

SERFF Tracking Number: MADC-125637473 State: Arkansas  
Filing Company: Advantage Workers Compensation Insurance State Tracking Number: EFT \$50  
Company  
Company Tracking Number: AWCIC-AR-2008-002  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: Workers Compensation Program  
Project Name/Number: Revised Advisory Loss Costs & Rating Values/AWCIC-AR-2008-002

## Filing at a Glance

Company: Advantage Workers Compensation Insurance Company

Product Name: Workers Compensation Program SERFF Tr Num: MADC-125637473 State: Arkansas

TOI: 16.0 Workers Compensation SERFF Status: Closed State Tr Num: EFT \$50

Sub-TOI: 16.0004 Standard WC Co Tr Num: AWCIC-AR-2008-002 State Status: Fees verified and received

Filing Type: Rate Co Status: Reviewer(s): Betty Montesi, Carol Stiffler, Brittany Yielding

Authors: Tina Gill, Margaret Lovejoy Disposition Date: 05/07/2008

Date Submitted: 05/07/2008 Disposition Status: Approved

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

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

State Filing Description:

## General Information

Project Name: Revised Advisory Loss Costs & Rating Values

Project Number: AWCIC-AR-2008-002

Reference Organization: NCCI

Reference Title:

Filing Status Changed: 05/07/2008

State Status Changed: 05/07/2008

Corresponding Filing Tracking Number:

Filing Description:

The purpose of this filing is to advise the Department that the Company would like to adopt the revised advisory loss costs and rating values as shown in NCCI Item AR-2008-02. The Company will maintain its current loss cost multiplier of 1.30.

The estimated impact of this filing is -12.8% based on NCCI's revised filing.

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

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We request an effective date of July 1, 2008.

## Company and Contact

### Filing Contact Information

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

Tina Gill, Analyst tina@madisoninc.com  
 200 North 2nd Street (706) 342-7750 [Phone]  
 Madison, GA 30650 (706) 342-7775[FAX]

### Filing Company Information

Advantage Workers Compensation Insurance CoCode: 40517 State of Domicile: Indiana  
 Company  
 1100 East 6600 South Group Code: Company Type: Property &  
 Casualty  
 Suite 280  
 Murray, UT 84121 Group Name: State ID Number:  
 (801) 288-8750 ext. [Phone] FEIN Number: 13-3088732  
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## Filing Fees

Fee Required? Yes  
 Fee Amount: \$50.00  
 Retaliatory? No  
 Fee Explanation: \$50.00 per filing  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Advantage Workers Compensation Insurance Company	\$50.00	05/07/2008	20138534

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Approved	Carol Stiffler	05/07/2008	05/07/2008

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## Disposition

Disposition Date: 05/07/2008  
 Effective Date (New): 07/01/2008  
 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:
Advantage Workers Compensation Insurance Company	-12.800%	\$-424	10	\$3,311	%	%	%

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<b>Item Type</b>	<b>Item Name</b>	<b>Item Status</b>	<b>Public Access</b>
<b>Supporting Document</b>	Uniform Transmittal Document-Property & Casualty	Approved	Yes
<b>Supporting Document</b>	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
<b>Supporting Document</b>	NAIC loss cost data entry document	Approved	Yes
<b>Supporting Document</b>	Letter of Authorization	Approved	Yes
<b>Supporting Document</b>	Cover Letter	Approved	Yes
<b>Supporting Document</b>	Filing Memo	Approved	Yes
<b>Supporting Document</b>	Filing Exhibits	Approved	Yes
<b>Rate</b>	Small Deductible	Approved	Yes

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**Rate Information**

Rate data applies to filing.

**Filing Method:** Prior Approval  
**Rate Change Type:** Decrease  
**Overall Percentage of Last Rate Revision:** -9.700%  
**Effective Date of Last Rate Revision:** 03/01/2008  
**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):
Advantage Workers Compensation Insurance Company	%	-12.800%	\$-424	10	\$3,311	%	%

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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Approved	Small Deductible	1	Replacement	Small Ded.PDF

# ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

## SMALL DEDUCTIBLE PROGRAM

### ARKANSAS

		Hazard Group													
		A		B		C		D		E		F		G	
		Premium Reduction Percentages													
<b>Total Losses</b>	\$ 1,000	10.2	%	8.2	%	7.0	%	5.8	%	4.9	%	3.4	%	2.5	%
Applicable by deductible amount	1,500	12.5		10.1		8.6		7.2		6.2		4.2		3.2	
and hazard group on a per claim basis	2,000	14.2		11.6		9.9		8.4		7.1		5.1		3.8	
	2,500	15.8		12.9		11.0		9.6		8.0		5.8		4.3	
	3,000	17.1		14.0		12.1		10.4		8.9		6.5		4.9	
	3,500	18.4		15.0		13.1		11.3		9.6		7.1		5.3	
	4,000	19.6		15.9		14.0		12.1		10.3		7.6		5.8	
	4,500	20.6		16.9		14.8		12.9		11.0		8.2		6.2	
	5,000	21.6		17.8		15.6		13.6		11.7		8.7		6.6	

		Hazard Group													
		A		B		C		D		E		F		G	
		Premium Reduction Percentages													
<b>Medical Losses</b>	\$ 1,000	9.9	%	8.0	%	6.8	%	5.6	%	4.7	%	3.2	%	2.3	%
Applicable by deductible amount	1,500	11.9		9.6		8.2		6.9		5.8		4.0		3.0	
and hazard group on a per claim basis	2,000	13.5		10.8		9.3		7.9		6.7		4.7		3.5	
	2,500	14.7		11.9		10.3		8.7		7.4		5.3		3.9	
	3,000	15.8		12.9		11.2		9.6		8.0		5.7		4.3	
	3,500	16.8		13.7		11.9		10.1		8.6		6.2		4.7	
	4,000	17.6		14.5		12.5		10.7		9.2		6.7		5.0	
	4,500	18.5		15.2		13.2		11.4		9.7		7.1		5.3	
	5,000	19.2		15.8		13.7		11.9		10.1		7.4		5.6	

		Hazard Group													
		A		B		C		D		E		F		G	
		Premium Reduction Percentages													
<b>Indemnity Losses</b>	\$ 1,000	2.1	%	1.7	%	1.5	%	1.4	%	1.3	%	1.0	%	0.7	%
Applicable by deductible amount	1,500	2.9		2.2		2.1		1.9		1.7		1.5		1.0	
and hazard group on a per claim basis	2,000	3.6		2.9		2.6		2.5		2.2		1.8		1.4	
	2,500	4.2		3.5		3.2		3.0		2.5		2.2		1.7	
	3,000	4.9		3.9		3.6		3.4		3.0		2.5		1.9	
	3,500	5.4		4.3		4.0		3.8		3.4		2.9		2.1	
	4,000	5.8		4.9		4.5		4.1		3.7		3.2		2.3	
	4,500	6.4		5.3		4.9		4.5		4.0		3.4		2.5	
	5,000	6.8		5.6		5.2		4.9		4.3		3.6		2.9	

Note: If the desired deductible is not shown but is less than the highest limit shown, calculate the credit for the desired limit by interpolating between the nearest amounts shown.

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## Supporting Document Schedules

**Satisfied -Name:** Uniform Transmittal Document-  
Property & Casualty **Review Status:** Approved 05/07/2008

**Comments:**

**Attachment:**

P&C Transmittal.PDF

**Satisfied -Name:** NAIC Loss Cost Filing Document  
for Workers' Compensation **Review Status:** Approved 05/07/2008

**Comments:**

**Attachments:**

LC ref adoption.PDF  
Calc of LCM.PDF  
Calc of LCM w EC.PDF

**Satisfied -Name:** NAIC loss cost data entry document **Review Status:** Approved 05/07/2008

**Comments:**

**Attachment:**

NAIC LC data.PDF

**Satisfied -Name:** Letter of Authorization **Review Status:** Approved 05/07/2008

**Comments:**

**Attachment:**

Authorization letter 2008.pdf

**Satisfied -Name:** Cover Letter **Review Status:** Approved 05/07/2008

**Comments:**



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**Satisfied -Name:** Filing Memo **Review Status:** Approved 05/07/2008  
**Comments:**  
**Attachment:**  
Filing Memo.PDF

**Satisfied -Name:** Filing Exhibits **Review Status:** Approved 05/07/2008  
**Comments:**  
**Attachment:**  
Filing Exhibits.PDF

**Property & Casualty Transmittal Document**

**Reset Form**

**1. Reserved for Insurance Dept. Use Only**

**2. Insurance Department Use only**

a. Date the filing is received:

b. Analyst:

c. Disposition:

d. Date of disposition of the filing:

e. Effective date of filing:

New Business	
Renewal Business	

f. State Filing #:

g. SERFF Filing #:

h. Subject Codes

<b>3. Group Name</b>	<b>Group NAIC #</b>

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Advantage Workers Compensation Ins. Co.	IN	40517	13-3088732	

<b>5. Company Tracking Number</b>	AWCIC-AR-2008-002
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**Contact Info of Filer(s) or Corporate Officer(s)** [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
Tina Gill Madison Consulting Company, Inc. 200 North 2nd Street Madison, GA 30650	Analyst	(706)342-7750	(706)342-7775	tina@madisoninc.com

<b>7. Signature of authorized filer</b>	
<b>8. Please print name of authorized filer</b>	Tina Gill

**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 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)
<b>14. Effective Date(s) Requested</b>	New: 7/1/08      Renewal: 7/1/08
<b>15. Reference Filing?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>16. Reference Organization (if applicable)</b>	NCCI
<b>17. Reference Organization # &amp; Title</b>	AR-2008-02
<b>18. Company's Date of Filing</b>	5/6/08
<b>19. Status of filing in domicile</b>	<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 # AWCIC-AR-2008-002

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

The purpose of this filing is to advise the Department that the Company would like to adopt the revised advisory loss costs and rating values as shown in NCCI Item AR-2008-02. The Company will maintain its current loss cost multiplier of 1.30.

The estimated impact of this filing is -12.8% based on NCCI's revised filing.

We request an effective date of July 1, 2008.

[View Complete Filing Description](#)

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: \$50.00

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

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

## RATE/RULE FILING SCHEDULE

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

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

<b>1. This filing transmittal is part of Company Tracking #</b>	AWCIC-AR-2008-002
-----------------------------------------------------------------	-------------------

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

Rate Increase     
  Rate Decrease     
  Rate Neutral (0%)

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

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)
Advantage		-12.8	-424	10	3311		

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)	-12.8	
5b	Overall percentage rate impact for this filing	-12.8	
5c	Effect of Rate Filing – Written premium change for this program	-424	
5d	Effect of Rate Filing – Number of policyholders affected	10	

<b>6. Overall percentage of last rate revision</b>	- 9.7
<b>7. Effective Date of last rate revision</b>	3/1/08
<b>8. 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	Small Deductible	<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 INSURANCE DEPARTMENT**  
**WORKERS COMPENSATION INSURER RATE FILING**  
**ADOPTION OF ADVISORY ORGANIZATION PROSPECTIVE**  
**LOSS COSTS REFERENCE FILING ADOPTION FORM**

DATE 5/6/2008

1. INSURER NAME Advantage Workers Compensation Insurance Company  
ADDRESS 1100 East 6600 South, Suite 280  
Murray, UT 84121

PERSON RESPONSIBLE FOR FILING Tina Gill  
TITLE Analyst TELEPHONE NO. (706) 342-7750

2. INSURER NAIC NO. 40517 GROUP NO. 1147

3. ADVISORY ORGANIZATION NCCI

4. ADVISORY ORGANIZATION REFERENCE FILING NO. AR-2008-06

5. 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, expense constants specified in the attachments.

6. A. PROPOSED RATE LEVEL CHANGE -12.8 % EFFECTIVE DATE 7/1/08

B. PROPOSED PREMIUM LEVEL CHANGE -12.8 % EFFECTIVE DATE 7/1/08

7. A. PRIOR RATE LEVEL CHANGE -9.7 % EFFECTIVE DATE 3/1/08

B. PRIOR PREMIUM LEVEL CHANGE -9.7 % EFFECTIVE DATE 3/1/08

8. ATTACH "SUMMARY OF SUPPORTING INFORMATION FORM"  
(Use a separate Summary for each insurer-selected loss cost multiplier.)

9. Check **one** of the following:

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.

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.

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

**CALCULATION OF COMPANY LOSS COST MULTIPLIER**

(EFFECTIVE AUG. 16, 2004)

<b>This filing transmittal is part of Company Tracking #</b>	<b>AWCIC-AR-2008-002</b>
<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	

(  ) **Loss Cost Reference Filing** AR-2008-02      ( ) **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:**

- 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.) \_\_\_\_\_

**B.** Loss Cost Modification Expressed as a Factor: (See Examples Below) .957

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	<b>11.0%</b>
B.	General Expense	<b>6.5%</b>
C.	Taxes, Licenses & Fee	<b>6.0%</b>
D.	Underwriting profit & contingencies*	%
E.	Other (explain)	%
F.	Total	<b>23.5%</b>
	* Explain how investment income is taken into account	

<b>5.</b>	A.	Expected Loss Ratio: $ELR = 100\% - 4F =$	<b>76.5</b>
	B.	ELR in Decimal Form =	<b>.765</b>

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

6.	Overall Impact of Expense Constant and Minimum Premiums: (a 2.3% impact would be expressed as 1.023)	<b>1.001</b>
7.	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>.970</b>
8.	Company Formula Loss Cost Multiplier [3B / ((7 - 4F) X 6)]	<b>1.304</b>
9.	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	<b>1.30</b>

Yes    No

10. **Are you amending your minimum premium formula?** If yes, attach documentation, including rate level impact as well as changes in multipliers, expense constants, maximum, etc.

( )    (X)

11. **Are you changing your premium discount schedules?** If yes, attach schedules and support, detailing premium or rate level changes.

( )    (X)

**NAIC EXPENSE CONSTANT SUPPLEMENT**  
**CALCULATION OF COMPANY LOSS COST MULTIPLIER**  
**WITH EXPENSE CONSTANTS**

(EFFECTIVE AUG. 16, 2004)

(This form must be provided ONLY when making a filing that includes an expense constant)

<b>This filing transmittal is part of Company Tracking #</b>	<b>AWCIC-AR-2008-002</b>
<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	

**Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)**

Selected Provisions

4.			Overall	Variable	Fixed	
	A.	Total Production Expense	12.0	11.0	1.0	%
	B.	General Expense	7.5	6.5	1.0	%
	C.	Taxes, License & Fees	6.0	6.0	0.0	%
	D.	Underwriting Profit & Contingencies*	0.0	0.0	0.0	%
	E.	Other (explain) <b>Premium Discount</b>	3.0	3.0	0.0	%
	F.	<b>TOTAL</b>	<b>28.5</b>	<b>26.5</b>	<b>2.0</b>	%
		*Explain how investment income is taken into account.				

5.	A.	Expected Loss Ratio: ELR = 100% - Overall 4F				
	B.	ELR in decimal form =			.715	%
	C.	Variable Expected Loss Ratio: VELR=100% - Variable 4F			73.5	%
	D.	VELR in Decimal Form = B. ELR in Decimal Form =			.735	

6.	A.	Formula Expense Constant: [(1.00 divided by 5B) – (1.00 divided by 5D)]				
	B.	Formula Variable Loss Cost Multiplier (3B divided by 5D)			200	
					1.30	

7.	A.	Selected Expense Constant =				
	B.	Selected Variable Loss Cost Multiplier =			230	%
					1.30	%

**8. Explain any differences between 6 and 7:**

9.	Rate level change for the coverage(s) to which this page applies					
					-12.8	%



**ADVANTAGE**  
WORKERS COMPENSATION INSURANCE CO.

January 7, 2008

To Whom It May Concern:

Madison Consulting Group, Inc. is authorized to make workers compensation filings on behalf of Advantage Workers Compensation Insurance Company. The NAIC number for the company is 40517.

Sincerely,



Teresa J. Mareck  
Vice President & General Counsel



# MADISON CONSULTING GROUP

Actuaries • Property/Casualty Consulting Services

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May 5, 2008

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

RE: Advantage Workers Compensation Insurance Company  
NAIC# 1147-40517  
Workers Compensation Program  
Adoption of NCCI Item AR-2008-02  
Revised Advisory Loss Costs and Rating Values

Dear Commissioner Bowman:

In accordance with Arkansas rate regulatory law, we wish to make the enclosed rate filing for Advantage Workers Compensation Insurance Company's (the Company's) workers compensation program in Arkansas.

## **Purpose of Filing**

The purpose of this filing is to advise the Department that the Company would like to adopt the revised advisory loss costs and rating values as shown in NCCI Item AR-2008-02. The Company will maintain its current loss cost multiplier of 1.30.

## **Impact of Filing**

The estimated impact of this filing is -12.8% based on NCCI's revised filing.

## **Requested Effective Date**

We request an effective date of July 1, 2008.

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200 North Second Street • Madison, Georgia 30650

706-342-7750

[www.madisoninc.com](http://www.madisoninc.com)

Fax: 706-342-7775

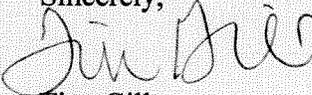
Honorable Julie Benefield Bowman  
May 5, 2008  
Page 2

**Contact**

Please direct any technical questions related to this filing to:

Tina Gill  
Madison Consulting Group, Inc.  
200 North Second Street  
Madison, Georgia 30650  
706-342-7750 FAX 706-342-7775  
e-mail: [tina@madisoninc.com](mailto:tina@madisoninc.com)

Thank you for your consideration and assistance.

Sincerely,  
  
Tina Gill  
Analyst

TG/ml  
Attachments

Cc: NCCI

**ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY**  
**RATE FILING MEMORANDUM**

**WORKERS COMPENSATION PROGRAM**  
**STATE OF ARKANSAS**  
**EFFECTIVE JULY 1, 2008**

Advantage Workers Compensation Insurance Company is pleased to present this workers' compensation rate filing to be effective July 1, 2008. With this filing, the Company proposes to adopt the NCCI July 1, 2008 advisory loss costs and rating values with a loss cost multiplier of 1.30 for all classes. The attached exhibits document the expenses and loss cost multiplier being used in this filing.

**Manual Rates**

The proposed manual rates will be determined by multiplying the NCCI advisory loss costs effective July 1, 2008 by a loss cost multiplier of 1.30 for all classes. This multiplier is calculated on Exhibit II as well as the Calculation of Company Loss Cost Multiplier Form attached.

**Minimum Premium**

The Company will continue to use its currently approved minimum premium of \$750 for all classes.

**Premium Discount Plan**

The Company will continue to use the NCCI Premium Discount Table 7.

**Expense Provisions – Supporting Information**

A total production expense of 11.0% was selected on Exhibit II, Sheet 1. This was based on a discussion with Advantage management.

The general expense provision of 6.5% includes general expenses as well as all other expenses (excluding commissions and taxes).

The proposed tax provision of 6.0% was based on actual Arkansas tax rates.

The underwriting profit load of 0.0% on Exhibit II was selected so the total return to the company after consideration of investment income is reasonable. The expected total return on statutory surplus is calculated on Exhibit III based on industry averages and the Company's specific expense loads.

Workers' Compensation Loss Cost Filing  
Filing Memorandum  
Page 2

The premium discount provision of 3.0% was based on the target size of risk accounts that the Company believes they will be writing.

**ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY**

WORKERS' COMPENSATION  
ARKANSAS

SUMMARY OF PROPOSED RATES

Proposed Manual Rates:

Rates are calculated as the 7/01/2008 NCCI  
advisory loss costs multiplied by:  
1.30 All Classes

**ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY**

**WORKERS' COMPENSATION  
ARKANSAS**

**DEVELOPMENT OF PROPOSED EXPENSE LOAD  
ALL CLASSES**

Item	Advantage Proposed	
(1) Production Expenses	11.0 %	(a)
(2) General Expense	6.5	(a)
(3) Premium Taxes	6.0	(b)
(4) Profit & Contingency	0.0	(c)
(5) Premium Discount	3.0	
(6) Total	26.5 %	
(7) Expected Loss and LAE Ratio [1.0 - (6)]	73.5 %	
(8) Loss Cost Modification Factor	0.957	(d)
(9) Selected Loss Cost Multiplier (8) / (7)	1.30	

- Notes: (a) Based on review of actual Advantage expense levels.  
 (b) Based on actual tax rate in the state.  
 (c) See Exhibit IV, Sheet 1.  
 (d) Based on Advantage management decision.

## ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

### WORKERS' COMPENSATION ARKANSAS

#### REVIEW OF RATE OF RETURN ON IMPUTED SURPLUS INDICATED BY PROPOSED UNDERWRITING PROFIT LOAD

1.	Earned Premium (a)	1.000
2.	Imputed Surplus (b)	0.670
3.	Investment Income from Reserves (post-tax) (c)	0.055
4.	Investment Income from Surplus (post-tax) (d)	0.034
5.	Underwriting Profit (pre-tax) (e)	0.000
6.	Underwriting Profit (post-tax) (f)	0.000
7.	Total Income (post-tax) [(3) + (4) + (6)]	0.089
8.	Return on Surplus [(7) ÷ (2)]	13.3 %

- Notes: (a) Earned Premium is indexed as 1.00.  
(b) Based on insurance industry average surplus levels  
(A.M. Best Commercial Casualty Predominating).  
(c) See Sheet 2.  
(d) Calculated as (2) x 5.0%, where 5.0% is the estimated  
post-tax investment yield.  
(e) Included in Advantage's rates.  
(f) (5) x 65%

## ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

### WORKERS' COMPENSATION ARKANSAS

#### ESTIMATED INVESTMENT INCOME ON UNEARNED PREMIUM AND LOSS RESERVES

I. Unearned Premium Reserve	
A. Direct Earned Premium (a)	\$ 1.00
B. Mean Unearned Premium Reserve (b)	0.10
C. Deduction for Prepaid Expenses (c)	
1. Commissions and Brokerage	8.0 %
2. 50% of Other Acquisition Cost	1.5
3. 50% of General Expense	3.3
4. Total	12.8 %
D. Deduction for Federal Taxes Payable (35% x 20%)	7.0 %
E. [B x (C + D)]	0.02
F. Net Subject to Investment [B - E]	0.08
II. Delayed Remission of Premiums	
A. Direct Earned Premium (a)	1.00
B. Average Agent's Balances (b)	10.0 %
C. Delayed Remission [A x B]	0.10
III. Expected Loss and Loss Adjustment Expense Reserve	
A. Direct Earned Premium (a)	1.00
B. Expected Loss and LAE Ratio (c)	0.74
C. Reserve to Incurred Ratio (b)	1.50
D. Expected Loss and Loss Adjustment Expense Reserve [B x C]	1.11
IV. Net Subject to Investment [I.F - II.C + III.D]	1.09
V. Average Rate of return on Invested Assets (post-tax) (d)	5.0 %
VI. Investment Earnings on Net Subject to Investment [IV. x V.]	5.5 %
VII. Average Investment Income as a Percentage of Direct Earned Premium [VI. ÷ I.A]	5.5 %

Notes: See Sheet 3.

**ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY**

WORKERS' COMPENSATION  
ARKANSAS

NOTES TO SHEET 2

- (a) Earned Premium is indexed to 1.00.
- (b) Based on insurance industry data and estimated prospective conditions
- (c) Based on Advantage expense loads underlying proposed rates (adjusted to reflect impact of premium discounts and expense gradation).
- (d) Based on estimated prospective yields.

## ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

DEVELOPMENT OF DEDUCTIBLE CREDITS  
WORKERS COMPENSATION  
(DEDUCTIBLES IN RANGE \$1000 - 5,000)  
APPLICABLE TO TOTAL LOSSES

A: Expected Loss Ratio	0.740
B: Tax Multiplier	1.064
C: Overhead Expense [1/B - A]	0.200

Deductible <u>Amount</u>	D: Loss Elimination Ratios (a) Hazard Groups							E: Excess Loss Ratios [A x (1-D)] Hazard Groups						
	A	B	C	D	E	F	G	A	B	C	D	E	F	G
	1,000	0.130	0.104	0.089	0.074	0.062	0.043	0.032	0.644	0.663	0.674	0.685	0.694	0.708
1,500	0.159	0.128	0.109	0.092	0.078	0.054	0.041	0.622	0.645	0.659	0.672	0.682	0.700	0.710
2,000	0.181	0.147	0.126	0.107	0.091	0.065	0.049	0.606	0.631	0.647	0.661	0.673	0.692	0.704
2,500	0.201	0.163	0.141	0.121	0.102	0.074	0.056	0.591	0.619	0.636	0.650	0.665	0.685	0.699
3,000	0.218	0.178	0.154	0.132	0.113	0.082	0.062	0.579	0.608	0.626	0.642	0.656	0.679	0.694
3,500	0.234	0.191	0.166	0.143	0.122	0.090	0.068	0.567	0.599	0.617	0.634	0.650	0.673	0.690
4,000	0.248	0.203	0.178	0.154	0.131	0.097	0.074	0.556	0.590	0.608	0.626	0.643	0.668	0.685
4,500	0.262	0.215	0.188	0.163	0.140	0.104	0.079	0.546	0.581	0.601	0.619	0.636	0.663	0.682
5,000	0.274	0.226	0.198	0.173	0.148	0.111	0.084	0.537	0.573	0.593	0.612	0.630	0.658	0.678

Deductible <u>Amount</u>	F: Loss and Expense Ratios [(E+C)xB] Hazard Groups							G: Deductible Credits [1-F] Hazard Groups						
	A	B	C	D	E	F	G	A	B	C	D	E	F	G
	1,000	0.898	0.918	0.930	0.942	0.951	0.966	0.975	0.102	0.082	0.070	0.058	0.049	0.034
1,500	0.875	0.899	0.914	0.928	0.938	0.958	0.968	0.125	0.101	0.086	0.072	0.062	0.042	0.032
2,000	0.858	0.884	0.901	0.916	0.929	0.949	0.962	0.142	0.116	0.099	0.084	0.071	0.051	0.038
2,500	0.842	0.871	0.890	0.904	0.920	0.942	0.957	0.158	0.129	0.110	0.096	0.080	0.058	0.043
3,000	0.829	0.860	0.879	0.896	0.911	0.935	0.951	0.171	0.140	0.121	0.104	0.089	0.065	0.049
3,500	0.816	0.850	0.869	0.887	0.904	0.929	0.947	0.184	0.150	0.131	0.113	0.096	0.071	0.053
4,000	0.804	0.841	0.860	0.879	0.897	0.924	0.942	0.196	0.159	0.140	0.121	0.103	0.076	0.058
4,500	0.794	0.831	0.852	0.871	0.890	0.918	0.938	0.206	0.169	0.148	0.129	0.110	0.082	0.062
5,000	0.784	0.822	0.844	0.864	0.883	0.913	0.934	0.216	0.178	0.156	0.136	0.117	0.087	0.066

Notes: (a) Based on NCCI advisory loss elimination ratios.

## ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

DEVELOPMENT OF DEDUCTIBLE CREDITS  
WORKERS COMPENSATION  
(DEDUCTIBLES IN RANGE \$1000 - 5,000)  
APPLICABLE TO MEDICAL LOSSES

A: Expected Loss Ratio	0.740
B: Tax Multiplier	1.064
C: Overhead Expense [1/B - A]	0.200

Deductible Amount	D: Loss Elimination Ratios (a) Hazard Groups							E: Excess Loss Ratios [A x (1-D)] Hazard Groups						
	A	B	C	D	E	F	G	A	B	C	D	E	F	G
	1,000	0.126	0.101	0.086	0.071	0.060	0.041	0.030	0.647	0.665	0.676	0.687	0.696	0.710
1,500	0.152	0.122	0.104	0.088	0.074	0.051	0.038	0.628	0.650	0.663	0.675	0.685	0.702	0.712
2,000	0.171	0.138	0.119	0.100	0.085	0.059	0.045	0.613	0.638	0.652	0.666	0.677	0.696	0.707
2,500	0.187	0.152	0.131	0.111	0.094	0.067	0.050	0.602	0.628	0.643	0.658	0.670	0.690	0.703
3,000	0.201	0.164	0.142	0.121	0.102	0.073	0.055	0.591	0.619	0.635	0.650	0.665	0.686	0.699
3,500	0.213	0.175	0.151	0.129	0.110	0.079	0.060	0.582	0.611	0.628	0.645	0.659	0.682	0.696
4,000	0.225	0.184	0.160	0.137	0.117	0.085	0.064	0.574	0.604	0.622	0.639	0.653	0.677	0.693
4,500	0.235	0.193	0.168	0.145	0.123	0.090	0.068	0.566	0.597	0.616	0.633	0.649	0.673	0.690
5,000	0.244	0.201	0.175	0.151	0.129	0.095	0.072	0.559	0.591	0.611	0.628	0.645	0.670	0.687

Deductible Amount	F: Loss and Expense Ratios [(E+C)xB] Hazard Groups							G: Deductible Credits [1-F] Hazard Groups						
	A	B	C	D	E	F	G	A	B	C	D	E	F	G
1,000	0.901	0.920	0.932	0.944	0.953	0.968	0.977	0.099	0.080	0.068	0.056	0.047	0.032	0.023
1,500	0.881	0.904	0.918	0.931	0.942	0.960	0.970	0.119	0.096	0.082	0.069	0.058	0.040	0.030
2,000	0.865	0.892	0.907	0.921	0.933	0.953	0.965	0.135	0.108	0.093	0.079	0.067	0.047	0.035
2,500	0.853	0.881	0.897	0.913	0.926	0.947	0.961	0.147	0.119	0.103	0.087	0.074	0.053	0.039
3,000	0.842	0.871	0.888	0.904	0.920	0.943	0.957	0.158	0.129	0.112	0.096	0.080	0.057	0.043
3,500	0.832	0.863	0.881	0.899	0.914	0.938	0.953	0.168	0.137	0.119	0.101	0.086	0.062	0.047
4,000	0.824	0.855	0.875	0.893	0.908	0.933	0.950	0.176	0.145	0.125	0.107	0.092	0.067	0.050
4,500	0.815	0.848	0.868	0.886	0.903	0.929	0.947	0.185	0.152	0.132	0.114	0.097	0.071	0.053
5,000	0.808	0.842	0.863	0.881	0.899	0.926	0.944	0.192	0.158	0.137	0.119	0.101	0.074	0.056

Notes: (a) Based on NCCI advisory loss elimination ratios.

## ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

DEVELOPMENT OF DEDUCTIBLE CREDITS  
WORKERS COMPENSATION  
(DEDUCTIBLES IN RANGE \$1000 - 5,000)  
APPLICABLE TO INDEMNITY LOSSES

A: Expected Loss Ratio	0.740
B: Tax Multiplier	1.064
C: Overhead Expense [1/B - A]	0.200

Deductible <u>Amount</u>	D: Loss Elimination Ratios (a) Hazard Groups							E: Excess Loss Ratios [A x (1-D)] Hazard Groups						
	A	B	C	D	E	F	G	A	B	C	D	E	F	G
	1,000	0.027	0.021	0.019	0.018	0.016	0.013	0.010	0.720	0.724	0.726	0.727	0.728	0.730
1,500	0.037	0.029	0.027	0.025	0.022	0.019	0.014	0.713	0.719	0.720	0.722	0.724	0.726	0.730
2,000	0.046	0.037	0.034	0.032	0.028	0.023	0.018	0.706	0.713	0.715	0.716	0.719	0.723	0.727
2,500	0.054	0.044	0.040	0.038	0.033	0.028	0.021	0.700	0.707	0.710	0.712	0.716	0.719	0.724
3,000	0.062	0.050	0.046	0.043	0.038	0.032	0.024	0.694	0.703	0.706	0.708	0.712	0.716	0.722
3,500	0.069	0.056	0.052	0.048	0.043	0.036	0.027	0.689	0.699	0.702	0.704	0.708	0.713	0.720
4,000	0.075	0.062	0.057	0.053	0.047	0.040	0.030	0.685	0.694	0.698	0.701	0.705	0.710	0.718
4,500	0.081	0.067	0.062	0.057	0.051	0.043	0.033	0.680	0.690	0.694	0.698	0.702	0.708	0.716
5,000	0.087	0.072	0.066	0.062	0.055	0.046	0.036	0.676	0.687	0.691	0.694	0.699	0.706	0.713

Deductible <u>Amount</u>	F: Loss and Expense Ratios [(E+C)xB] Hazard Groups							G: Deductible Credits [1-F] Hazard Groups						
	A	B	C	D	E	F	G	A	B	C	D	E	F	G
1,000	0.979	0.983	0.985	0.986	0.987	0.990	0.993	0.021	0.017	0.015	0.014	0.013	0.010	0.007
1,500	0.971	0.978	0.979	0.981	0.983	0.985	0.990	0.029	0.022	0.021	0.019	0.017	0.015	0.010
2,000	0.964	0.971	0.974	0.975	0.978	0.982	0.986	0.036	0.029	0.026	0.025	0.022	0.018	0.014
2,500	0.958	0.965	0.968	0.970	0.975	0.978	0.983	0.042	0.035	0.032	0.030	0.025	0.022	0.017
3,000	0.951	0.961	0.964	0.966	0.970	0.975	0.981	0.049	0.039	0.036	0.034	0.030	0.025	0.019
3,500	0.946	0.957	0.960	0.962	0.966	0.971	0.979	0.054	0.043	0.040	0.038	0.034	0.029	0.021
4,000	0.942	0.951	0.955	0.959	0.963	0.968	0.977	0.058	0.049	0.045	0.041	0.037	0.032	0.023
4,500	0.936	0.947	0.951	0.955	0.960	0.966	0.975	0.064	0.053	0.049	0.045	0.040	0.034	0.025
5,000	0.932	0.944	0.948	0.951	0.957	0.964	0.971	0.068	0.056	0.052	0.049	0.043	0.036	0.029

Notes: (a) Based on NCCI advisory loss elimination ratios.