

SERFF Tracking Number: HRLV-125668632 State: Arkansas  
First Filing Company: Harleysville Mutual Insurance Company, ... State Tracking Number: EFT \$200  
Company Tracking Number: WCKLG040908-1  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: WC  
Project Name/Number: AR WC rate Rvw - 7-08/

## Filing at a Glance

Companies: Harleysville Mutual Insurance Company, Harleysville Preferred Insurance Company

Product Name: WC SERFF Tr Num: HRLV-125668632 State: Arkansas  
TOI: 16.0 Workers Compensation SERFF Status: Closed State Tr Num: EFT \$200  
Sub-TOI: 16.0004 Standard WC Co Tr Num: WCKLG040908-1 State Status: Fees verified and received  
Filing Type: Rate/Rule Co Status: Rate review Reviewer(s): Betty Montesi, Carol Stiffler  
Author: Carol Zwoyer Disposition Date: 06/06/2008  
Date Submitted: 06/03/2008 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:

Fees overpaid by \$150. The correct fee is \$50. I've asked the company if they want a refund.

## General Information

Project Name: AR WC rate Rvw - 7-08 Status of Filing in Domicile:  
Project Number: Domicile Status Comments:  
Reference Organization: NCCI Reference Number: AR-2008-02  
Reference Title: Voluntary Advisory Loss Costs and Rating Values Advisory Org. Circular: AR-2008-06  
Filing Status Changed: 06/06/2008  
State Status Changed: 06/04/2008 Deemer Date:  
Corresponding Filing Tracking Number:  
Filing Description:

We wish to adopt the above captioned Voluntary Advisory Loss Costs and Rating Values with no change to our company Loss Cost Multiplier. In addition, we are revising our deductible credits in accordance with the NCCI revised loss elimination ratios.

## Company and Contact

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 Product Name: WC  
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**Filing Contact Information**

Carol Zwoyer, Senior State Filing Analyst czwoyer@harleysvillegroup.com  
 355 Maple Avenue (215) 256-5735 [Phone]  
 Harleysville, PA 19438-2297 (215) 256-5678[FAX]

**Filing Company Information**

Harleysville Mutual Insurance Company	CoCode: 14168	State of Domicile: Pennsylvania
355 Maple Avenue	Group Code: 253	Company Type:
Harleysville, PA 19438	Group Name:	State ID Number:
(215) 256-5000 ext. [Phone]	FEIN Number: 23-0902325	

Harleysville Preferred Insurance Company	CoCode: 35696	State of Domicile: Pennsylvania
355 Maple Avenue	Group Code: 253	Company Type:
Harleysville, PA 19438	Group Name:	State ID Number:
(215) 256-5000 ext. [Phone]	FEIN Number: 23-2384978	

**Filing Fees**

Fee Required? Yes  
 Fee Amount: \$200.00  
 Retaliatory? No  
 Fee Explanation:  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Harleysville Mutual Insurance Company	\$200.00	06/03/2008	20634032
Harleysville Preferred Insurance Company	\$0.00	06/03/2008	

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Approved	Carol Stiffler	06/06/2008	06/06/2008

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## Disposition

Disposition Date: 06/06/2008  
 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:
Harleysville Mutual Insurance Company	-11.500%	\$116,051	199	\$1,010,133	%	%	%
Harleysville Preferred Insurance Company	0.000%	\$0	0	\$0	%	%	%

### 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	\$116,051
Effect of Rate Filing - Number of Policyholders Affected	199

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	Cover letter	Approved	Yes
Supporting Document	actarial memo & exhibits	Approved	Yes
Rate	Manual pages - HMIC	Approved	Yes
Rate	Manual pages - HPIC	Approved	Yes
Rate	rate pages	Approved	Yes

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## Rate Information

Rate data applies to filing.

### Filing Method:

### Rate Change Type:

Decrease

### Overall Percentage of Last Rate Revision:

2.400%

### Effective Date of Last Rate Revision:

01/01/2008

### 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):
Harleysville Mutual Insurance Company	%	-11.500%	\$116,051	199	\$1,010,133	%	%
Harleysville Preferred Insurance Company	%	0.000%	\$0	0	\$0	%	%

## Overall Rate Information for Multiple Company Filings

### Overall % Rate Indicated:

### Overall Percentage Rate Impact For This Filing:

### Effect of Rate Filing - Written Premium Change For This Program:

\$116,051

<i>SERFF Tracking Number:</i>	<i>HRLV-125668632</i>	<i>State:</i>	<i>Arkansas</i>
<i>First Filing Company:</i>	<i>Harleysville Mutual Insurance Company, ...</i>	<i>State Tracking Number:</i>	<i>EFT \$200</i>
<i>Company Tracking Number:</i>	<i>WCKLG040908-1</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0004 Standard WC</i>
<i>Product Name:</i>	<i>WC</i>		
<i>Project Name/Number:</i>	<i>AR WC rate Rvw - 7-08/</i>		

**Effect of Rate Filing - Number of Policyholders Affected:** 199



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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Approved	Manual pages - HMIC	AR-E-1, 3 & 4	Replacement	AR WC HMIC manual pages.pdf
Approved	Manual pages - HPIC	AR-PE-1, 3 & 4	Replacement	AR WC PREF manual pages.pdf
Approved	rate pages	S-1 thru S-2	Replacement	RatePages2008 - RV.pdf

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**ARKANSAS SUPPLEMENT**


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**LOSS COST RATING****1. Rate Development**

The following company loss cost multipliers will be used in conjunction with the July 1, 2008 NCCI advisory loss costs. \*

Description	NCCI Group	Lost Cost Multiplier
Agriculture	01	1.40
Mining & Oil or Natural Gas	02	1.40
Quarrying, Stone Crushing	04	1.40
Food or Tobacco	05	1.30
Textiles	06	1.30
Cloth Products	07	1.30
Laundries	08	1.40
Leather	09	1.40
Rubber, Composition & Bone	10	1.40
Paper & Pulp Products	12	1.30
Wood	14	1.40
Metallurgy	16	1.30
Metal Forming	17	1.30
Machine Shops	18	1.30
Vehicles	20	1.40
Stone Products	21	1.40
Clay Products	22	1.30
Glass Products	23	1.30
Chemicals	24	1.40
Miscellaneous Manufacturing	25	1.30
Miscellaneous Construction	26	1.40
Erection	27	1.68
Shipbuilding	28	1.40
Admiralty and Federal Employee Act	29	1.40
Stevedoring & Freight	30	1.40
Railroad Operation	31	1.40
Cartage & Trucking	32	1.40
Public Utilities	33	1.40
Commercial Enterprises	34	1.30
Clerical & Professional Occupation	35	1.68
Operation & Maintenance	36	1.40
Miscellaneous Occupations	37	1.40

**2. Expense Constant**

The expense constant is \$200. This is a flat charge and is not subject to any modification.

**ARKANSAS SUPPLEMENT**

**4. Deductible Credit Factors (Including Expense Loading)**

\*

Arkansas law requires insurers to offer employers Workers Compensation Insurance with a deductible. The deductibles available and corresponding premium reductions are as follows:

<b>Total Losses</b>				
<b>Deductible Amount</b>	<b>Hazard Groups</b>			
	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>
\$ 1,000	7.2%	5.5%	3.4%	2.1%
1,500	8.8	6.9	4.4	2.7
2,000	10.1	7.9	5.1	3.2
2,500	11.2	8.8	5.7	3.7
3,000	12.3	9.7	6.4	4.1
3,500	13.2	10.5	6.9	4.5
4,000	14.0	11.2	7.5	4.9
4,500	14.8	11.9	8.0	5.2
5,000	15.6	12.5	8.5	5.5

<b>Indemnity Losses Only</b>				
<b>Deductible Amount</b>	<b>Hazard Groups</b>			
	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>
\$ 1,000	1.5%	1.3%	0.9%	0.7%
1,500	2.0	1.7	1.3	0.9
2,000	2.6	2.2	1.7	1.2
2,500	3.0	2.6	2.0	1.4
3,000	3.5	3.0	2.3	1.6
3,500	3.9	3.4	2.6	1.8
4,000	4.2	3.7	2.8	2.0
4,500	4.6	4.0	3.1	2.2
5,000	4.9	4.3	3.3	2.4

**ARKANSAS SUPPLEMENT**

\* **4. Deductible Credit Factors (Including Expense Loading) (continued)**

<b>Medical Losses Only</b>				
<b>Deductible Amount</b>	<b>Hazard Groups</b>			
	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>
\$ 1,000	7.0%	5.3%	3.3%	2.0%
1,500	8.4	6.5	4.1	2.5
2,000	9.6	7.5	4.7	3.0
2,500	10.5	8.2	5.3	3.3
3,000	11.3	8.9	5.7	3.6
3,500	12.0	9.5	6.2	4.0
4,000	12.7	10.1	6.6	4.2
4,500	13.3	10.6	7.0	4.5
5,000	13.9	11.1	7.3	4.7

These credits are to be applied to the premium after experience modification but before the application of any premium surcharges, premium discounts or any retrospective rating plan adjustments. They are not subject to the loss cost multiplier. Arkansas Benefits Deductible Endorsement, WC 03 06 02, is attached.

**5. Premium Discount**

First	\$ 5,000	0.0%
Next	95,000	10.9%
Next	400,000	12.6%
Over	500,000	14.4%

(Reference NCCI Premium Discount Tables, Appendix A, Table 7 for complete premium discount percentages.)

**6. Waiver Of Our Right To Recover From Others**

Endorsement WC 00 03 13, Waiver of Our Right to Recover From Others Endorsement, may be used to waive the company's right to recover amounts paid under the policy from the entity named in the endorsement schedule. The endorsement applies only to specific jobs of the insured and where the insured is required by contract to obtain this waiver. There is no premium charge for this endorsement.

ARKANSAS SUPPLEMENT

LOSS COST RATING

1. Rate Development

The following company loss cost multipliers will be used in conjunction with the July 1, 2008 NCCI advisory loss costs.

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Food or Tobacco	05	1.04
Textiles	06	1.04
Cloth Products	07	1.04
Laundries	08	1.12
Leather	09	1.12
Rubber, Composition & Bone	10	1.12
Paper & Pulp Products	12	1.04
Wood	14	1.12
Metallurgy	16	1.04
Metal Forming	17	1.04
Machine Shops	18	1.04
Vehicles	20	1.12
Stone Products	21	1.12
Clay Products	22	1.04
Glass Products	23	1.04
Chemicals	24	1.12
Miscellaneous Manufacturing	25	1.04
Miscellaneous Construction	26	1.12
Erection	27	1.34
Shipbuilding	28	1.12
Admiralty and Federal Employee Act	29	1.12
Stevedoring & Freight	30	1.12
Railroad Operation	31	1.12
Cartage & Trucking	32	1.12
Public Utilities	33	1.12
Commercial Enterprises	34	1.04
Clerical & Professional Occupation	35	1.34
Operation & Maintenance	36	1.12
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**ARKANSAS SUPPLEMENT**

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\$ 1,000	1.5%	1.3%	0.9%	0.7%
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**ARKANSAS SUPPLEMENT**

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\* **4. Deductible Credit Factors (Including Expense Loading)** (continued)

<b>Medical Losses Only</b>				
<b>Deductible Amount</b>	<b>Hazard Groups</b>			
	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>
\$ 1,000	7.0%	5.3%	3.3%	2.0%
1,500	8.4	6.5	4.1	2.5
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**HARLEYSVILLE MUTUAL INSURANCE COMPANY RATES - NOT LOSS COSTS**  
**Rates include all expense provisions. (Loss Cost Multiplier has been applied.)**

**ARKANSAS**

**Fourteenth Reprint**

*Effective July 1, 2008*

**Page S1**

CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE
0005	5.43	2003	2.65	2702	25.52	3224	1.92	4024	1.74	4635	4.19	5506	3.36
0008	2.21	2014	4.99	2710	7.43	3227	1.43	4034	5.88	4653	1.09	5507	5.05
0016	4.76	2016	1.56	2714	3.53	3240	2.38	4036	2.13	4665	5.67	5508	8.53
0034	3.65	2021	2.61	2719	9.37	3241	2.21	4038	1.83	4670	3.25	5535	8.01
0035	2.18	2039	3.50	2731	3.14	3255	1.83	4053	2.70	4683	4.14	5537	5.29
0036	3.47	2041	3.35	2735	2.20	3257	2.68	4061	3.33	4686	1.08	5551	15.39
0037	3.92	2065	1.26	2759	7.15	3270	2.54	4062	1.81	4692	0.38	5606	1.83
0042	5.40	2070	4.29	2790	1.32	3300	3.51	4101	1.57	4693	0.73	5610	6.00
0050	4.40	2081	3.03	2802	4.45	3303	3.00	4111	2.41	4703	1.90	5645	12.25
0059	0.25	2089	1.99	2812	3.12	3307	2.64	4112	0.74	4717	1.51	5651	9.09
0065	0.04	2095	2.15	2835	1.36	3315	2.07	4113	1.04	4720	4.42	5703	99.05
0066	0.04	2105	1.91	2836	1.90	3334	1.68	4114	1.74	4740	1.30	5705	5.80
0067	0.04	2110	1.68	2841	3.15	3336	1.73	4130	3.58	4741	1.48	5951	0.36
0079	3.58	2111	1.98	2881	2.13	3365	8.65	4131	1.91	4751	1.26	6003	9.04
0083	8.26	2112	2.13	2883	3.46	3372	2.24	4133	1.89	4771	1.44	6005	6.87
0106	9.66	2114	2.11	2913	3.46	3373	2.28	4150	1.31	4777	1.47	6017	4.23
0113	4.84	2121	1.76	2915	3.60	3383	0.85	4206	2.89	4825	0.76	6018	1.92
0170	2.09	2130	2.37	2916	1.97	3385	0.69	4207	0.79	4828	1.41	6045	2.23
0251	4.27	2131	1.48	2923	2.03	3400	2.13	4239	1.00	4829	1.02	6204	9.00
0400	6.34	2143	1.72	2942	1.85	3507	2.43	4240	1.94	4902	1.05	6206	5.71
0401	9.32	2157	3.19	2960	2.54	3515	1.72	4243	1.31	4923	0.87	6213	7.52
0771	0.25	2172	1.24	3004	2.16	3548	1.07	4244	2.33	5020	7.48	6214	2.53
0908	120.40	2174	2.30	3018	2.02	3559	2.04	4250	1.17	5022	5.38	6216	5.85
0913	296.80	2211	4.30	3022	2.50	3574	0.95	4251	1.39	5037	21.08	6217	4.58
0917	3.32	2220	1.53	3027	2.11	3581	1.13	4263	1.73	5040	28.27	6229	4.54
1005	9.34	2286	1.12	3028	1.82	3612	1.73	4273	1.51	5057	20.23	6233	4.94
1016	34.85	2288	3.17	3030	3.16	3620	4.56	4279	1.42	5059	24.02	6235	13.15
1164	6.03	2300	1.68	3040	2.93	3629	1.53	4282	1.66	5069	30.34	6236	10.82
1165	3.98	2302	1.34	3041	2.61	3632	3.15	4283	1.55	5102	4.45	6237	2.77
1320	2.48	2305	1.68	3042	2.50	3634	1.34	4299	1.38	5146	5.44	6251	7.21
1322	13.30	2361	0.95	3064	3.61	3635	1.63	4304	2.17	5160	3.85	6252	5.39
1430	3.41	2362	1.38	3069	8.01	3638	1.16	4307	1.73	5183	3.81	6260	4.76
1438	1.91	2380	3.55	3076	2.33	3642	0.66	4351	0.90	5188	4.87	6306	5.12
1452	1.33	2386	0.88	3081	2.26	3643	2.33	4352	0.79	5190	3.49	6319	5.00
1463	9.86	2388	1.51	3082	3.06	3647	2.64	4360	0.72	5191	2.02	6325	4.17
1472	3.43	2402	1.69	3085	2.55	3648	1.69	4361	1.34	5192	4.35	6400	7.51
1624	6.43	2413	1.33	3110	2.24	3681	1.22	4362	0.91	5213	7.68	6504	2.00
1642	3.46	2416	1.31	3111	2.34	3685	1.40	4410	2.72	5215	4.59	6702	6.94
1654	5.31	2417	1.24	3113	2.39	3719	2.65	4420	3.28	5221	5.64	6703	12.42
1655	4.19	2501	1.07	3114	2.05	3724	6.90	4431	1.26	5222	13.04	6704	7.71
1699	1.69	2503	1.05	3118	0.95	3726	3.07	4432	1.36	5223	5.75	6801	10.58
1701	2.62	2534	1.69	3119	0.86	3803	1.50	4439	1.43	5348	4.45	6811	4.65
1710	5.18	2570	3.89	3122	1.18	3807	1.65	4452	2.76	5402	4.94	6824	30.48
1741	1.57	2585	2.62	3126	1.35	3808	2.32	4459	1.58	5403	10.21	6826	11.69
1745	2.53	2586	1.04	3131	0.82	3821	3.25	4470	2.02	5437	4.84	6834	3.29
1747	2.21	2587	2.28	3132	1.94	3822	3.07	4484	1.76	5443	4.38	6836	5.36
1748	6.31	2589	1.22	3145	1.87	3824	4.10	4493	2.14	5445	5.49	6843	13.61
1803	4.54	2600	5.40	3146	2.16	3826	0.69	4511	0.76	5462	5.80	6845	20.65
1852	2.10	2623	2.38	3169	1.92	3827	1.24	4557	1.44	5472	5.28	6854	4.65
1853	1.96	2651	2.23	3175	2.24	3830	0.95	4558	1.40	5473	7.22	6872	17.74
1860	1.53	2660	1.23	3179	1.89	3851	2.24	4561	1.68	5474	7.93	6874	36.29
1924	3.33	2670	1.95	3180	1.40	3865	1.08	4568	2.20	5478	4.82	6882	4.65
1925	2.30	2683	1.67	3188	1.20	3881	2.98	4581	1.47	5479	8.53	6884	10.50
2001	1.87	2688	2.58	3220	1.48	4000	6.12	4583	4.49	5480	8.64	7016	4.13
2002	2.35	2701	6.26	3223	2.35	4021	4.65	4611	0.81	5491	2.23	7024	4.59

\*, # Refer to Footnotes Page for additional information on this class code.

CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE						
7038	5.21	7611	4.83	8381	1.27	9082	1.47						
7046	22.90	7612	10.77	8385	2.05	9083	1.48						
7047	7.39	7613	4.30	8392	2.56	9084	1.72						
7050	9.31	7705	2.37	8393	1.46	9089	1.05						
7090	5.78	7710	5.31	8500	5.41	9093	1.29						
7098	25.45	7711	5.31	8601	0.76	9101	2.77						
7099	41.01	7720	2.37	8606	3.07	9102	2.67						
7133	3.15	7855	5.71	8709	8.80	9154	2.13						
7151	3.82	8001	1.90	8719	2.07	9156	1.44						
7152	6.85	8002	2.77	8720	1.50	9170	2.55						
7153	4.26	8006	1.65	8721	0.44	9178	24.05						
7222	8.82	8008	1.04	8726	10.10	9179	33.00						
7228	6.26	8010	1.61	8734	0.59	9180	3.40						
7229	6.57	8013	0.42	8737	0.53	9182	2.48						
7230	3.70	8015	0.55	8738	0.94	9186	48.87						
7231	4.90	8017	1.08	8742	0.52	9220	3.12						
7232	11.56	8018	2.15	8745	3.90	9402	3.95						
7309	20.64	8021	1.59	8748	0.45	9403	4.88						
7313	5.85	8031	3.30	8755	0.29	9410	1.93						
7317	9.25	8032	1.35	8799	1.06	9501	3.74						
7327	27.31	8033	1.61	8800	1.06	9505	3.25						
7333	4.96	8039	1.17	8803	0.08	9516	3.58						
7335	5.50	8044	2.35	8805	0.31	9519	2.02						
7337	8.86	8045	0.35	8810	0.27	9521	4.51						
7350	17.81	8046	2.28	8814	0.27	9522	1.34						
7360	6.38	8047	0.91	8815	0.49	9534	7.69						
7370	4.51	8058	2.34	8820	0.24	9554	8.16						
7380	3.11	8072	0.69	8824	2.72	9586	0.60						
7382	2.56	8102	2.16	8825	2.32	9600	1.39						
7390	3.32	8103	3.19	8826	2.45	9620	1.22						
7394	10.05	8105	4.12	8829	2.96								
7395	11.17	8106	3.26	8831	2.89								
7398	18.00	8107	2.78	8832	0.30								
7403	2.66	8111	3.21	8833	0.99								
7405	1.05	8116	3.58	8835	2.17								
7420	23.04	8203	4.69	8842	1.61								
7421	2.44	8204	4.07	8864	1.61								
7422	2.06	8209	2.55	8868	0.42								
7423	2.86	8215	4.89	8869	0.67								
7425	3.81	8227	3.44	8871	0.25								
7431	1.55	8232	5.37	8901	0.24								
7445	0.56	8233	4.37	9012	1.78								
7453	0.84	8235	3.52	9014	2.55								
7502	2.28	8263	7.96	9015	2.21								
7515	0.98	8264	2.87	9016	5.30								
7520	2.07	8265	7.92	9019	2.72								
7538	9.28	8279	7.61	9033	1.81								
7539	3.98	8288	5.12	9040	3.23								
7540	2.60	8291	1.78	9052	1.71								
7580	1.72	8292	2.54	9058	1.64								
7590	4.76	8293	5.84	9059	2.53								
7600	2.39	8295	6.38	9060	1.67								
7601	10.79	8304	5.88	9061	1.27								
7605	3.61	8350	4.84	9063	0.91								
7610	0.46	8380	3.03	9077	3.61								

\*, # Refer to Footnotes Page for additional information on this class code.

Rates include all expense provisions. (Loss Cost Multiplier has been applied.)

Eighth Reprint

Effective July 1, 2008

Page S1

CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE
0005	4.35	2003	2.12	2702	20.42	3224	1.54	4024	1.39	4635	3.35	5506	2.69
0008	1.77	2014	3.99	2710	5.95	3227	1.14	4034	4.70	4653	0.87	5507	4.04
0016	3.81	2016	1.25	2714	2.82	3240	1.90	4036	1.70	4665	4.54	5508	6.82
0034	2.92	2021	2.09	2719	7.49	3241	1.77	4038	1.47	4670	2.60	5535	6.39
0035	1.75	2039	2.80	2731	2.51	3255	1.47	4053	2.16	4683	3.32	5537	4.22
0036	2.78	2041	2.68	2735	1.76	3257	2.14	4061	2.66	4686	0.86	5551	12.27
0037	3.14	2065	1.01	2759	5.72	3270	2.03	4062	1.45	4692	0.30	5606	1.46
0042	4.32	2070	3.43	2790	1.05	3300	2.81	4101	1.26	4693	0.58	5610	4.78
0050	3.52	2081	2.42	2802	3.56	3303	2.40	4111	1.92	4703	1.52	5645	9.77
0059	0.20	2089	1.59	2812	2.50	3307	2.11	4112	0.59	4717	1.21	5651	7.25
0065	0.03	2095	1.72	2835	1.09	3315	1.65	4113	0.83	4720	3.54	5703	79.01
0066	0.03	2105	1.53	2836	1.52	3334	1.34	4114	1.39	4740	1.04	5705	4.62
0067	0.03	2110	1.34	2841	2.52	3336	1.38	4130	2.86	4741	1.19	5951	0.29
0079	2.87	2111	1.58	2881	1.70	3365	6.92	4131	1.53	4751	1.01	6003	7.24
0083	6.61	2112	1.71	2883	2.77	3372	1.79	4133	1.51	4771	1.15	6005	5.50
0106	7.73	2114	1.68	2913	2.77	3373	1.82	4150	1.05	4777	1.18	6017	3.38
0113	3.88	2121	1.40	2915	2.88	3383	0.68	4206	2.31	4825	0.60	6018	1.53
0170	1.67	2130	1.89	2916	1.58	3385	0.55	4207	0.63	4828	1.13	6045	1.78
0251	3.42	2131	1.19	2923	1.62	3400	1.71	4239	0.80	4829	0.82	6204	7.20
0400	5.08	2143	1.37	2942	1.48	3507	1.94	4240	1.55	4902	0.84	6206	4.57
0401	7.46	2157	2.55	2960	2.03	3515	1.37	4243	1.05	4923	0.70	6213	6.01
0771	0.20	2172	0.99	3004	1.73	3548	0.85	4244	1.86	5020	5.96	6214	2.03
0908	96.32	2174	1.84	3018	1.61	3559	1.63	4250	0.94	5022	4.29	6216	4.68
0913	237.44	2211	3.44	3022	2.00	3574	0.76	4251	1.11	5037	16.82	6217	3.66
0917	2.65	2220	1.23	3027	1.68	3581	0.90	4263	1.38	5040	22.55	6229	3.63
1005	7.47	2286	0.89	3028	1.46	3612	1.38	4273	1.21	5057	16.13	6233	3.95
1016	27.88	2288	2.54	3030	2.53	3620	3.65	4279	1.13	5059	19.16	6235	10.52
1164	4.83	2300	1.34	3040	2.34	3629	1.23	4282	1.33	5069	24.20	6236	8.66
1165	3.18	2302	1.07	3041	2.09	3632	2.52	4283	1.24	5102	3.55	6237	2.22
1320	1.98	2305	1.34	3042	2.00	3634	1.07	4299	1.10	5146	4.34	6251	5.77
1322	10.64	2361	0.76	3064	2.89	3635	1.30	4304	1.74	5160	3.07	6252	4.31
1430	2.72	2362	1.10	3069	6.39	3638	0.93	4307	1.38	5183	3.04	6260	3.81
1438	1.53	2380	2.84	3076	1.86	3642	0.53	4351	0.72	5188	3.89	6306	4.10
1452	1.06	2386	0.71	3081	1.81	3643	1.86	4352	0.63	5190	2.79	6319	4.00
1463	7.88	2388	1.21	3082	2.44	3647	2.11	4360	0.57	5191	1.61	6325	3.34
1472	2.74	2402	1.35	3085	2.04	3648	1.35	4361	1.07	5192	3.47	6400	5.99
1624	5.14	2413	1.06	3110	1.79	3681	0.98	4362	0.73	5213	6.12	6504	1.60
1642	2.77	2416	1.05	3111	1.87	3685	1.12	4410	2.17	5215	3.66	6702	5.56
1654	4.24	2417	0.99	3113	1.90	3719	2.12	4420	2.62	5221	4.50	6703	9.93
1655	3.35	2501	0.85	3114	1.64	3724	5.51	4431	1.01	5222	10.40	6704	6.17
1699	1.36	2503	0.84	3118	0.76	3726	2.45	4432	1.09	5223	4.58	6801	8.47
1701	2.09	2534	1.35	3119	0.69	3803	1.20	4439	1.14	5348	3.55	6811	3.72
1710	4.14	2570	3.11	3122	0.95	3807	1.32	4452	2.21	5402	3.94	6824	24.38
1741	1.25	2585	2.09	3126	1.08	3808	1.86	4459	1.27	5403	8.15	6826	9.35
1745	2.03	2586	0.83	3131	0.66	3821	2.60	4470	1.61	5437	3.86	6834	2.63
1747	1.77	2587	1.82	3132	1.55	3822	2.45	4484	1.41	5443	3.50	6836	4.29
1748	5.05	2589	0.97	3145	1.50	3824	3.28	4493	1.71	5445	4.38	6843	10.89
1803	3.63	2600	4.32	3146	1.73	3826	0.55	4511	0.60	5462	4.62	6845	16.52
1852	1.68	2623	1.90	3169	1.54	3827	0.99	4557	1.15	5472	4.21	6854	3.72
1853	1.57	2651	1.78	3175	1.79	3830	0.76	4558	1.12	5473	5.76	6872	14.19
1860	1.23	2660	0.99	3179	1.51	3851	1.79	4561	1.34	5474	6.32	6874	29.03
1924	2.66	2670	1.56	3180	1.12	3865	0.86	4568	1.76	5478	3.85	6882	3.72
1925	1.84	2683	1.33	3188	0.96	3881	2.39	4581	1.18	5479	6.81	6884	8.40
2001	1.50	2688	2.06	3220	1.19	4000	4.89	4583	3.60	5480	6.89	7016	3.30
2002	1.88	2701	5.01	3223	1.88	4021	3.72	4611	0.65	5491	1.78	7024	3.67

\*, # Refer to Footnotes Page for additional information on this class code.

CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE	CLASS CODE	RATE
7038	4.17	7611	3.86	8381	1.02	9082	1.18						
7046	18.32	7612	8.61	8385	1.64	9083	1.19						
7047	5.91	7613	3.44	8392	2.05	9084	1.38						
7050	7.45	7705	1.89	8393	1.16	9089	0.84						
7090	4.63	7710	4.24	8500	4.33	9093	1.03						
7098	20.36	7711	4.24	8601	0.60	9101	2.22						
7099	32.80	7720	1.89	8606	2.45	9102	2.14						
7133	2.52	7855	4.57	8709	7.02	9154	1.70						
7151	3.06	8001	1.52	8719	1.65	9156	1.15						
7152	5.48	8002	2.22	8720	1.19	9170	2.04						
7153	3.40	8006	1.32	8721	0.35	9178	19.24						
7222	7.06	8008	0.83	8726	8.05	9179	26.40						
7228	5.01	8010	1.29	8734	0.47	9180	2.72						
7229	5.25	8013	0.33	8737	0.43	9182	1.98						
7230	2.96	8015	0.44	8738	0.75	9186	39.10						
7231	3.92	8017	0.86	8742	0.42	9220	2.50						
7232	9.25	8018	1.72	8745	3.12	9402	3.16						
7309	16.51	8021	1.27	8748	0.36	9403	3.90						
7313	4.68	8031	2.64	8755	0.23	9410	1.54						
7317	7.40	8032	1.08	8799	0.84	9501	3.00						
7327	21.85	8033	1.29	8800	0.84	9505	2.60						
7333	3.96	8039	0.94	8803	0.07	9516	2.85						
7335	4.40	8044	1.88	8805	0.25	9519	1.61						
7337	7.09	8045	0.28	8810	0.21	9521	3.61						
7350	14.25	8046	1.82	8814	0.21	9522	1.07						
7360	5.11	8047	0.73	8815	0.39	9534	6.14						
7370	3.61	8058	1.87	8820	0.19	9554	6.51						
7380	2.49	8072	0.55	8824	2.17	9586	0.48						
7382	2.05	8102	1.73	8825	1.85	9600	1.11						
7390	2.65	8103	2.55	8826	1.96	9620	0.97						
7394	8.04	8105	3.30	8829	2.36								
7395	8.94	8106	2.61	8831	2.30								
7398	14.40	8107	2.23	8832	0.24								
7403	2.13	8111	2.57	8833	0.79								
7405	0.84	8116	2.86	8835	1.73								
7420	18.44	8203	3.75	8842	1.29								
7421	1.95	8204	3.26	8864	1.29								
7422	1.65	8209	2.04	8868	0.34								
7423	2.28	8215	3.91	8869	0.54								
7425	3.05	8227	2.75	8871	0.20								
7431	1.24	8232	4.30	8901	0.19								
7445	0.45	8233	3.49	9012	1.42								
7453	0.67	8235	2.82	9014	2.04								
7502	1.83	8263	6.36	9015	1.77								
7515	0.78	8264	2.30	9016	4.24								
7520	1.66	8265	6.33	9019	2.17								
7538	7.43	8279	6.08	9033	1.44								
7539	3.18	8288	4.10	9040	2.59								
7540	2.08	8291	1.42	9052	1.37								
7580	1.38	8292	2.03	9058	1.31								
7590	3.81	8293	4.67	9059	2.03								
7600	1.92	8295	5.11	9060	1.33								
7601	8.64	8304	4.70	9061	1.02								
7605	2.88	8350	3.87	9063	0.73								
7610	0.36	8380	2.42	9077	2.89								

\*, # Refer to Footnotes Page for additional information on this class code.

SERFF Tracking Number: HRLV-125668632 State: Arkansas  
First Filing Company: Harleysville Mutual Insurance Company, ... State Tracking Number: EFT \$200  
Company Tracking Number: WCKLG040908-1  
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC  
Product Name: WC  
Project Name/Number: AR WC rate Rvw - 7-08/

## Supporting Document Schedules

<b>Satisfied -Name:</b> Uniform Transmittal Document-Property & Casualty	<b>Review Status:</b> Approved	06/06/2008
<b>Comments:</b>		
<b>Attachment:</b> NAIC 2007.pdf		
<b>Satisfied -Name:</b> NAIC Loss Cost Filing Document for Workers' Compensation	<b>Review Status:</b> Approved	06/06/2008
<b>Comments:</b>		
<b>Attachment:</b> Arkansas Filing Forms.pdf		
<b>Satisfied -Name:</b> NAIC loss cost data entry document	<b>Review Status:</b> Approved	06/06/2008
<b>Comments:</b>		
<b>Attachment:</b> AR WC Filing Form Abstract.pdf		
<b>Satisfied -Name:</b> Cover letter	<b>Review Status:</b> Approved	06/06/2008
<b>Comments:</b>		
<b>Attachment:</b> WC rate 2008.pdf		
<b>Satisfied -Name:</b> actarial memo & exhibits	<b>Review Status:</b> Approved	06/06/2008
<b>Comments:</b>		
<b>Attachment:</b> AR WC Explan Memo & exhibits.pdf		

## Property & Casualty Transmittal Document

<b>1. Reserved for Insurance Dept. Use Only</b>	<b>2. Insurance Department Use only</b> a. Date the filing is received: b. Analyst: c. Disposition: d. Date of disposition of the filing: e. Effective date of filing: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">New Business</td> <td></td> </tr> <tr> <td>Renewal Business</td> <td></td> </tr> </table> f. State Filing #: g. SERFF Filing #: h. Subject Codes	New Business		Renewal Business	
New Business					
Renewal Business					

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

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Harleysville Mutual Insurance Company	PA	14168	23-0902325	
Harleysville Preferred Insurance Company	PA	35696	23-2384978	

<b>5. Company Tracking Number</b>	125668632
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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
	Carol Zwoyer 355 Maple Avenue Harleysville, PA 19438	Senior State Filing Analyst	800-523-6344 ext. 5735	215-256-5678	czwoyer@harleysvillegroup.com

7. Signature of authorized filer	
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8. Please print name of authorized filer	Carol Zwoyer
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**Filing information** (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	Workers Compensation
10. Sub-Type of Insurance (Sub-TOI)	
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	
13. Filing Type	<input checked="" type="checkbox"/> Rate/Loss Cost <input checked="" 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: 07/01/2008                      Renewal: 07/01/2008

## Property & Casualty Transmittal Document---

<b>15.</b>	<b>Reference Filing?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>16.</b>	<b>Reference Organization</b> (if applicable)	NCCI
<b>17.</b>	<b>Reference Organization # &amp; Title</b>	AR-2008-02 Arkansas approved voluntary advisory loss costs and rating values
<b>18.</b>	<b>Company's Date of Filing</b>	6/3/08
<b>19.</b>	<b>Status of filing in domicile</b>	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

<b>20.</b>	<b>This filing transmittal is part of Company Tracking #</b>	125668632
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<b>21.</b>	<b>Filing Description</b> [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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With this filing it is our intent to submit for your review and approval a revision to applicable to our Workers Compensation program which results in an overall impact of -11.5%:

We wish to adopt the above captioned Voluntary Advisory Loss Costs and Rating Values with no change to our company Loss Cost Multiplier. In addition, we are revising our deductible credits in accordance with the NCCI revised loss elimination ratios.

Simultaneously under separate cover we are submitting a form filing to coincide with this rate filing.  
 Rule of application: These changes shall be applicable to all policies effective on or after July 1, 2008.

<b>22.</b>	<b>Filing Fees</b> (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
<p><b>Check #:</b> EFT  <b>Amount:</b> 200.00</p> <p><b>Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.</b></p>	

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

**WORKERS COMPENSATION INSURER RATE FILING  
ADOPTION OF ADVISORY ORGANIZATION  
PROSPECTIVE LOSS COSTS REFERENCE  
FILING ADOPTION FORM**

**Page 1 of 4**

1. Insurer Name Harleysville Mutual Insurance Company  
Address 355 Maple Ave  
Harleysville, PA 19438-2297

Person Responsible for Filing Carol Zwoyer

Title Senior State Filing Analyst Telephone No. (215) 256-5735

2. Insurer NAIC No. 14168 Group No. 0253

3. Line of Insurance Workers Compensation

4. Advisory Organization NCCI

5. Advisory Organization Reference Filing No. AR-2008-02

6. 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.

7.	Proposed Rate Level Change	<u>-11.5%</u>	Effective Date	<u>7/1/2008</u>
b.	Proposed Premium Level Change	<u>-11.5%</u>	Effective Date	<u>7/1/2008</u>
8.	Prior Rate Level Change	<u>+2.4%</u>	Effective Date	<u>1/1/2008</u>
b.	Prior Premium Level Change	<u>+2.4%</u>	Effective Date	<u>1/1/2008</u>

9. Attach "Summary of Supporting Information Form"  
(Use a separate Summary for each insurer-selected loss cost multiplier.)

10. 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 to only the above Advisory Organization Reference Filing.

**ARKANSAS INSURANCE DEPARTMENT**

Form RF-2  
Rev. 4/96

Insurer Name: Harleysville Mutual Insurance Company Date: June 3, 2008  
 NAIC No. 14168 Group No. 0253

INSURER RATE FILING  
 ADOPTION OF ADVISORY ORGANIZATION PROSPECTIVE LOSS COSTS  
 SUMMARY OF SUPPORTING INFORMATION FORM  
 CALCULATION OF COMPANY LOSS COST MULTIPLIER

1. Does this filing apply to all classes contained in Item 4 of the Reference Filing Adoption form?  
         Yes          x No      If No, for each affected class, attach Page 2 of Form  
 RF-WC with appropriate justification  
[NCCI Industry Group - Not Otherwise Identified]

2. 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)                     0.981

3. Development of Expected Loss Ratio and Loss Adjustment Expense (Target Cost) Ratio. (Attach  
 exhibit detailing insurer expense data impact of premium discount plans, and/or other supporting  
 information.)

		Selected Provisions
A.	Total Production Expense	<u>20.8%</u>
B.	General Expense	<u>1.1%</u>
C.	Taxes, Licenses & Fees	<u>3.8%</u>
D.	Underwriting Profit & Contingencies*	<u>-2.7%</u>
E.	Other (explain)**	<u>3.0%</u>
F.	TOTAL	<u>26.0%</u>

\* Explain how investment income is taken into account.

\*\* WC Fund, Second Injury Fund, Death & Permanent Total Disability Fund

4. A. Expected Loss Ratio: ELR = 100% - 3F = A                     74.0%  
 B. ELR in Decimal Form =                     0.740

5. Overall Impact of Expense Constant and Minimum Premiums:  
 (a 2.3% impact would be expressed as 1.023)                     1.030

6. Overall impact of Size-of-Risk Discounts plus Expense Graduation  
 Recognition in Retrospective Rating:  
 (An 8.67% average discount would be expressed as 0.914)                     0.941

7. Company Formula Loss Cost Multiplier: (2B / [6-3F] x 5) =                     1.399

8. Company Selected Loss Cost Multiplier =                     1.40  
 Explain any differences between 7 and 8:  
Rounding

9. Are you amending your minimum premium formula? If yes, attach documentation, incl Yes      No X  
 including rate level impact as well as change in multipliers, expense constants,  
 maximum, minimums, etc.

10. Are you changing your premium discount schedules? If yes, attach schedules and support,  
 Detailing premium or rate level change      Yes      No X

**ARKANSAS INSURANCE DEPARTMENT**

Form RF-2  
Rev. 4/96

Insurer Name: Harleysville Mutual Insurance Company Date: June 3, 2008  
 NAIC No. 14168 Group No. 0253

**INSURER RATE FILING  
 ADOPTION OF ADVISORY ORGANIZATION PROSPECTIVE LOSS COSTS  
 SUMMARY OF SUPPORTING INFORMATION FORM  
 CALCULATION OF COMPANY LOSS COST MULTIPLIER**

1. Does this filing apply to all classes contained in Item 4 of the Reference Filing Adoption form?  
         Yes           No      If No, for each affected class, attach Page 2 of Form  
 RF-WC with appropriate justification  
[NCCI Industry Groups 05, 06, 07, 12, 16, 17, 18, 22, 23, 25, 34]

2. 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)                     0.912

3. Development of Expected Loss Ratio and Loss Adjustment Expense (Target Cost) Ratio. (Attach  
 exhibit detailing insurer expense data impact of premium discount plans, and/or other supporting  
 information.)

		Selected Provisions
A.	Total Production Expense	<u>20.8%</u>
B.	General Expense	<u>1.1%</u>
C.	Taxes, Licenses & Fees	<u>3.8%</u>
D.	Underwriting Profit & Contingencies*	<u>-2.7%</u>
E.	Other (explain)**	<u>3.0%</u>
F.	TOTAL	<u>26.0%</u>

\* Explain how investment income is taken into account.

\*\* WC Fund, Second Injury Fund, Death & Permanent Total Disability Fund

4. A. Expected Loss Ratio:  $ELR = 100\% - 3F = A$                      74.0%  
 B. ELR in Decimal Form =                     0.740

5. Overall Impact of Expense Constant and Minimum Premiums:  
 (a 2.3% impact would be expressed as 1.023)                     1.030

6. Overall impact of Size-of-Risk Discounts plus Expense Graduation  
 Recognition in Retrospective Rating:  
 (An 8.67% average discount would be expressed as 0.914)                     0.941

7. Company Formula Loss Cost Multiplier:  $(2B / [6-3F] \times 5) =$                      1.301

8. Company Selected Loss Cost Multiplier =                     1.30  
 Explain any differences between 7 and 8:  
Rounding

9. Are you amending your minimum premium formula? If yes, attach documentation, incl Yes      No X  
 including rate level impact as well as change in multipliers, expense constants,  
 maximum, minimums, etc.

10. Are you changing your premium discount schedules? If yes, attach schedules and support,      Yes      No X  
 Detailing premium or rate level change

**ARKANSAS INSURANCE DEPARTMENT**

Form RF-2  
Rev. 4/96

Insurer Name: Harleysville Mutual Insurance Company Date: June 3, 2008  
 NAIC No. 14168 Group No. 0253

**INSURER RATE FILING  
 ADOPTION OF ADVISORY ORGANIZATION PROSPECTIVE LOSS COSTS  
 SUMMARY OF SUPPORTING INFORMATION FORM  
 CALCULATION OF COMPANY LOSS COST MULTIPLIER**

1. Does this filing apply to all classes contained in Item 4 of the Reference Filing Adoption form?  
         Yes           No      If No, for each affected class, attach Page 2 of Form  
 RF-WC with appropriate justification  
[NCCI Industry Groups 27, 35]

2. 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)         1.177        

3. Development of Expected Loss Ratio and Loss Adjustment Expense (Target Cost) Ratio. (Attach  
 exhibit detailing insurer expense data impact of premium discount plans, and/or other supporting  
 information.)

		Selected Provisions
A.	Total Production Expense	<u>20.8%</u>
B.	General Expense	<u>1.1%</u>
C.	Taxes, Licenses & Fees	<u>3.8%</u>
D.	Underwriting Profit & Contingencies*	<u>-2.7%</u>
E.	Other (explain)**	<u>3.0%</u>
F.	TOTAL	<u>26.0%</u>

\* Explain how investment income is taken into account.  
 \*\* WC Fund, Second Injury Fund, Death & Permanent Total Disability Fund

4. A. Expected Loss Ratio:  $ELR = 100\% - 3F = A$  74.0%  
 B. ELR in Decimal Form = 0.740

5. Overall Impact of Expense Constant and Minimum Premiums:  
 (a 2.3% impact would be expressed as 1.023) 1.030

6. Overall impact of Size-of-Risk Discounts plus Expense Graduation  
 Recognition in Retrospective Rating:  
 (An 8.67% average discount would be expressed as 0.914) 0.914

7. Company Formula Loss Cost Multiplier:  $(2B / [6-3F] \times 5) =$  1.678

8. Company Selected Loss Cost Multiplier = 1.68  
 Explain any differences between 7 and 8:  
Rounding

9. Are you amending your minimum premium formula? If yes, attach documentation, incl Yes      No X  
 including rate level impact as well as change in multipliers, expense constants,  
 maximum, minimums, etc.

10. Are you changing your premium discount schedules? If yes, attach schedules and support,      Yes      No X  
 Detailing premium or rate level change

**WORKERS COMPENSATION INSURER RATE FILING  
ADOPTION OF ADVISORY ORGANIZATION  
PROSPECTIVE LOSS COSTS REFERENCE  
FILING ADOPTION FORM**

**Page 1 of 4**

1. Insurer Name Harleysville Preferred Insurance Company  
 Address 355 Maple Ave  
Harleysville, PA 19438-2297

Person Responsible for Filing Carol Zwoyer

Title Senior State Filing Analyst Telephone No. (215) 256-5735

2. Insurer NAIC No. 35696 Group No. 0253

3. Line of Insurance Workers Compensation

4. Advisory Organization NCCI

5. Advisory Organization Reference Filing No. AR-2008-02

6. 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.

7.	Proposed Rate Level Change	<u>+0.0%</u>	Effective Date	<u>7/1/2008</u>
b.	Proposed Premium Level Change	<u>+0.0%</u>	Effective Date	<u>7/1/2008</u>
8.	Prior Rate Level Change	<u>+2.0%</u>	Effective Date	<u>1/1/2008</u>
b.	Prior Premium Level Change	<u>+2.0%</u>	Effective Date	<u>1/1/2008</u>

9. Attach "Summary of Supporting Information Form"  
(Use a separate Summary for each insurer-selected loss cost multiplier.)

10. 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 to only the above Advisory Organization Reference Filing.







ARKANSAS INSURANCE DEPARTMENT  
WORKERS COMPENSATION ABSTRACT

**INSTRUCTIONS: All questions must be answered. If the answer is "non" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group.**

Company Name Harleysville Mutual Insurance Company  
NAIC No. 14168 Group No. 253  
Deviation From NCCI Proposed Effective Date 1/1/2008

1 What type of deviation(s) are you currently utilizing? (Specify whether deviation is a schedule rating plan or an across-the board deviation)

Type	Approved	Percentage
<u>Schedule Rating Plan</u>	<u>1/12/1995</u>	<u>Max of +/- 25%</u>

2 What, if any, restrictions apply to the deviation? None

3 What is the minimum premium requirement for eligibility for the deviation? None

4 What was the average percentage of credit given on policies eligible under the deviation? 11.5%

5 What was the average percentage of debit given on policies eligible under the deviation? 0.7%

6 State the number of Arkansas policies issued since the approval of your deviation. 199 (Inforce as of 03/31/2008)  
Of these policies, how many received a deviation? 130

7 Do you allow both schedule rating plans and across-the-board deviations on the same risk? No, other than filed LCMs

8 Does your company offer a dividend plan? If so, please describe the type of dividend, including the amount paid in dividends for the preceding calendar year. Yes, but no dividends were paid in the previous calendar year.

9 When promulgating an individual policy premium, at what point is the deviation applied? After the experience modification but before the deductible credit.

10 Do plans for the future market provide for:

- (a) A greater market penetration for this type of business \_\_\_\_\_  
(b) A lesser penetration \_\_\_\_\_  
(c) Status quo Yes

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

\_\_\_\_\_  
Signature  
Carol Zwoyer  
\_\_\_\_\_  
Title  
215-256-5735  
\_\_\_\_\_  
Telephone Number

## ARKANSAS INSURANCE DEPARTMENT

## WORKERS COMPENSATION ABSTRACT

**INSTRUCTIONS: All questions must be answered. If the answer is "non" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group.**

Company Name Harleysville Preferred Insurance Company  
NAIC No. 35696 Group No. 253  
Deviation From NCCI Proposed Effective Date 1/1/2008

1 What type of deviation(s) are you currently utilizing? (Specify whether deviation is a schedule rating plan or an across-the board deviation)

Type	Approved	Percentage
<u>Schedule Rating Plan</u>	<u>9/15/2001</u>	<u>Max of +/- 25%</u>

2 What, if any, restrictions apply to the deviation? None

3 What is the minimum premium requirement for eligibility for the deviation? None

4 What was the average percentage of credit given on policies eligible under the deviation? 0.0%

5 What was the average percentage of debit given on policies eligible under the deviation? 0.0%

6 State the number of Arkansas policies issued since the approval of your deviation. 0 (Inforce as of 03/31/2008)  
Of these policies, how many received a deviation? 0

7 Do you allow both schedule rating plans and across-the-board deviations on the same risk? No, other than filed LCMs

8 Does your company offer a dividend plan? If so, please describe the type of dividend, including the amount paid in dividends for the preceding calendar year. Yes, but no dividends were paid in the previous calendar year.

9 When promulgating an individual policy premium, at what point is the deviation applied? After the experience modification but before the deductible credit.

10 Do plans for the future market provide for:

- (a) A greater market penetration for this type of business \_\_\_\_\_  
(b) A lesser penetration \_\_\_\_\_  
(c) Status quo Yes

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

\_\_\_\_\_  
Signature  
Carol Zwoyer  
\_\_\_\_\_  
Title  
215-256-5735  
\_\_\_\_\_  
Telephone Number

**HARLEYSVILLE INSURANCE**

355 Maple Avenue  
Harleysville, PA 19438-2297  
[www.harleysvillegroup.com](http://www.harleysvillegroup.com)

May 29, 2008

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

NAIC # 14168-35696  
**Workers Compensation**  
(Rate/Rule Filing)  
Item Filing #: AR-2008-02  
Company Tracking Number: 125668632

Dear Honorable Bowman:

With this filing it is our intent to submit for your review and approval a revision to applicable to our Workers Compensation program which results in an overall impact of -11.5%:

We wish to adopt the above captioned Voluntary Advisory Loss Costs and Rating Values with no change to our company Loss Cost Multiplier. In addition, we are revising our deductible credits in accordance with the NCCI revised loss elimination ratios.

Attached: AR-E-1, AR-E-3, AR-E-4, July 2008  
AR-PE-1, AR-PE-3, AR-PE-4, July 2008

Withdrawn: AR-E-1, AR-E-3, AR-E-4, January 2008  
AR-PE-1, AR-PE-3, AR-PE-4, January 2008

Simultaneously under separate cover we are submitting a form filing to coincide with this rate filing.  
Rule of application: These changes shall be applicable to all policies effective on or after July 1, 2008.  
Your favorable approval will be appreciated.

Very truly yours,  
**Harleysville Mutual Insurance Company**  
**Harleysville Preferred Insurance Company**



Carol Zwoyer, AAM, AIT  
Senior State Filing Analyst  
(215) 256-5735  
czwoyer@harleysvillegroup.com

HARLEYSVILLE INSURANCE  
HARLEYSVILLE MUTUAL INSURANCE COMPANY  
HARLEYSVILLE PREFERRED INSURANCE COMPANY

ARKANSAS  
WORKERS COMPENSATION

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**ACTUARIAL EXPLANATORY MEMORANDUM**

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The Harleysville Mutual Insurance Company (HMIC) and the Harleysville Preferred Insurance Company (HPRF) propose to adopt NCCI's Arkansas Workers Compensation loss costs contained in NCCI circular [AR-2008-02](#) as described below and in the attached forms and exhibits. The overall rate level effect of this revision is **-11.5%** for HMIC, **0.0%** for HPRF and **-11.5%** in total. We propose these changes become effective **July 1, 2008**.

We propose no change to our currently filed company deviation in HPRF of -20%.

We have revised our deductible discount factors in accordance with NCCI's revised loss elimination ratios presented in circular [AR-2008-02](#).

No other changes to our workers compensation program are being proposed at this time.  
The following exhibits are attached for review:

- **Exhibit 1** provides the summary detail of the overall **-11.5%** rate level effect by company.
- **Exhibit 2** displays the loss cost multipliers by Industry Group.
- **Exhibit 3** displays the calculation of our indicated rate level need.
- **Exhibit 4** provides a summary of Harleysville's historical expense experience over the past three calendar years.
- **Exhibit 5** presents Harleysville's internal rate of return model used in determination of the underwriting profit provision.

**HARLEYSVILLE INSURANCE**  
**Arkansas Workers' Compensation**  
**Impact Estimation of NCCI Revisions Effective July 1, 2008**  
*Harleysville Insurance Proposed Effective 07/01/2008*

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**SUMMARY OF PROPOSED IMPACT**

	Harleysville Mutual Insurance Company	Harleysville Preferred Insurance Company	Harleysville Insurance Total
Total Class Premium (excluding Terrorism)	1,090,569	0	1,090,569
<i>Impact of Manual Rate Revision</i>	-12.9%	0.0%	-12.9%
<i>Impact of Loss Cost Multiplier Revision</i>	0.0%	0.0%	0.0%
<i>Combined Impact</i>	-12.9%	0.0%	-12.9%
Current			
<i>Standard Premium</i>	988,964	0	988,964
<i>Premium Discount</i>	(52,938)	0	(52,938)
<i>Expense Constant</i>	38,576	0	38,576
<i>Terrorism</i>	35,531	0	35,531
<i>Written Premium</i>	1,010,133	0	1,010,133
Proposed			
<i>Standard Premium</i>	860,600	0	860,600
<i>Premium Discount*</i>	(40,625)	0	(40,625)
<i>Expense Constant</i>	38,576	0	38,576
<i>Terrorism</i>	35,531	0	35,531
<i>Written Premium</i>	894,082	0	894,082
Impact			
<i>Standard Premium</i>	-13.0%	0.0%	-13.0%
<i>Premium Discount</i>	-23.3%	0.0%	-23.3%
<i>Expense Constant</i>	0.0%	0.0%	0.0%
<i>Terrorism</i>	0.0%	0.0%	0.0%
<i>Written Premium</i>	-11.5%	0.0%	-11.5%

*\*Proposed Premium Discount is determined based on the Proposed Standard Premium and does not include a revision to the Premium Discount Table.*

**Arkansas Workers' Compensation  
Deviations by NCCI Group**

<u>Description</u>	NCCI Group	<u>Standard Company</u>		<u>Preferred Company</u>		<b>Proposed LCM'S</b>	
		Curr	Prop	Curr	Prop	<u>HMIC</u>	<u>HPRE</u>
Agriculture	01	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Mining & Oil or Natural Gas	02	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Quarrying, Stone Crushing	04	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Food & Tobacco	05	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Textiles	06	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Cloth Products	07	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Laundries	08	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Leather	09	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Rubber, Composition & Bone	10	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Paper & Pulp Products	12	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Wood	14	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Metallurgy	16	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Metal Forming	17	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Machine Shops	18	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Vehicles	20	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Stone Products	21	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Clay Products	22	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Glass Products	23	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Chemicals	24	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Miscellaneous Manufacturing	25	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Miscellaneous Construction	26	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Erection	27	20.0%	20.0%	20.0%	20.0%	1.68	1.34
Shipbuilding	28	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Admiralty and Fed Empl Act	29	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Stevedoring & Freight	30	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Railroad Operation	31	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Cartage & Trucking	32	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Public Utilities	33	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Commercial Enterprises	34	-7.0%	-7.0%	-7.0%	-7.0%	1.30	1.04
Clerical & Professional Occ	35	20.0%	20.0%	20.0%	20.0%	1.68	1.34
Operation & Maintenance	36	0.0%	0.0%	0.0%	0.0%	1.40	1.12
Miscellaneous Occupations	37	0.0%	0.0%	0.0%	0.0%	1.40	1.12

**HARLEYSVILLE INSURANCE  
WORKERS' COMPENSATION**
**NASHVILLE OPERATIONS  
ARKANSAS**
**PREMIUM INFORMATION**

Cal Yr Ending	Written Premium	WP Growth	Earned Premium	EP Growth	Policies In-force	PIF Growth	Trended EP @ Curr Level (a)
12/2002	1,818,948	---	1,830,517	---	0	---	2,850,429
12/2003	1,515,173	-16.7%	1,671,919	-8.7%	0	---	2,165,534
12/2004	1,316,936	-13.1%	1,255,508	-24.9%	0	---	1,382,918
12/2005	980,876	-25.5%	1,178,989	-6.1%	0	---	1,172,075
12/2006	959,931	-2.1%	996,492	-15.5%	0	---	956,130
Total	6,591,864		6,933,424		NA		8,527,086

**ACCIDENT YEAR LOSS INFORMATION (Evaluated as of 03/2007)**

Cal/Acc Year Ending	Ultimate Incurred Losses	Claim Counts	Acc Year Loss Ratio (b)	Hurricane Losses	Other CAT Losses	AY LR Excluding All CATS	Excess Losses (c)	AY LR Excluding CATS & XS	Ultimate (d) Expected Loss Ratio
12/2002	1,073,035	346	0.586	-	-	0.586	-	0.586	0.428
12/2003	327,182	209	0.196	-	-	0.196	-	0.196	0.170
12/2004	404,373	107	0.322	-	-	0.322	-	0.322	0.322
12/2005	959,875	133	0.814	-	-	0.814	-	0.814	0.882
12/2006	573,366	114	0.575	-	-	0.575	-	0.575	0.628
Total	3,337,831	909	0.481	-	-	0.481	-	0.481	0.430

**EXPENSE INFORMATION**

Commissions	9.1%
Taxes	4.0%
Other Acquisitions	13.4%
General Expense	1.2%
Dividends	0.0%
Additional Expense	0.0%
ULAE	9.0%
Profit (12.5% IRR)	-2.9%
Net Operations Expense	1.8%
Total Expense Ratio (% of Prem)	35.6%
Fixed Expense Ratio:	17.7%
Fixed Expense Trend:	1.0%
<b>Permissible Variable Loss &amp; ALAE Ratio:</b>	<b>82.1%</b>
ALAE (% of loss)	4.7%
<b>Permissible Loss Ratio (PLR):</b>	<b>61.5%</b>

**SELECTED LOSS RATIO**

Weighted Loss Ratio:	
5 Year (10/15/20/25/30):	54.1%
3 Year (20/30/50):	64.3%
2 Year (30/70):	70.4%
Selected Loss Ratio:	54.1%
<b>Credibility Adjustment</b>	
Credibility Factor:	0.50
Complement of Credibility:	69.1%
<b>Credibility Weighted LR:</b>	<b>61.6%</b>

**INDICATIONS**

<b>Projected Effective Date of 01/01/08</b>	
At Current Rate, Price and Tier Levels	
<b>Including only approved rate changes:</b>	
Latest approved rate change:	7/1/07
Credibility Weighted LR:	61.6%
Credibility Weighted L&ALAE Ratio:	64.5%
Permissible Variable L&ALAE Ratio:	82.1%
Trended Fixed Expense Ratio (e):	17.9%
<b>Indicated Rate Level Need:</b>	<b>0.3%</b>

**NOTES:**

- (a) Premium projected to 6 months beyond the projected renewal date of 01/01/08.  
 (b) Ultimate Incurred Losses / Earned Premium.  
 (c) Losses above \$100,000 are considered excess.  
 (d) Includes a non-hurr cat load of 0.0% and a statewide excess loss load of 0.5% (both as a % of capped, trended loss), and a hurricane load of 0.0% and a countrywide excess load of (both as a % of trended EP @ curr levels). Losses are projected to 1 year beyond the projected renewal date of 01/01/08.  
 (e) Fixed expense ratio (75% of GE, OA, and ULAE) trended 1.0% from 07/01/07 to 6 months beyond the projected renewal date of 01/01/08.

**HARLEYSVILLE INSURANCE COMPANIES**  
**COUNTRYWIDE WORKERS COMPENSATION**  
**HISTORICAL EXPENSE EXPERIENCE**

*For the ARKANSAS Filings*

	<u>2004</u>		<u>2005</u>		<u>2006</u>		<u>TOTAL</u>		<b>Selection @</b>		
	\$ (000's)	RATIO	\$ (000's)	RATIO	\$ (000's)	RATIO	\$ (000's)	RATIO	Selection	<b>Standard Level</b>	
ARKANSAS DIRECT PREMIUM WRITTEN	1,316,936	----	980,876	----	959,931	----	3,257,743	----	----	----	
ARKANSAS DIRECT PREMIUM EARNED	1,240,719	----	1,199,856	----	977,189	----	3,417,764	----	----	----	
$\alpha$ ARKANSAS COMMISSION	91,979	7.0%	89,942	9.2%	87,745	9.1%	269,667	8.3%	8.6%	8.1%	
$\alpha$ ARKANSAS TAXES, LIC., FEES	41,379	3.1%	46,236	4.7%	40,915	4.3%	128,531	3.9%	4.0%	3.8%	
$\beta$ ARKANSAS DIVIDENDS	0	0.0%	0	0.0%		0.0%	0	0.0%	0.0%	0.0%	
COUNTRYWIDE DIRECT PREMIUM EARNED	128,969,980	----	123,377,909	----	123,531,724	----	375,879,612	----	----	----	
$\beta$ OTHER ACQUISITION	17,810,009	13.8%	17,724,500	14.4%	16,706,805	13.5%	52,241,314	13.9%	13.5%	12.7%	
$\beta$ GENERAL	1,854,179	1.4%	1,573,992	1.3%	1,289,624	1.0%	4,717,795	1.3%	1.2%	1.1%	
									$\delta$ Underwriting Profit Provision (15.0% IRR):	-2.9%	-2.7%

$\alpha$  Ratios expressed as a percent of Written Premium.

$\beta$  Ratios expressed as a percent of Earned Premium.

$\delta$  The Profit Provision was derived by Harleysville's Internal Rate of Return (IRR) Model.

**THE HARLEYSVILLE INSURANCE COMPANIES**  
**A National Network of Regional Insurers**

**Internal Rate of Return Model**

Explanatory Memorandum for the Determination of Underwriting Profit Provision

The underwriting profit provision contained in this filing was developed from the Internal Rate of Return (IRR) Model displayed on the following pages. The IRR Model generates expected underwriting and investment results for the prospective period of the proposed rates. This provides a more appropriate reflection of anticipated profit than traditional methods that incorporate calendar year results containing contributions from prior policy years.

The model is designed to simulate the underwriting and investment operations of an insurance company writing a single policy. Given specific underwriting and investment assumptions as well as certain operating constraints, the model calculates equity flows between the company and its stockholders. The interest rate for which the present value of these equity flows equals zero is defined as the IRR. Through an iterative process, the model determines the premium necessary to achieve a target rate of return. The target rate of return is selected as the return necessary to attract capital to the operation. The combined ratio associated with the required premium and all underwriting expenses and policyholder dividends provides the necessary underwriting profit provision to be included in the proposed rates ( $U/W \text{ profit provision} = 1 - \text{combined ratio}$ ).

The operating constraints incorporated into the model are determined by a combination of Harleysville's current operations and the practical limitations of the model. The predominant constraint is the determination of a surplus amount to be maintained during the period for which obligations from the policy exist. Surplus requirements for the beginning of each year are determined by a selected reserve to surplus ratio for all years where reserves include unearned premium reserves and loss and loss adjustment expense reserves. These ratios have been selected to reflect the relative risk of the line of business being evaluated. The surplus is then increased or decreased by the statutory net income after federal income tax. The difference between the ending surplus amount and the required surplus for the beginning of the following year is the amount returned to the stockholder. This model assumes that the stockholders' funds are unlimited and further investments are made if the surplus falls below required levels.

The underwriting results are based on statutory accounting principles and assumptions specific to the line of business being evaluated. The projected loss and allocated loss adjustment expense ratio, and other underwriting expenses are those developed in this filing for the prospective period. The loss, expense, and dividend payout patterns are based on historical analysis of the corresponding line of business. The model assumes premiums are earned and losses are incurred evenly over the term of the policy. Commissions are paid according to the collected premium patterns. Contingent commissions and residual market costs are assumed to be paid in the year following the year in which they are incurred.

**THE HARLEYSVILLE INSURANCE COMPANIES**  
**A National Network of Regional Insurers**

**Internal Rate of Return Model**

Explanatory Memorandum for the Determination of Underwriting Profit Provision

The investment results reflect current investment opportunities and company strategies. The current investment environment is the most accurate reflection of anticipated income generated from funds supplied by writing a policy today. The beginning surplus is distributed to various investment vehicles based on Harleysville's current investment strategy. The investment income earned in a particular year is based on an estimate of the average invested amount during the year and an assumed investment yield. The estimated invested amount is accomplished by incorporating 50% of the underwriting cash flow for the current year. A positive cash flow indicates additional surplus being invested during the year; whereas, a negative cash flow represents a depletion of surplus available for investment. The investment yields reflect those currently available in the market. The cash flow yield is an average based on the assumed investment distributions.

Current federal tax laws and the Alternative Minimum Tax are considered in developing the operating results.

**HARLEYSVILLE INSURANCE GROUP**  
**INTERNAL RATE OF RETURN MODEL**  
Investment and Operating Assumptions  
Summary of Results

Line Of Business: Workers Compensation  
State: CW

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**Investment Assumptions**

<u>Investment</u>	<u>Dist</u>	<u>Yield</u>
Cash / ST Inv	9.8%	0.80%
U.S. Gov't Bonds	10.4%	5.43%
Corporate Bonds	26.7%	8.43%
Tax-Exempt Bonds (Pre 8/86)	0.0%	2.77%
Tax-Exempt Bonds (Post 8/86)	42.5%	2.77%
Common Stock	9.9%	5.48%
Other Investments	0.8%	23.69%

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**Operating Requirements**

Reserve to Surplus Ratio:	7.48
Target Rate of Return:	12.5%

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**Model Results**

Target Rate of Return:	12.5%
Required Combined Ratio:	102.9%
Underwriting Profit Provision:	-2.9%

**HARLEYSVILLE INSURANCE GROUP**  
**INTERNAL RATE OF RETURN MODEL**

Underwriting Assumptions

Line Of Business: Workers Compensation  
State: CW

**Underwriting Assumptions**

Loss & ALAE Ratio:	63.7%																				
Dividends Payable:	1.6%																				
Year after policy inception:	<u>01</u>	<u>02</u>	<u>03</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>	
<u>Premium Patterns</u>																					
Written	90.9%	9.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Earned	90.9%	9.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Collected	90.9%	9.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<u>Cumulative Loss &amp; ALAE Payout Patterns</u>																					
Weight																					
Subline 1:	100.0%	20.3%	45.0%	60.0%	69.0%	75.3%	79.3%	81.6%	83.4%	85.2%	87.0%	89.0%	91.0%	93.0%	94.0%	95.0%	96.0%	97.0%	98.0%	99.0%	100.0%
Subline 2:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subline 3:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subline 4:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average:	20.3%	45.0%	60.0%	69.0%	75.3%	79.3%	81.6%	83.4%	85.2%	87.0%	89.0%	91.0%	93.0%	94.0%	95.0%	96.0%	97.0%	98.0%	99.0%	100.0%	
<u>Loss Reserve Discounting Factors:</u>	0.8952	0.8684	0.8483	0.8421	0.8423	0.8595	0.8678	0.8831	0.9070	0.9242	0.9419	0.9600	0.9781	0.9807	0.9807	0.9807	0.9807	0.9807	0.9807	0.9807	0.9807
<u>Paid Expense Payout Pattern:</u>	95.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Paid ULAE Payout Pattern:</u>	55.2%	17.4%	7.5%	4.5%	3.2%	2.0%	1.2%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
<u>Dividend Payout Pattern:</u>	0.0%	97.5%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

<u>Incurred Expense Ratios</u>	<u>Variable</u>	<u>Fixed</u>	<u>Total</u>
Commissions	7.30%	0.00%	7.30%
Contingent Comm	0.00%	0.00%	0.00%
Taxes, Licenses, & Fees	2.40%	0.00%	2.40%
O/A & General	3.65%	10.95%	14.60%
Unallocated Loss Expense	2.60%	7.80%	10.40%
Residual Market	0.00%	0.00%	0.00%
Other U/W Expense	0.00%	0.00%	0.00%
Total	15.95%	18.75%	34.70%

**HARLEYSVILLE INSURANCE GROUP**  
**INTERNAL RATE OF RETURN MODEL**

Determination of Equity Flows

Line Of Business: Workers Compensation  
 State: CW

Year after policy inception:	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20
<b>Estimated Reserves (a)</b>																				
Unearned Premium	966.09	87.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loss & LAE	NA	461.49	364.67	263.50	202.69	160.99	134.18	118.54	106.79	95.32	83.85	71.23	58.49	45.75	38.80	32.43	26.06	19.69	13.32	6.95
Expenses	NA	67.37	29.01	20.78	16.07	12.80	10.71	9.50	8.57	7.64	6.71	5.68	4.65	3.62	3.09	2.58	2.06	1.55	1.03	0.52
Policyholder Dividends	NA	15.46	0.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Reserves	966.09	632.23	394.06	284.28	218.76	173.79	144.89	128.04	115.35	102.96	90.57	76.91	63.14	49.37	41.89	35.01	28.12	21.24	14.35	7.47
<b>Required Beginning Surplus (b)</b>																				
	129.13	73.43	48.74	35.22	27.09	21.52	17.93	15.84	14.27	12.74	11.21	9.52	7.82	6.11	5.19	4.33	3.48	2.63	1.78	0.93
<b>Statutory Net Income</b>																				
Adj Premiums Earned (c)	878.17	87.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Investment Gain (d)	17.86	25.33	18.61	13.75	10.71	8.68	7.41	6.60	5.92	5.25	4.55	3.82	3.07	2.48	2.09	1.72	1.35	0.98	0.61	0.24
Losses and Loss Expenses (c)	579.03	57.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Underwriting Expenses (c)	327.57	14.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING GAIN	(10.57)	41.26	18.61	13.75	10.71	8.68	7.41	6.60	5.92	5.25	4.55	3.82	3.07	2.48	2.09	1.72	1.35	0.98	0.61	0.24
Policyholder Dividends (c)	0.00	15.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NET INCOME BEFORE FIT	(10.57)	25.80	18.61	13.75	10.71	8.68	7.41	6.60	5.92	5.25	4.55	3.82	3.07	2.48	2.09	1.72	1.35	0.98	0.61	0.24
Federal Income Tax (e)	12.41	6.65	2.09	1.08	0.76	0.38	0.88	0.67	0.43	0.54	0.45	0.39	0.35	0.57	0.51	0.41	0.31	0.21	0.11	0.02
NET INCOME	(22.98)	19.15	16.52	12.67	9.95	8.29	6.53	5.93	5.49	4.72	4.11	3.42	2.73	1.91	1.58	1.31	1.04	0.77	0.50	0.22
<b>Other Changes in Surplus (f)</b>																				
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Ending Surplus Before Dividends</b>																				
	106.15	92.58	65.26	47.89	37.05	29.81	24.46	21.77	19.76	17.46	15.31	12.94	10.54	8.03	6.77	5.65	4.52	3.40	2.28	1.15
<b>Stockholder Dividends Payable</b>																				
	32.72	43.84	30.04	20.80	15.53	11.88	8.62	7.50	7.02	6.25	5.79	5.13	4.43	2.84	2.44	2.16	1.89	1.62	1.35	1.15
<b>Ending Surplus</b>																				
	73.43	48.74	35.22	27.09	21.52	17.93	15.84	14.27	12.74	11.21	9.52	7.82	6.11	5.19	4.33	3.48	2.63	1.78	0.93	0.00
<b>MODEL RESULTS</b>																				
IRR on Dividends Payable		12.5%																		
Required Combined Ratio		102.9%																		
U/W Profit Provision		-2.9%																		

- (a) Reserves at beginning of period. Calculation of reserves is determined from Pages 13 & 14.
- (b) Each years' required surplus is determined by the Reserve-to-Surplus ratio, shown on Page 8.
- (c) Determined on Pages 13 & 14.
- (d) Determined on Page 12.
- (e) Determined on Page 11.
- (f) This model assumes the only changes in surplus are due to investment and underwriting operations. Realized and Unrealized Capital Gains/Losses are not incorporated.
- (g) All surplus in excess of the required amount for the following year is returned to the stockholder.

**HARLEYSVILLE INSURANCE GROUP**  
**INTERNAL RATE OF RETURN MODEL**

Projected Federal Income Tax

Line Of Business: Workers Compensator  
State: CW

Year after policy inception:	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20
<b>Calculation Of Regular Tax</b>																				
Profit Before FIT (Statutory) (a)	(10.57)	25.80	18.61	13.75	10.71	8.68	7.41	6.60	5.92	5.25	4.55	3.82	3.07	2.48	2.09	1.72	1.35	0.98	0.61	0.24
Tax-Exempt Income																				
100% pre 8-7-86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
85% post 8-7-86	1.29	5.90	4.44	3.20	2.46	1.96	1.63	1.44	1.30	1.16	1.02	0.87	0.71	0.56	0.47	0.39	0.32	0.24	0.16	0.08
20% of Change in UPR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chg due to Disct Loss/LAE Rsrv (b)	48.36	(0.35)	(8.03)	(7.97)	(6.62)	(6.53)	(3.19)	(3.18)	(3.62)	(2.52)	(2.22)	(1.80)	(1.34)	(0.25)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)
Regular Taxable Income	36.49	19.56	6.14	2.59	1.63	0.19	2.59	1.97	1.01	1.58	1.32	1.15	1.02	1.68	1.50	1.21	0.91	0.62	0.32	0.03
Federal Taxes at 34%	12.41	6.65	2.09	0.88	0.55	0.06	0.88	0.67	0.34	0.54	0.45	0.39	0.35	0.57	0.51	0.41	0.31	0.21	0.11	0.01
<b>Calculation Of Alternative Minimum Tax (AMT)</b>																				
Regular Taxable Income	36.49	19.56	6.14	2.59	1.63	0.19	2.59	1.97	1.01	1.58	1.32	1.15	1.02	1.68	1.50	1.21	0.91	0.62	0.32	0.03
Tax-Exempt Income	1.52	6.94	5.22	3.77	2.90	2.30	1.92	1.70	1.53	1.36	1.20	1.02	0.84	0.65	0.56	0.46	0.37	0.28	0.19	0.10
Adjusted Current Earnings	38.02	26.49	11.36	6.35	4.53	2.49	4.51	3.67	2.53	2.94	2.52	2.17	1.86	2.33	2.05	1.67	1.28	0.90	0.51	0.13
75% of Difference	1.14	5.20	3.92	2.83	2.17	1.73	1.44	1.27	1.15	1.02	0.90	0.76	0.63	0.49	0.42	0.35	0.28	0.21	0.14	0.07
AMT Taxable Income	37.64	24.76	10.06	5.41	3.80	1.91	4.03	3.25	2.15	2.60	2.22	1.92	1.65	2.17	1.92	1.55	1.19	0.83	0.47	0.11
AMT Income Tax at 20%	7.53	4.95	2.01	1.08	0.76	0.38	0.81	0.65	0.43	0.52	0.44	0.38	0.33	0.43	0.38	0.31	0.24	0.17	0.09	0.02
<b>Greater of AMT or Regular Tax (c)</b>																				
	12.41	6.65	2.09	1.08	0.76	0.38	0.88	0.67	0.43	0.54	0.45	0.39	0.35	0.57	0.51	0.41	0.31	0.21	0.11	0.02

(a) Determined on Page 10.

(b) Determined on Page 13.

(c) If AMT is negative, then regular tax is selected. If AMT is positive the selected tax is the maximum of the AMT and the Regular Tax.

**HARLEYSVILLE INSURANCE GROUP**  
**INTERNAL RATE OF RETURN MODEL**

Projected Investment Income

Line Of Business: Workers Compensator  
State: CW

Year after policy inception:                    01    02    03    04    05    06    07    08    09    10    11    12    13    14    15    16    17    18    19    20

**Investment Income**

Beginning of Period Invested Assets (a)																					
<u>Investment Portfolio</u>	<u>Yield</u>																				
Cash / ST Inv	0.80%	12.60	57.41	43.21	31.18	23.99	19.06	15.89	14.04	12.65	11.29	9.93	8.44	6.93	5.42	4.60	3.84	3.09	2.33	1.58	0.82
U.S. Gov Bd	5.43%	13.42	61.14	46.02	33.20	25.55	20.30	16.92	14.95	13.47	12.03	10.58	8.98	7.38	5.77	4.89	4.09	3.29	2.48	1.68	0.87
Corp Bonds	8.43%	34.48	157.07	118.23	85.31	65.65	52.15	43.48	38.42	34.61	30.90	27.18	23.08	18.95	14.82	12.57	10.51	8.44	6.38	4.31	2.24
Tax-Exempt Bd	2.77%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tax-Exempt Bd	2.77%	54.88	250.02	188.20	135.79	104.49	83.01	69.20	61.16	55.10	49.18	43.26	36.74	30.16	23.59	20.01	16.73	13.44	10.15	6.86	3.57
Common Stock	5.48%	12.74	58.03	43.68	31.52	24.25	19.27	16.06	14.19	12.79	11.41	10.04	8.53	7.00	5.47	4.65	3.88	3.12	2.36	1.59	0.83
Other Inv	23.69%	1.00	4.54	3.42	2.47	1.90	1.51	1.26	1.11	1.00	0.89	0.79	0.67	0.55	0.43	0.36	0.30	0.24	0.18	0.12	0.06
<b>Total Invested Assets</b>		<b>129.11</b>	<b>588.20</b>	<b>442.76</b>	<b>319.47</b>	<b>245.83</b>	<b>195.29</b>	<b>162.81</b>	<b>143.88</b>	<b>129.62</b>	<b>115.70</b>	<b>101.77</b>	<b>86.43</b>	<b>70.96</b>	<b>55.49</b>	<b>47.09</b>	<b>39.35</b>	<b>31.61</b>	<b>23.88</b>	<b>16.14</b>	<b>8.40</b>
Curr Cash Flow (b)	4.80%	243.21	(60.15)	(54.89)	(32.76)	(22.49)	(14.45)	(8.42)	(6.34)	(6.20)	(6.20)	(6.83)	(6.89)	(6.89)	(3.74)	(3.44)	(3.44)	(3.44)	(3.44)	(3.44)	(3.44)
Investment Income (c)		17.86	25.33	18.61	13.75	10.71	8.68	7.41	6.60	5.92	5.25	4.55	3.82	3.07	2.48	2.09	1.72	1.35	0.98	0.61	0.24

**Cash Flow**

Premiums Collected (d)	878.17	87.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loss and LAE Paid (d)	117.54	154.79	101.17	60.81	41.70	26.81	15.64	11.76	11.47	11.47	12.62	12.74	12.74	6.95	6.37	6.37	6.37	6.37	6.37	6.37	6.37
Underwriting Expenses Paid (e)	274.21	38.36	8.22	4.71	3.28	2.09	1.21	0.93	0.93	0.93	1.03	1.03	1.03	0.53	0.52	0.52	0.52	0.52	0.52	0.52	0.52
Policyholder Dividends Paid (d)	0.00	15.07	0.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Taxes Paid (f)	12.41	6.65	2.09	1.08	0.76	0.38	0.88	0.67	0.43	0.54	0.45	0.39	0.35	0.57	0.51	0.41	0.31	0.21	0.11	0.02	0.02
Net Investment Income Collected	17.86	25.33	18.61	13.75	10.71	8.68	7.41	6.60	5.92	5.25	4.55	3.82	3.07	2.48	2.09	1.72	1.35	0.98	0.61	0.24	0.24
Other Changes in Surplus (g)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Cash Flow From Operations	491.87	(101.62)	(93.26)	(52.84)	(35.02)	(20.61)	(10.31)	(6.76)	(6.90)	(7.68)	(9.55)	(10.35)	(11.04)	(5.56)	(5.30)	(5.57)	(5.84)	(6.12)	(6.39)	(6.67)	(6.67)
Stockholder Dividends Paid (g)	32.72	43.84	30.04	20.80	15.53	11.88	8.62	7.50	7.02	6.25	5.79	5.13	4.43	2.84	2.44	2.16	1.89	1.62	1.35	1.15	1.15
Net Cash Flow After Dividends	459.15	(145.46)	(123.31)	(73.64)	(50.55)	(32.49)	(18.93)	(14.26)	(13.93)	(13.93)	(15.34)	(15.47)	(15.47)	(8.41)	(7.74)	(7.74)	(7.74)	(7.74)	(7.74)	(7.74)	(7.81)

- (a) Invested assets are determined by applying the distribution of assets shown on Page 8 to the sum of the surplus at the beginning of each year and the net cash flow after dividends from the previous year.
- (b) 50 % of the underwriting cash flow from the current year (excluding taxes paid, investment income, and stockholder dividends) is incorporated to estimate the average amount of invested assets throughout the year for which investment income is received. This procedure accounts for the transition of the surplus from the beginning of the year to the end of the year. This amount is applied to an investment yield equal to the weighted average of the current portfolio.
- (c) Investment income determined by multiplying the yield rate by the invested assets.
- (d) Determined on Page 13.
- (e) Determined on Page 14.
- (f) Determined on Page 11.
- (g) Other Changes in Surplus and Stockholder Dividends are shown on Page 10.

**HARLEYSVILLE INSURANCE GROUP**  
**INTERNAL RATE OF RETURN MODEL**

Premium, Loss, and Dividend Projections

Line Of Business: Workers Compensation  
State: CW

Year after policy inception:	<u>01</u>	<u>02</u>	<u>03</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>
<b>Incurred and Paid Losses</b>																				
Losses and ALAE Incurred (a):	579.03	57.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Weighted Average Payment Development:	20.3%	24.7%	15.0%	9.0%	6.3%	4.0%	2.3%	1.8%	1.8%	1.8%	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Losses and ALAE Paid:	117.54	154.79	101.17	60.81	41.70	26.81	15.64	11.76	11.47	12.62	12.74	12.74	6.95	6.37	6.37	6.37	6.37	6.37	6.37	6.37
Loss and ALAE Reserves:	461.49	364.67	263.50	202.69	160.99	134.18	118.54	106.79	95.32	83.85	71.23	58.49	45.75	38.80	32.43	26.06	19.69	13.32	6.95	0.58
Loss Reserve Discounting Factors (b):	0.8952	0.8684	0.8483	0.8421	0.8423	0.8595	0.8678	0.8831	0.9070	0.9242	0.9419	0.9600	0.9781	0.9807	0.9807	0.9807	0.9807	0.9807	0.9807	0.9807
Discounted Loss and ALAE Reserves:	413.13	316.66	223.52	170.67	135.60	115.32	102.88	94.30	86.45	77.50	67.09	56.15	44.75	38.05	31.80	25.56	19.31	13.06	6.82	0.57
Change in Loss and ALAE Reserves:	461.49	(96.82)	(101.17)	(60.81)	(41.70)	(26.81)	(15.64)	(11.76)	(11.47)	(11.47)	(12.62)	(12.74)	(12.74)	(6.95)	(6.37)	(6.37)	(6.37)	(6.37)	(6.37)	(6.37)
Change in Disc Loss and ALAE Rsv:	413.13	(96.47)	(93.14)	(52.84)	(35.07)	(20.28)	(12.45)	(8.57)	(7.85)	(8.95)	(10.41)	(10.94)	(11.40)	(6.70)	(6.25)	(6.25)	(6.25)	(6.25)	(6.25)	(6.25)
Change due to Discounting:	48.36	(0.35)	(8.03)	(7.97)	(6.62)	(6.53)	(3.19)	(3.18)	(3.62)	(2.52)	(2.22)	(1.80)	(1.34)	(0.25)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)
<b>Written, Earned, and Collected Premiums</b>																				
	<u>Base</u>	<u>Adj</u>	(c)																	
Written Premium	1,000	966																		
Written Premium																				
Percent Written	90.9%	9.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$ - Base	909	91	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$ - Adjusted	878.1721	87.91382	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earned Premium																				
Percent Earned	90.9%	9.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$ - Base	909	91	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$ - Adjusted	878.1721	87.91382	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Collected Premium																				
% of Written Collected	90.9%	9.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$ - Base	909	91	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$ - Adjusted	878.1721	87.91382	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Policyholder Dividends</b>																				
% Adj Earned Premium	1.6%																			
\$ Incurred	0	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
% Paid	0.0%	97.5%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$ Paid	0	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

- (a) Incurred Loss & ALAE ratio multiplied by the adjusted earned premium.
- (b) Discount factors are those distributed by the Internal Revenue Service.
- (c) The adjusted premium represents the amount of premium necessary to achieve the target rate of return. This premium is determined through an iterative process.

## HARLEYSVILLE INSURANCE GROUP INTERNAL RATE OF RETURN MODEL

### Projected Expenses

Line Of Business: Workers Compensation  
State: CW

Year after policy inception:	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20
<b>Underwriting Expenses Incurred</b>																				
Variable (a)																				
Commissions	7.30%	64.11	6.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contingent Comm	0.00%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Taxes/Lic/Fees	2.40%	21.08	2.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O/A & General	3.65%	32.05	3.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ULAE	2.60%	22.83	2.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Market	0.00%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other U/W Expense	0.00%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Variable</b>	<b>15.95%</b>	<b>140.07</b>	<b>14.02</b>	<b>0.00</b>																
Fixed (b)																				
Taxes	0.00%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O/A & General	10.95%	109.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ULAE	7.80%	78.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other U/W Expense	0.00%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Fixed</b>	<b>18.75%</b>	<b>187.50</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Expenses Incurred</b>		<b>327.57</b>	<b>14.02</b>	<b>0.00</b>																
<b>Underwriting Expenses Paid</b>																				
U/W Expenses Payout	0.95	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ULAE Payout Pattern	0.55	0.17	0.08	0.05	0.03	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.01	0.01	0.01	0.01	0.01
Variable																				
Commissions (c)	64.11	6.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contingent Comm (d)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Taxes/Lic/Fees	20.02	3.06	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O/A & General	30.45	4.65	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ULAE	12.59	5.22	2.11	1.20	0.82	0.53	0.31	0.23	0.23	0.23	0.23	0.25	0.25	0.25	0.14	0.13	0.13	0.13	0.13	0.13
Residual Market (d)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other U/W Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Variable</b>	<b>127.17</b>	<b>19.35</b>	<b>2.37</b>	<b>1.20</b>	<b>0.82</b>	<b>0.53</b>	<b>0.31</b>	<b>0.23</b>	<b>0.23</b>	<b>0.23</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.14</b>	<b>0.13</b>	<b>0.13</b>	<b>0.13</b>	<b>0.13</b>	<b>0.13</b>	<b>0.13</b>
Fixed																				
Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O/A & General	104.03	5.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ULAE	43.02	13.53	5.85	3.51	2.46	1.56	0.90	0.70	0.70	0.70	0.78	0.78	0.78	0.39	0.39	0.39	0.39	0.39	0.39	0.39
Other U/W Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Fixed</b>	<b>147.04</b>	<b>19.01</b>	<b>5.85</b>	<b>3.51</b>	<b>2.46</b>	<b>1.56</b>	<b>0.90</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>0.78</b>	<b>0.78</b>	<b>0.78</b>	<b>0.39</b>						
<b>Total Expenses Paid</b>	<b>274.21</b>	<b>38.36</b>	<b>8.22</b>	<b>4.71</b>	<b>3.28</b>	<b>2.09</b>	<b>1.21</b>	<b>0.93</b>	<b>0.93</b>	<b>0.93</b>	<b>1.03</b>	<b>1.03</b>	<b>1.03</b>	<b>0.53</b>	<b>0.52</b>	<b>0.52</b>	<b>0.52</b>	<b>0.52</b>	<b>0.52</b>	<b>0.52</b>

- (a) Variable expenses are related to the adjusted premium.
- (b) Fixed expenses are related to the base premium.
- (c) Incurred Commissions are paid in proportion to the ratio of collected to written premiums .
- (d) Contingent Commissions and Residual Market costs are assumed to be paid in the year after such expenses are incurred.