	High
7377	Web Hosting Services	High	High
7378	Computer Maintenance & Repair	High	High
7379	Computer Related Services – NEC	High	High
8011	Offices and Clinics of Doctors of Medicine	High	High
8021	Offices and Clinics of Dentists	High	High
8031	Offices and Clinics of Doctors of Osteopathy	High	High
8041	Offices and Clinics of Chiropractors	High	High
8042	Offices and Clinics of Optometrists	High	High
8043	Offices and Clinics of Podiatrist's	High	High
8049	Offices and Clinics of Health Practitioners, not elsewhere classified	High	High
8071	Medical Laboratories	High	High
8072	Dental Laboratories	High	High
8099	MRI/Diagnostic Facilities	High	High
8111	Legal Services	High	High
8641	Condominium Associations	Average	High
8699	Planned Unit Developments	Average	High
8711	Engineering Services	High	High
8712	Architectural Services	High	High
8713	Surveying Services	High	High
8721	Accounting, Auditing and Bookkeeping Services	High	High
8742	Management Consultant Services	High	High
8999	Services not elsewhere classified, Offices – NOC	High	High

RATING RULES (Continued)

D. Limits Factor

Limit	Factor
\$500,000	0.850
1,000,000	1.000

E. Retention Factor

Limit	Factor
\$2,500	1.000
5,000	0.950
7,500	0.925
10,000	0.900
15,000	0.850
25,000	0.775
50,000	0.700

II. Application of Policy Modifications

The resulting EPLI premium is not subject to any discounts or multipliers.

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Supporting Document Schedules

Satisfied -Name: Supporting Documentation

Review Status:

Filed

05/23/2008

Comments:

Attachments:

DOCS-#112768-v1-Transmittal_AR-_Rates.pdf
DOCS-#112797-v1-Cover_Letter_Rates_AR.pdf
AR - PLR Exhibits.pdf
Expense Exhibits - part 2 - 2008 02 19 1345.pdf

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:				
	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%; border: none;">New Business</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;">Renewal Business</td> <td style="border: none;"></td> </tr> </table>	New Business		Renewal Business	
New Business					
Renewal Business					
	f. State Filing #:				
	g. SERFF Filing #:				
	h. Subject Codes				

3. Group Name	Group NAIC #
Farmers Insurance Group	10315

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Farmers Insurance Exchange	CA	212 21652	95-2575893	
Mid-Century Insurance Company	CA	212 21687	95-6016640	
Truck Insurance Exchange	CA	212 21709	95-2575892	

5. Company Tracking Number	
-----------------------------------	--

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

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Frederick M. Santiago Funk & Bolton, P. A. 36 South Charles St. 12 th Floor Baltimore, MD 21201	Paralegal	410-659-4976	410-659-7630	fsantiago@fblaw.com
7.	Signature of authorized filer				
8.	Please print name of authorized filer		Frederick M. Santiago		

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

9.	Type of Insurance (TOI)	17.1000
10.	Sub-Type of Insurance (Sub-TOI)	17.0010
11.	State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12.	Company Program Title (Marketing title)	
13.	Filing Type	<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)
14.	Effective Date(s) Requested	New: 05/01/08 Renewal: 07/01/08
15.	Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16.	Reference Organization (if applicable)	N/A
17.	Reference Organization # & Title	N/A
18.	Company's Date of Filing	March 27, 2008
19.	Status of filing in domicile	<input type="checkbox"/> Not Filed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	FM-EPL-AR-R01
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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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On behalf of the above companies, all of which are member insurers of the Farmers Insurance Group of Companies, we are submitting for approval this Rate filing to introduce their new Employment Practices Liability Insurance Program. Enclosed is the Authorization Letter for Funk & Bolton, P. A. make this filing on behalf of the companies listed above.

This new Employment Practices Liability Insurance Program will be offered by the writing companies listed in accordance with the rules set forth in the enclosed Rate Plan. The offer will be in conjunction with their approved Businessowners Policy Programs (“BOP”) which are on file with your Department. The applicant can choose between the standard coverage form and the preferred coverage form, which includes third party employment practices liability coverage and other enhancements.

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
------------	---

Check #:
Amount:

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.)

1.	This filing transmittal is part of Company Tracking #	FM-EPL-AR-R01
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	FM-EPL-AR-F01
-----------	---	---------------

Rate Increase Rate Decrease Rate Neutral (0%)

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

4a.	Rate Change by Company (As Proposed)						
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Farmers Insurance Exchange	0	0	0	0	0	0	0
Mid-Century Insurance Company	0	0	0	0	0	0	0
Truck Insurance Exchange	0	0	0	0	0	0	0

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

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

6.	Overall percentage of last rate revision	New Program
7.	Effective Date of last rate revision	New Program
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	New Program

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	CLM – Employment Practices Liability Insurance	<input checked="" type="checkbox"/> New <input 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	

PC RRFS-1

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FUNK & BOLTON
ATTORNEYS AT LAW

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JEFFERSON L. BLOMQUIST (MD)
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March 27, 2008

Commissioner Julie Benafield Bowman
Property and Casualty Section – Rate and Form Filings
Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201

RE: Farmers Insurance Exchange NAIC # 212 21652 FEIN# 95-2575893
Mid-Century Insurance Company NAIC # 212 21687 FEIN# 95-6016640
Truck Insurance Exchange NAIC # 212 21709 FEIN# 95-2575892

Employment Practices Liability Insurance Program
Our Filing No.: FM-EPL-AR-R01
Type of Filing: Rate

Dear Commissioner Bowman:

On behalf of the above companies, all of which are member insurers of the Farmers Insurance Group of Companies, we are submitting for approval this Rate filing to introduce their new Employment Practices Liability Insurance Program. Enclosed is the Authorization Letter for Funk & Bolton, P. A. to make this filing on behalf of the companies listed above.

This new Employment Practices Liability Insurance Program will be offered by the writing companies listed in accordance with the rules set forth in the enclosed Rate Plan. The offer will be in conjunction with their approved Businessowners Policy Programs (“BOP”) which are on file with your Department. The applicant can choose between the standard coverage form and the preferred coverage form, which includes third party employment practices liability coverage and other enhancements.

The forms for this new program have been submitted to your Department under our Filing Number FM-EPL-AR-F01.

The following documents are enclosed as part of this filing:

- Required State Forms;
- Explanatory Filing Memorandum
- Rate Plan containing a May 1, 2008 edition date;

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- Authorization Letter.

Upon your earliest review and acknowledgment, we propose to implement this filing for all policies effective on or after May 1, 2008 for new business and July 1, 2008 for renewals. Kindly contact me with any comments/questions or with documentation of the Department's approval of this filing.

Sincerely,

Fred Santiago

Fred Santiago
Paralegal
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Farmers Insurance Group
Arkansas
Line of Business: 17 - Other Liab

Permissible Loss and LAE Ratio and Target Combined Ratio

	<u>Estimate</u>
R = Target Total After-Tax Return on Surplus	15.0%
S = Leverage Ratio	1.70:1
Prem: Surplus (= R/RT)	
RT = Total After-Tax Return as % of Premium	8.8%
= R/S	
E = Underwriting Expenses (Includes ULAE)	31.7%
UL = Unallocated Loss Adjustment Expense (ULAE / Premium)	3.6%
d = Loss and LAE Reserve Discount Factor	0.924
i = Investment Income, % of Total Assets	3.3%
tu = Tax Rate on Underwriting Assuming a Regular Taxpayer	35.0%
ti = Tax Rate on Investment Income	27.9%

L = Permissible Loss and ALAE Ratio

64.9%

C = Target Combined Ratio

= L + E

96.6%

$$\begin{aligned}
 RT &= [(1 - tu) * (1 - E - L)] && \text{(Underwriting Income)} \\
 &+ (1 - d) * (L + UL) && \text{(Investment Income on Reserves)} \\
 &+ [(1 - ti) * i] / S && \text{(Investment Income on Surplus)}
 \end{aligned}$$

which yields

$$L = \frac{[(1 - tu) * (1 - E)] + (1 - d) * UL + \{[(1 - ti) * i] * [1 / S]\} - RT}{d - tu}$$

**Farmers Insurance Group
Expense Analysis
Arkansas**

17 - Other Liab
(Amounts in Thousands)

Expense Component	2004		2005		2006		Selected %
	Amount	%	Amount	%	Amount	%	
Companywide Premiums Written	148,539		161,620		177,377		
Companywide Premiums Earned	140,803		152,908		170,196		
Comm. & Brok.	17,226	11.6%	18,644	11.5%	21,005	11.8%	11.7%
Other Acquisition	12,384	8.8%	13,238	8.7%	17,589	10.3%	9.3%
General Expenses	5,198	3.7%	5,220	3.4%	7,710	4.5%	3.9%
Policyholder Dividends	0	0.0%	0	0.0%	0	0.0%	0.0%
Arkansas Premiums Written	884		1,025		1,173		
Taxes, Licenses, & Fees	31	3.5%	33	3.3%	37	3.1%	3.2%
Companywide Premiums Earned	140,803		152,908		170,196		UL= 3.6%
ULAE*	6,715	4.8%	5,036	3.3%	5,785	3.4%	
Bad Debt							0.0%
Total		32.3%		30.2%		33.2%	E = 31.7%

*Loss adjustment Expenses in 2004 reflect a correction to adjusting and other expenses unpaid allocation between lines 1,2,2, 5.1 and 27.0

SOURCES

Companywide Premiums Written	FIG Cons. IEE - Part III line 17 - Other Liab col. 1	
Companywide Premiums Earned	FIG Cons. IEE - Part III line 17 - Other Liab col. 3	
Comm. & Brok.	FIG Cons. IEE - Part III line 17 - Other Liab col. 23	Selected
Other Acquisition	FIG Cons. IEE - Part III line 17 - Other Liab col. 27	Latest Average
General Expenses	FIG Cons. IEE - Part III line 17 - Other Liab col. 29	Three-year Average
Policyholder Dividends	FIG Cons. IEE - Part III line 16	FIG Cons. IEE - Part III line 16
Arkansas Premiums Written	FIG Cons. A.S. p.15. Arkansas line 17 - Other Liab col. 1	
Taxes, Licenses, & Fees	FIG Cons. A.S. p.15. Arkansas line 17 - Other Liab col. 12	Two-year Average
ULAE	FIG Cons. IEE - Part III line 17 - Other Liab col. 11	Four-year Average

Commissions & Brokerages are computed as a percentage of Written Premium

Other Acquisition and General Expenses, and Policyholder Dividends are computed as a percentage of Earned Premium.

The 2003 - 2005 Other Acquisition Expense and General Expense have been restated to conform to 2006 accounting conventions.

Farmers Insurance Group
Projected Investment Income Ratio
Percent of Total Assets

(000 Omitted)

	2002	2003	2004	2005	2006
(1) Net Investment Income Earned FIG Consolidated Annual Statement Page 4, Line 9, col. 1	\$536,021	\$431,762	\$497,951	\$551,767	\$588,012
(2) Other Income FIG Consolidated Annual Statement Page 4, Line 13 plus Line 14, col. 1 (w/adjustments as needed)	\$11,370	(\$96,832)	(\$154,818)	(\$80,899)	(\$72,382)
(3) Total Assets, current year FIG Consolidated Annual Statement Page 2, Line 26, col. 3	\$15,726,766	\$17,048,575	\$18,408,620	\$19,568,397	\$20,735,536
(4) Total Assets, previous year FIG Consolidated Annual Statement Page 2, Line 26, col. 4	\$14,908,778	15,726,766	17,048,575	18,408,620	19,568,397
(5) Average Total Assets [(3) + (4)] / 2	15,317,772	16,387,671	17,728,598	18,988,509	20,151,967
(6) Investment Income Ratio [(1) + (2)] / (5)	3.6%	2.0%	1.9%	2.5%	2.6%
(7) Projected Investment Income (three-year average)				<u>2.3%</u>	

Farmers Insurance Group
Net Realized Capital Gains
Percent of Total Assets

(000 Omitted)

*Source: Annual statement Page2, line 26, Col. 3

**Source: Annual statement Page4, line 10, Col. 1

Year	Total Assets*	Avg. with Prior Year	Realized Cap. Gains**	Percent Return
1980	3,634,699		(10,494)	
1981	3,926,527	3,780,613	(12,486)	-0.3%
1982	4,223,299	4,074,913	(26,853)	-0.7%
1983	4,598,221	4,410,760	(3,773)	-0.1%
1984	4,903,894	4,751,058	17,446	0.4%
1985	5,676,097	5,289,995	82,360	1.6%
1986	6,956,911	6,316,504	122,176	1.9%
1987	7,775,115	7,366,013	28,205	0.4%
1988	8,707,533	8,241,324	141,175	1.7%
1989	9,640,862	9,174,198	87,070	0.9%
1990	10,612,794	10,126,828	90,738	0.9%
1991	11,580,703	11,096,749	236,461	2.1%
1992	12,357,318	11,969,011	344,083	2.9%
1993	13,340,263	12,848,791	316,809	2.5%
1994	12,683,956	13,012,110	168,748	1.3%
1995	12,050,610	12,367,283	157,480	1.3%
1996	12,041,209	12,045,910	150,743	1.3%
1997	12,357,046	12,199,128	297,625	2.4%
1998	14,763,606	13,560,326	74,597	0.6%
1999	15,603,826	15,183,716	27,009	0.2%
2000	16,155,992	15,879,909	(12,277)	-0.1%
2001	14,908,778	15,532,385	363,945	2.3%
2002	15,726,766	15,317,772	184,329	1.2%
2003	17,048,575	16,387,671	20,284	0.1%
2004	18,408,620	17,728,598	37,617	0.2%
2005	19,568,397	18,988,509	6,567	0.0%
2006	20,735,536	20,151,967	37,856	0.2%
2007				
2008				
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
Average				1.0%

Note: We need to use pre-tax Net Realized Capital Gains for PLR.

2005 NAIC changed the rule to include the capital gain tax in line 10 instead of line 19 of the prior annual statements.

If we want to compare the pre-tax figure to the prior annual statements, we need to calculate the pre-tax Net Realized Capital Gains \$6,567,183, which is \$7,680,756 - \$1,113,573, for 2005.

Capital Gains \$37,856,004, which is \$40,328,019 - \$2,472,015, for 2006.

Note that the Exhibit of Capital Gains in Annual Statement Page 12 didn't include the Capital Gains Tax Amount.

Farmers Insurance Group
Federal Taxes on Investment Income
2006

(000 Omitted)

TYPE OF INVESTMENT	INCOME	TAXABLE PORTION	TAXABLE INCOME
Taxable Bonds	\$493,351	100.0%	\$493,351
Tax-Exempt Bonds			
Old (prior to 8/86)	0	0.0%	0
New (after 8/86)	152,585	15.0%	22,888
Stocks			
Old (prior to 8/86)	0	30.0%	0
New (after to 8/86)	16,594	40.5%	6,721
Other Investment Income	85,969	100.0%	85,969
Realized Capital Gains	201,520	100.0%	201,520
Other Income	(102,700)	100.0%	(102,700)
GROSS TOTAL	847,319		707,749
Investment Expenses	160,487	100.0%	160,487
NET TOTAL	686,832		547,261
CORPORATE TAX RATE (Assuming Regular Taxpayer)			35.0%
TAX AMOUNT			191,541
TAX AMOUNT AS % OF INVESTMENT INCOME			27.9%

* 30% of income is fully taxable, the remainder is 15% taxable.