

SERFF Tracking Number: ARKS-125717368 State: Arkansas  
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104910 \$250  
Company Tracking Number: HO-2008-RLA1  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: HO 2008-RLA1  
Project Name/Number: HO Loss Cost Level Changes/

## Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: HO 2008-RLA1	SERFF Tr Num: ARKS-125717368	State: Arkansas
TOI: 04.0 Homeowners	SERFF Status: Closed	State Tr Num: #104910 \$250
Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations	Co Tr Num: HO-2008-RLA1	State Status: Fees verified and received
Filing Type: Rate	Co Status:	Reviewer(s): Becky Harrington, Betty Montesi
	Author:	Disposition Date: 07/02/2008
	Date Submitted: 06/30/2008	Disposition Status: Filed
Effective Date Requested (New): 12/01/2008		Effective Date (New): 12/01/2008
Effective Date Requested (Renewal): 12/01/2008		Effective Date (Renewal): 12/01/2008

State Filing Description:

## General Information

Project Name: HO Loss Cost Level Changes

Project Number:

Reference Organization:

Reference Title:

Filing Status Changed: 07/02/2008

State Status Changed: 07/02/2008

Corresponding Filing Tracking Number: HO 2008-RDED1

Filing Description:

Revises base loss costs; base deductible changed to \$500 from \$250;

Owners 12.1%

Tenants 3.7%

Condo 2%

Overall 12%

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

SERFF Tracking Number: ARKS-125717368 State: Arkansas  
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104910 \$250  
Company Tracking Number: HO-2008-RLA1  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: HO 2008-RLA1  
Project Name/Number: HO Loss Cost Level Changes/

## Company and Contact

### Filing Contact Information

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

### Filing Company Information

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

## Filing Fees

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

SERFF Tracking Number: ARKS-125717368 State: Arkansas  
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104910 \$250  
Company Tracking Number: HO-2008-RLA1  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: HO 2008-RLA1  
Project Name/Number: HO Loss Cost Level Changes/

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	07/02/2008	07/02/2008

SERFF Tracking Number: ARKS-125717368 State: Arkansas  
 Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104910 \$250  
 Company Tracking Number: HO-2008-RLA1  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: HO 2008-RLA1  
 Project Name/Number: HO Loss Cost Level Changes/

## Disposition

Disposition Date: 07/02/2008  
 Effective Date (New): 12/01/2008  
 Effective Date (Renewal): 12/01/2008  
 Status: Filed  
 Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
00006 - INSURANCE SERVICES OFFICE, INC.	12.000%	\$		\$	%	%	12.000%

SERFF Tracking Number: ARKS-125717368 State: Arkansas  
 Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104910 \$250  
 Company Tracking Number: HO-2008-RLA1  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: HO 2008-RLA1  
 Project Name/Number: HO Loss Cost Level Changes/

<b>Item Type</b>	<b>Item Name</b>	<b>Item Status</b>	<b>Public Access</b>
<b>Supporting Document</b>	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
<b>Supporting Document</b>	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	Yes
<b>Supporting Document</b>	NAIC loss cost data entry document	Filed	Yes
<b>Supporting Document</b>	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
<b>Supporting Document</b>	Uniform Transmittal Document-Property & Casualty	Filed	Yes
<b>Supporting Document</b>	ARKS-125717368		Yes

SERFF Tracking Number: ARKS-125717368 State: Arkansas  
 Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104910 \$250  
 Company Tracking Number: HO-2008-RLA1  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: HO 2008-RLA1  
 Project Name/Number: HO Loss Cost Level Changes/

**Rate Information**

Rate data applies to filing.

**Filing Method:**

**Rate Change Type:** Increase

**Overall Percentage of Last Rate Revision:** 0.000%

**Effective Date of Last Rate Revision:** 12/01/2007

**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):
00006 - INSURANCE SERVICES OFFICE, INC.	12.000%	12.000%				%	%

SERFF Tracking Number: ARKS-125717368 State: Arkansas  
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104910 \$250  
Company Tracking Number: HO-2008-RLA1  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: HO 2008-RLA1  
Project Name/Number: HO Loss Cost Level Changes/

## Supporting Document Schedules

### Review Status:

**Satisfied -Name:** ARKS-125717368

07/02/2008

### Comments:

### Attachments:

ARKS-125717368.pdf  
ARKS-125717368-a.pdf  
ARKS-125717368-b.pdf  
ARKS-125717368-c.pdf  
ARKS-125717368-d.pdf  
ARKS-125717368-e.pdf  
ARKS-125717368-f.pdf  
ARKS-125717368-g.pdf

ARKS-125717368

BH

# 104910

250.00



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

Kenneth J. Hill, CPCU  
Regional Director, Government Relations

June 25, 2008

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

**FILED**  
JUN 30 2008  
PROPERTY AND CASUALTY  
ARKANSAS INSURANCE DEPT.

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

RE: Insurance Services Office, Inc.  
HO 2008-RLA1  
Homeowners Loss Cost Level Revision  
**REFERENCE FILING**  
State of Arkansas

Dear Mr. Lacy:

We hereby file the enclosed advisory reference document.

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

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

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

Companion rules filing HO 2008-RDED1 is also submitted today under separate cover.

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

Very truly yours,

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

DJB:dlb  
Encl.

**RECEIVED**  
JUN 30 2008  
PROPERTY AND CASUALTY DIVISION  
ARKANSAS INSURANCE DEPARTMENT

**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:	
	New Business	
	Renewal Business	
	f. State Filing #:	
g. SERFF Filing #:		
h. Subject Codes		

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

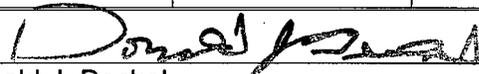
4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Insurance Services Office, Inc.	DE		13-3131412	

**RECEIVED**  
JUN 30 2008

<b>5. Company Tracking Number</b>	HO-2008-RLA1	PROPERTY AND CASUALTY DIVISION ARKANSAS INSURANCE DEPARTMENT
-----------------------------------	--------------	---

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

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

7. Signature of authorized filer	
8. Please print name of authorized filer	Donald J. Beckel

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

9. Type of Insurance (TOI)	04.0 Homeowners
10. Sub-Type of Insurance (Sub-TOI)	04.0000
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	N/A
12. Company Program Title (Marketing title)	Homeowners Policy Program
13. Filing Type	<input checked="" type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14. Effective Date(s) Requested	New: 12/1/2008    Renewal: 12/1/2008
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	Not Applicable
17. Reference Organization # & Title	Not Applicable
18. Company's Date of Filing	6/25/08
19. Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

2

### Property & Casualty Transmittal Document---

<b>20.</b>	<b>This filing transmittal is part of Company Tracking #</b>	HO-2008-RLA1
------------	--	--------------

<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]
------------	--

Revision of Homeowners advisory prospective loss costs.

<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]
------------	---

Check #: 104910  
Amount: \$ 250.00

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

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

**RATE/RULE FILING SCHEDULE**

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

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

1.	<b>This filing transmittal is part of Company Tracking #</b>	HO-2008-RLA1
----	--	--------------

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

Rate Increase       Rate Decrease       Rate Neutral (0%)

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

4a.	<b>Rate Change by Company (As Proposed)</b>						
Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Insurance Services Office, Inc.	+12.0	+12.0	N/A	N/A	N/A	+22.3	N/A

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

**5. Overall Rate Information (Complete for Multiple Company Filings only)**

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

6.	<b>Overall percentage of last rate revision</b>	0.0%
7.	<b>Effective Date of last rate revision</b>	12/1/2007
8.	<b>Filing Method of Last filing (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	File & Use

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Pages A-4, D-10 thru D-29	<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  
HOMEOWNERS INSURANCE

LOSS COST LEVEL REVISION

EXECUTIVE SUMMARY

PURPOSE

This document:

- revises advisory prospective base class loss costs. These revised loss costs represent a +12.0% statewide change from the current loss costs and reflect a revised base deductible of \$500.
- provides the analyses used to derive these advisory loss costs.
- incorporates the effects of the revised deductible relativities contained in the concurrent rules filing by including an "off balance" factor in the calculation of the filed loss costs.
- revises miscellaneous loss cost.

DEFINITION OF  
THE ISO ADVISORY  
PROSPECTIVE  
LOSS COST

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

LOSS COST  
LEVEL  
CHANGES

The indicated and filed statewide advisory loss cost level changes are:

<u>Form</u>	<u>Indicated Change</u>	<u>Filed Change</u>
Owners	+12.1%	+12.1%
Tenants	+ 3.7%	+ 3.7%
Condominium Unit Owners	+13.5%	+ 2.0%
All Forms	+12.0%	+12.0%

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

Note that throughout this document, Policy Forms HO-2, 3, 5 and 8 are referred to as Owners, Policy Form HO-4 is referred to as Tenants, and Policy Form HO-6 is referred to as Condominium Unit Owners.

EXPLANATION  
OF INDICATED  
CHANGES

The 13.5% indication for Condominium Unit Owners is mainly due to unusually high fire losses in year ending 6/30/2006.

INDICATED  
VS. FILED  
CHANGE

Indicated changes are based on standard ISO methodology. The filed changes for Owners and Tennant forms equal the indicated changes. For Condominium Unit Owners +2.0% was filed due to unusually high fire losses in year ending 6/30/2006. For owners and tenants, filed changes equaled indicated changes.

5

ARKANSAS  
HOMEOWNERS INSURANCE

LOSS COST LEVEL REVISION

EXECUTIVE SUMMARY

PRIOR ISO REVISIONS

The last revisions in this state were:

<u>Reference Document or Filing Designation</u>	HO-2007-RLA1	HO-2006-RLA1	HO-2005-RLA1
<u>Rate Level/Loss Costs</u>	Loss Costs	Loss Costs	Loss Costs
<u>Dates</u>			
Filed	05/16/2007	06/02/2006	06/07/2005
Implemented	12/01/2007	02/01/2007	11/01/2005
<u>Changes</u>			
Indicated	+ 3.5%	- 12.2%	+ 4.0%
Filed	0.0%	- 12.2%	+ 4.0%
Implemented	0.0%	- 12.2%	+ 4.0%

CONCURRENT FILING

ISO Filing HO-2008-RDED1 – Deductible Relativities Revised Filing

HISTORICAL SOURCE DATA

The data used in this revision is:

- ISO reporting companies voluntary market experience.
- 5 Accident years ended 6/30/2007 for all Homeowners Forms.

TERRITORIAL DISTRIBUTION

ISO has distributed the statewide changes by territory according to each territory's own experience. The resulting changes by territory range from +5.6% to +22.3% in Owners, +1.6% to +11.8% for Tenants, and are the same across all territories for Condominium Unit Owners.

6

ARKANSAS  
HOMEOWNERS INSURANCE  
LOSS COST LEVEL REVISION  
EXECUTIVE SUMMARY

TREND AND  
OTHER  
ADJUSTMENTS

Loss Trend:

The loss costs that we are developing in this document will be used in a future period. In order for the historical experience to be an accurate representation of this future period, the application of "trend factors" is required.

A loss trend factor is a measure of the anticipated change in claim cost that is expected to occur between the historical time period represented in the actual loss experience and the time period during which future losses will be paid. In this document, loss trend factors based on the changes observed in countrywide external indices through the fourth quarter of 2007, have been used.

An adjustment ("trend from first dollar") is included to account for the fact that the countrywide consumer indices reflect no deductible and are on a "first dollar" basis, whereas ISO's loss experience is on a base deductible basis. In this state, the base deductible is \$250.

The annual rate of change in the loss trend factors described above are as follows:

<u>Form</u>	<u>Annual Change</u>
Owners	+ 3.1%
Tenants	+ 0.2%
Condominium Unit Owners	+ 0.2%

In some instances, the historical consumer trend data will not be indicative of future trends. An analysis of historical pure premium trend indicates that the pure premiums are growing at a greater rate than the consumer indices. Therefore, we have supplemented the above trend factor(s) for all forms with a loss trend adjustment factor of 0.5% (1.005).

This produces a net annual loss trend of:

<u>Form</u>	<u>Annual Loss Trend Factor</u>
Owners	+ 3.6%
Tenants	+ 0.7%
Condominium Unit Owners	+ 0.7%

The historical pure premiums used for the loss trend adjustment analysis are year-ended by quarter and are based on paid losses by account date.

ARKANSAS  
HOMEOWNERS INSURANCE  
LOSS COST LEVEL REVISION  
EXECUTIVE SUMMARY

TREND AND  
OTHER  
ADJUSTMENTS  
(Cont'd)

Premium Trend:

The amount of insurance purchased by insureds affects the cost of Homeowners insurance. As inflation affects the price of homes, insureds tend to buy higher amounts of insurance. As a result, premium revenue increases.

In order to reflect the increase in revenue, ISO uses a premium trend procedure, the effect of which is to reduce the indicated loss costs. The premium trend factors are based on trends in the amounts of coverage selected by insureds. Note that an analysis of the data most-recently reported to ISO has shown that, for the owners forms, the rate of growth in average policy limits has decreased relative to the growth rates for the five-year historical time period underlying our loss cost level analysis. In order to reflect this decrease in growth, our amount-of-insurance trend procedure incorporates a revised tempering factor of .60. The annual trends in amount of insurance are:

<u>Form</u>	<u>Annual Premium Trend Factor</u>
Owners	+ 3.7%
Tenants	+ 1.5%
Condominium Unit Owners	+ 1.7%

Other Adjustments:

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

TEN LARGEST  
COMPANIES IN  
ISO DATA BASE

HOMEOWNERS (ASLOB 040)

1. Nationwide Mutual Insurance Company
2. Travelers Indemnity Company
3. United Service Auto Association Group
4. Hartford Fire Insurance Company
5. Safeco Insurance Companies
6. Allmerica Financial Group (formerly Hanover Insurance Company)
7. Liberty Mutual Insurance Company
8. Great Plains Mutual Insurance Company
9. Employers Mutual Casualty Company
10. Ohio Casualty Insurance Company

Insurers are listed in descending order based on the percent of 6/30/2007 statewide premium volume as reported to ISO.



ARKANSAS  
HOMEOWNERS INSURANCE  
LOSS COST LEVEL REVISION  
EXECUTIVE SUMMARY

---

SIZE OF ISO  
DATA BASE

The market share of all insurers reporting to ISO in this state as measured by Annual Statement Page 15 written premium for the year ending 12/31/2006 is:

19.2%

---

COMPANY  
DECISION

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

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

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

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

---

COPYRIGHT  
EXPLANATION

The material distributed by Insurance Services Office, Inc. is copyrighted. All rights reserved. Possession of these pages does not confer the right to print, reprint, publish, copy, sell, file or use same in any manner without the written permission of the copyright owner.

---

9

ARKANSAS  
HOMEOWNERS INSURANCE

TABLE OF CONTENTS

SECTION A – SCOPE OF REVISION

Statewide Loss Cost Level Changes .....	A-2
Loss Cost Level Changes by Territory .....	A-3
Present and Filed Base Class Loss Costs by Territory .....	A-4
Territory Definitions .....	A-5

SECTION B – CALCULATION OF CHANGES

Methodology Overview .....	B-2
Determination of Statewide Advisory Loss Cost Level Changes .....	B-3-10
Determination of Advisory Loss Cost Level Changes by Territory .....	B-11-19

SECTION C – SUPPORTING MATERIAL

Countrywide Loss Adjustment Expense Experience .....	C-2-3
Trend Procedure .....	C-4-18
Credibility Tables .....	C-19
Loss Development .....	C-20-23
Excess Wind and Water Procedure .....	C-24-30

SECTION D – LOSS COSTS AND RATING INFORMATION

Loss Costs and Relativities .....	D-2
Sample Calculation of the Filed Base Class Loss Cost .....	D-3-5
Current Relativities .....	D-6-9
Miscellaneous Loss Costs .....	D-10-29

10

ARKANSAS  
HOMEOWNERS INSURANCE

STATEWIDE LOSS COST LEVEL CHANGES (A)

<u>FORM</u>	<u>AGGREGATE LOSS COSTS AT CURRENT LEVEL (B)</u>	<u>FILED LOSS COST LEVEL CHANGE</u>
Owners	\$ 49,798,622	+ 12.1%
Tenants	\$ 624,935	+ 3.7%
Condominium Unit Owners	\$ 257,295	+ 2.0%
ALL FORMS	\$ 50,680,853	+ 12.0%

(A) For trend purposes, the period of use for this revision is assumed to begin on 12/1/2008.

(B) Year ended 06/30/2007 aggregate loss costs at current level based on ISO staff developed loss costs contained in the latest implemented filing.

12

ARKANSAS  
HOMEOWNERS INSURANCE

LOSS COST LEVEL CHANGES BY TERRITORY

<u>Territory</u>	<u>Owners</u>	<u>Tenants</u>	<u>Condominium Unit Owners</u>
30	+ 22.3%	+ 11.8%	+ 2.0%
31	+ 5.6%	+ 1.6%	+ 2.0%
32	+ 11.2%	+ 1.6%	+ 2.0%
33	+ 11.2%	+ 1.6%	+ 2.0%
Statewide	+ 12.1%	+ 3.7%	+ 2.0%

13

ARKANSAS  
HOMEOWNERS INSURANCE

PRESENT AND FILED BASE CLASS LOSS COSTS BY TERRITORY (A)

Territory Code	PRESENT *			FILED		
	Owners Form 3 \$100,000 Base	Tenants \$20,000 BASE	Condominium Unit Owners \$20,000 BASE	Owners Form 3 \$100,000 Base	Tenants \$20,000 BASE	Condominium Unit Owners \$20,000 BASE
	30	\$229.69	\$65.15	\$61.10	\$280.07	\$73.65
31	\$221.07	\$53.91	\$52.83	\$232.75	\$55.38	\$54.32
32	\$432.24	\$58.36	\$53.41	\$479.21	\$59.95	\$54.92
33	\$275.75	\$52.50	\$49.95	\$305.72	\$53.93	\$51.36

(A) Base Class is Protection Class 5, Frame Construction.

\* Current \$500 Deductible Base Class Loss Costs are calculated by multiplying the current \$250 deductible base class loss cost by the current manual factor, adjusted to exclude the effect of expense flattening, for the \$500 all perils deductible.

14

**ARKANSAS  
HOMEOWNERS INSURANCE  
TERRITORY PAGES**

**1. TERRITORY DEFINITIONS - (For all Coverages and Perils Other Than Earthquake).**

**A. Cities**

City of	County of	Code
Little Rock	Pulaski	30
No. Little Rock	Pulaski	30

**B. Other Than Cities**

County of	Code
Arkansas	33
Ashley	33
Baxter	33
Benton	33
Boone	33
Bradley	33
Calhoun	33
Carroll	33
Chicot	33
Clark	33
Clay	33
Cleburne	33
Cleveland	33
Columbia	33
Conway	33
Craighead	33
Crawford	33
Crittendon	33
Cross	33
Dallas	33
Desha	33
Drew	33
Faulkner	33
Franklin	33
Fulton	33
Garland	33
Grant	33
Greene	33
Hempstead	33
Hot Spring	33
Howard	33
Independence	33

County of	Code
Izard	33
Jackson	33
Jefferson	32
Johnson	33
Lafayette	33
Lawrence	33
Lee	33
Lincoln	33
Little River	33
Logan	33
Lonoke	33
Madison	33
Marion	33
Miller	33
Mississippi	33
Monroe	33
Montgomery	33
Nevada	33
Newton	33
Ouachita	33
Perry	33
Phillips	33
Pike	33
Poinsett	33
Polk	33
Pope	33
Prairie	33
Pulaski	31
Randolph	33
St. Francis	33
Saline	33
Scott	33
Searcy	33
Sebastian	33
Sevier	33
Sharp	33
Stone	33
Union	33
Van Buren	33
Washington	33
White	33
Woodruff	33
Yell	33

15

ARKANSAS  
HOMEOWNERS INSURANCE

SECTION B – CALCULATION OF CHANGES

Methodology Overview .....	B-2
Determination of Statewide Advisory Loss Cost Level Changes .....	B-3-10
Owners .....	B-4
Tenants .....	B-5
Condominium Unit Owners .....	B-6
Determination of Advisory Loss Cost Level Changes by Territory .....	B-11-19
Owners .....	B-12
Tenants .....	B-13
Condominium Unit Owners .....	B-14
Experience for Determination of Statewide Credibility-Weighted Base Class Loss Cost	
Owners .....	B-15
Tenants .....	B-16
Condominium Unit Owners .....	B-17

16

ARKANSAS  
HOMEOWNERS INSURANCE

LOSS COST LEVEL REVISION

METHODOLOGY OVERVIEW

INTRODUCTION

Homeowners advisory prospective loss costs are determined by evaluating the adequacy of the current loss costs to pay for losses and loss adjustment expenses that will be incurred in the prospective (or future) period. This evaluation is done separately for Owners, Tenants, and Condominium Unit Owners.

DETERMINATION  
OF STATEWIDE  
LOSS COST  
INDICATION

The first step in this process is the determination of the statewide loss cost indication. In other words, what percentage changes on average must be made to the current loss costs in order to achieve adequacy for the prospective conditions? The percentage changes are presented on the exhibits labeled "Determination of Statewide Advisory Loss Cost Level Change".

DISTRIBUTION  
TO TERRITORIES

ISO then distributes the statewide loss cost indication to the individual territorial loss costs by comparing the relative loss experience by territory to the statewide average.

APPLICATION  
OF PERCENT  
CHANGES

The last step is the calculation of the ISO advisory prospective loss costs. This is achieved by applying the territory filed changes to the current loss costs.

17

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGES

OBJECTIVE

The objective of this procedure is to determine the indicated statewide advisory loss cost level change. This procedure answers the question: what percentage change must be made, on average, to the current loss costs in order for them to be adequate to cover indemnity losses and all loss adjustment expenses incurred during the prospective period in which the revised loss costs are assumed to be in effect?

DESCRIPTION

This procedure compares the developed and trended base class loss cost with the current statewide average base class loss cost. Developed and trended base class loss costs are calculated for five years and a weighted average is determined. The five year weights vary from year to year, giving greater weight to the more recent experience. The weighted base class loss cost is credibility-weighted with the expected base class loss cost and then divided by the current statewide average base class loss cost to determine the indicated loss cost level change.

EXPERIENCE

The experience used in this review is the latest available data as reported under the ISO Personal Lines Statistical Plan - Other Than Automobile (PLSP-OTA). The data is aggregated on an accident year basis.

18

ARKANSAS

HOMEOWNERS INSURANCE - OWNERS

CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGE

<u>Accident Year Ended</u>	(1) <u>Developed Incurred Losses on a Common Deductible Level</u>	(2) <u>Trended Incurred Losses and LAE Adjusted for Excess</u>	(3) <u>Classification and Coverage Factor</u>
06/30/2003	31,542,697	50,790,744	1.585
06/30/2004	34,636,230	45,486,854	1.603
06/30/2005	32,383,946	47,774,141	1.661
06/30/2006	67,102,637	71,518,125	1.766
06/30/2007	46,292,910	64,001,227	1.882

	(4) <u>Trended Classification and Coverage Factor</u>	(5) <u>Earned House Years</u>	(6) <u>Trended Base Class Loss Cost</u>	(7) <u>Weights</u>
06/30/2003	2.055	80,614	306.59	0.10
06/30/2004	2.013	83,459	270.75	0.15
06/30/2005	2.001	84,527	282.46	0.20
06/30/2006	2.041	86,223	406.40	0.25
06/30/2007	2.081	89,009	345.53	0.30

(8)	Weighted Base Class Loss Cost	=	333.02
(9)	Credibility ( 423,832 House Years )	=	1.00
(10)	Expected Base Class Loss Cost	=	296.90
(11)	Credibility-Weighted Base Class Loss Cost	=	333.02
(12)	Current Base Class Loss Cost	=	297.20
(13)	Indicated Loss Cost Level Change (11) / (12)	=	1.121
(14)	Filed Loss Cost Level Change	=	1.121
			(or 12.1%)

19

ARKANSAS

HOMEOWNERS INSURANCE - TENANTS

CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGE

<u>Accident Year Ended</u>	(1) <u>Developed Incurred Losses on a Common Deductible Level</u>	(2) <u>Trended Incurred Losses and LAE</u>	(3) <u>Classification and Coverage Factor</u>
06/30/2003	626,255	744,894	1.750
06/30/2004	284,591	339,512	1.812
06/30/2005	536,351	637,325	1.856
06/30/2006	479,740	568,358	1.884
06/30/2007	724,470	856,585	1.932

	(4) <u>Trended Classification and Coverage Factor</u>	(5) <u>Earned House Years</u>	(6) <u>Trended Base Class Loss Cost</u>	(7) <u>Weights</u>
06/30/2003	1.950	4,698	81.31	0.10
06/30/2004	1.959	4,577	37.87	0.15
06/30/2005	1.967	4,688	69.11	0.20
06/30/2006	1.985	4,908	58.34	0.25
06/30/2007	2.016	5,275	80.55	0.30

(8)	Weighted Base Class Loss Cost	=	66.38
(9)	Credibility ( 24,146 House Years )	=	0.50
(10)	Expected Base Class Loss Cost	=	60.83
(11)	Credibility-Weighted Base Class Loss Cost	=	63.61
(12)	Current Base Class Loss Cost	=	61.32
(13)	Indicated Loss Cost Level Change (11) / (12)	=	1.037
(14)	Filed Loss Cost Level Change	=	1.037 (or 3.7%)

20

ARKANSAS

HOMEOWNERS INSURANCE - CONDOMINIUM UNIT OWNERS

CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGE

Accident Year Ended	(1) Developed Incurred Losses on a Common Deductible Level	(2) Trended Incurred Losses and LAE	(3) Classification and Coverage Factor
06/30/2003	165,047	196,314	3.022
06/30/2004	187,778	224,016	3.056
06/30/2005	141,178	167,756	3.114
06/30/2006	442,734	524,516	3.176
06/30/2007	265,020	313,349	3.274

	(4) Trended Classification and Coverage Factor	(5) Earned House Years	(6) Trended Base Class Loss Cost	(7) Weights
06/30/2003	3.386	1,007	57.58	0.10
06/30/2004	3.374	1,086	61.14	0.15
06/30/2005	3.389	1,134	43.65	0.20
06/30/2006	3.398	1,219	126.63	0.25
06/30/2007	3.434	1,323	68.97	0.30

(8)	Weighted Base Class Loss Cost	=	76.01
(9)	Credibility ( 5,769 House Years )	=	0.50
(10)	Expected Base Class Loss Cost	=	58.80
(11)	Credibility-Weighted Base Class Loss Cost	=	67.41
(12)	Current Base Class Loss Cost	=	59.39
(13)	Indicated Loss Cost Level Change (11) / (12)	=	1.135
(14)	Filed Loss Cost Level Change	=	1.020
			(or 2.0%)

21

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGES

COLUMN (1)

DEVELOPED INCURRED LOSSES ON A COMMON DEDUCTIBLE LEVEL

Reported incurred losses are adjusted to a common \$250 Section I Deductible Level by Loss Elimination Ratios (LERs). (By the term "LER," applied to a loss occurring on a policy carrying a deductible of "\$D," we mean the ratio  $K = (\text{Loss amount reflecting a deductible of } \$250) / (\text{Loss amount reflecting a deductible of } \$D)$ . When D is greater than 250, K is greater than 1.00 and the "LER" is a measure of the additional loss amount that would be paid using the smaller \$250 deductible). Loss Elimination Ratios are applied in class detail for each cause of loss, deductible, and form based on the most recent ISO analysis of losses eliminated.

The incurred losses shown reflect the LERs as well as loss development factors to bring the losses to an "ultimate" settlement basis. The derivation of the loss development factors is found in Section C.

COLUMN (2)

TRENDED INCURRED LOSSES AND LAE ADJUSTED FOR EXCESS  
(EXCESS APPLICABLE ONLY TO OWNERS)

The calculation for this column is:

(Column (1) - Adjusted Excess Losses) x Excess Factor x LAE x Current Cost Factor x Composite Loss Projection Factor

Since wind and water can cause large and unexpected losses, an excess wind and water procedure is incorporated in the development of Owners loss costs. Excess losses, as calculated in Section C, are those losses that result from unusually severe wind and water activity. Hence, they are removed from the experience used in developing loss costs. The purpose of this procedure is to avoid shifts in loss costs (both upward and downward) which will result from reflecting large, unexpected losses only in the year in which they occur. In order to reflect the impact of excess wind and water losses on a long-term basis, the Column (1) losses excluding the Excess Losses on a Base Deductible Level are multiplied by the Excess Factor as derived in Section C.

Loss adjustment expenses are included by applying a factor of 1.150 to the incurred losses adjusted for excess. This factor is based on five years of countrywide experience as shown in Section C.

22

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGES

COLUMN (2)  
(Cont'd)

Trending is included to recognize the anticipated cost levels for the period that the new loss costs are assumed to be in effect. The Current Cost Factors account for loss trend as measured by the external index from a given accident year to the point in time corresponding to the midpoint of the latest available quarter of the Current Cost Index. A detailed derivation of these factors is shown in Section C in the "Development of Current Cost Factors and Loss Projection Factor" exhibit. The Composite Loss Projection Factor is derived and explained in Section C in the "Development of Composite Loss Projection Factor & Trend From First Dollar" exhibit. This factor projects losses from the midpoint of the latest quarter of trend to one year beyond the effective date.

For Tenants and Condominium Unit Owners, the Column (2) losses are calculated in the same manner except that the losses in these forms are not subject to the excess loss procedure.

COLUMN (3)

CLASSIFICATION AND COVERAGE FACTOR

The Classification and Coverage Factor (average rating factor) for each year is calculated in the following way:

The Aggregate Loss Costs at Current Level (i.e. the total volume generated by extending each house year by class and coverage by the current ISO loss costs) is divided by the earned house years to produce an average loss cost at current level.

The average loss cost at current level is then divided by the current base class loss costs (for Owners: Form 3, Frame Protection Class 5, \$100,000 Coverage A; for Tenants: Frame Protection Class 5, \$20,000 Coverage C; for Condominium Unit Owners: Frame Protection Class 5, \$5,000 Coverage A, \$20,000 Coverage C). This ratio is the Classification and Coverage Factor.

COLUMN (4)

TRENDED CLASSIFICATION AND COVERAGE FACTOR

The calculation for this column is:

Statewide Trended Loss Costs at Current Level (LCCL) = Sum of Territory LCCL  
x Statewide Current Amount Factor x Amount of Insurance Projection Factor

Trended C&Cs = Statewide Trended LCCL / (Sum of Territory House Years x  
Territory Base Class Loss Cost)

23

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGES

COLUMN (4)  
(Cont'd)

The Classification and Coverage Factors have been trended (by virtue of using trended LCCL) to recognize the changes in revenue that accrue due to increases in amounts of insurance for the period that the new loss costs are assumed to be in effect. The Current Amount Factors measure the amount of insurance trend on the loss costs at current level from a given accident year to the point in time corresponding to the midpoint of the latest available quarter of the Current Cost Index. The Amount of Insurance Projection Factor reflects the full effect of amount of insurance trend since it projects loss costs at current level from the midpoint of the latest quarter of trend to six months beyond the effective date. The Amount of Insurance Projection Factor and Current Amount Factor are derived and explained in Section C on the "Development of Current Amount Factors and Amount of Insurance Projection Factor" exhibit.

COLUMN (6)

TRENDED BASE CLASS LOSS COST

The Trended Base Class Loss Cost = Column (2) / Column (4) / Column (5). Since the losses in Column (2) are generated by the experience of all classifications, it is necessary to transform them to a base class basis (see Column (3) explanation for definition of base class by form). This is accomplished by dividing them by the trended classification and coverage factors.

LINE (8)

WEIGHTED BASE CLASS LOSS COST

The Weighted Base Class Loss Cost (WLC) is derived by weighting the Trended Base Class Loss Costs in Column (6) on Column (7), which gives greater weight to the more recent experience. The Weighted Base Class Loss Cost, excluding credibility considerations, represents the amount expected to be needed to pay for losses and loss adjustment expense in the prospective period.

LINE (9)

CREDIBILITY

The standard for 100% credibility is a five-year total of 240,000 house years for Owners, 285,000 house years for Tenants, and 190,000 house years for Condominium Unit Owners. Partial credibility is determined by the "square root rule". (See Section C.) The selected minimum value for statewide credibility is 50%.

LINE (10)

EXPECTED BASE CLASS LOSS COST

The Expected Base Class Loss Cost (ELC) is the current Base Class Loss Cost from Line (12), trended from twelve months beyond the effective date of the current loss cost to twelve months beyond the effective date assumed in this document.

24

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGES

LINE (11)

CREDIBILITY-WEIGHTED BASE CLASS LOSS COST

The Credibility-Weighted Base Class Loss Cost (CWLC) is a weighted average of the WLC and the ELC.

$$\text{CWLC} = (\text{Credibility}) \times \text{WLC} + (1 - \text{Credibility}) \times \text{ELC}$$

LINE (12)

CURRENT BASE CLASS LOSS COST

The current Base Class Loss Cost is the weighted average of the current territory base class loss costs using latest year house years as weights.

LINE (13)

INDICATED LOSS COST LEVEL CHANGE

The CWLC is divided by the current base class loss cost to yield the indicated loss cost level change.

LINE (14)

FILED LOSS COST LEVEL CHANGE

For Owners and Tennants, the filed changes equal the indicated changes. For Condominium Unit Owners, a selection of +2.0% was made due to the unusually high fire losses in the year ending 6/30/2006.

25

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF ADVISORY LOSS COST LEVEL CHANGES BY TERRITORY

OBJECTIVE                      The purpose of this procedure is to distribute the statewide advisory loss cost level change to each territory.

DESCRIPTION                      This procedure compares individual territory experience to statewide experience. First, the five year experience base class loss cost is calculated for each territory and statewide. The territory experience base class loss cost is then credibility-weighted with the statewide (multiplied by the current relativity) to produce a credibility-weighted experience base class loss cost for each territory. This is then divided by the statewide to produce a territory experience relativity. Next, this experience relativity for each territory is compared to the current relativity to produce indicated relative changes by territory.

26

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF ADVISORY LOSS COST LEVEL CHANGES BY TERRITORY - OWNERS

(1) Territory	(2) Aggregate Loss Cost Volume at Current Level	(3) Relativity to SW of Current Base Class Loss Cost	(4) Experience Base Class Loss Cost	(5) Credibility	(6) Credibility- Weighted Base Class Loss Cost	(7) Relativity of Territory (6) to Statewide (6)	(8) Indicated Relative Change (7)/(3)	(9) Filed Relative Change	(10) Filed Base Class Loss Cost Change
30	5,477,975	0.851	298.51	0.80	287.51	1.005	1.181	1.100	+22.3%
31	2,611,080	0.819	205.60	0.70	214.22	0.749	0.915	0.950	+5.6%
32	1,354,231	1.602	435.62	0.30	451.56	1.579	0.986	1.000	+11.2%
33	40,355,334	1.022	288.34	1.00	288.34	1.008	0.986	1.000	+11.2%
Statewide	49,798,620		286.14		285.95		1.004	1.0084	+12.1%

2

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF ADVISORY LOSS COST LEVEL CHANGES BY TERRITORY - TENANTS

(1) Territory	(2) Aggregate Loss Cost Volume at Current Level	(3) Relativity to SW of Current Base Class Loss Cost	(4) Experience Base Class Loss Cost	(5) Credibility	(6) Credibility- Weighted Base Class Loss Cost	(7) Relativity of Territory (6) to Statewide (6)	(8) Indicated Relative Change (7) / (3)	(9) Filed Relative Change	(10) Filed Base Class Loss Cost Change
30	128,392	1.185	116.12	0.20	79.50	1.381	1.165	1.100	+11.8%
31	34,197	0.980	41.75	0.10	56.53	0.982	1.002	1.000	+1.6%
32	14,319	1.061	155.21	0.00	62.98	1.094	1.031	1.000	+1.6%
33	448,028	0.955	46.84	0.40	52.75	0.917	0.960	1.000	+1.6%
Statewide	624,936		59.36		57.55		1.0060	1.0205	+3.7%

28

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF ADVISORY LOSS COST LEVEL CHANGES BY TERRITORY - CONDOMINIUM UNIT OWNERS

(1) Territory	(2) Aggregate Loss Cost Volume at Current Level	(3) Relativity to SW of Current Base Class Loss Cost	(4) Experience Base Class Loss Cost	(5) Credibility	(6) Credibility- Weighted Base Class Loss Cost	(7) Relativity of Territory (6) to Statewide (6)	(8) Indicated Relative Change (7)/(3)	(9) Filed Relative Change	(10) Filed Base Class Loss Cost Change
30	70,577	1.163	49.15	0.10	74.43	1.113	0.957	1.000	+2.0%
31	13,419	1.005	77.14	0.00	66.74	0.998	0.993	1.000	+2.0%
32	4,847	1.016	24.04	0.00	67.47	1.009	0.993	1.000	+2.0%
33	168,452	0.950	72.63	0.20	65.00	0.972	1.023	1.000	+2.0%
Statewide	257,295		66.41		66.90		1.003	1.0000	+2.0%

62

ARKANSAS  
HOMEOWNERS INSURANCE

EXPERIENCE FOR DETERMINATION OF STATEWIDE  
CREDIBILITY-WEIGHTED BASE CLASS LOSS COST – OWNERS

<u>Territory</u>	<u>5-Year Earned House Years</u>	<u>5-Year Classification and Coverage Factor</u>	<u>Credibility-Weighted Base Class Loss Cost</u>
30	43,653	1.734	287.51
31	33,968	1.700	214.22
32	8,986	1.404	451.56
33	337,225	1.713	288.34
Statewide	423,832	1.703	

Statewide Credibility-Weighted Base Class Loss Cost =

$$\frac{\sum_{i=30}^{33} [(Terr. Cred.-Wtd. Base Class Loss Cost)_i \times (Terr. 5 Yr. House Yrs.)_i \times (Terr. 5 Yr. Class \& Coverage Factor)_i]}{[(Statewide 5 Year House Years) \times (Statewide 5 Year Class \& Coverage Factor)]}$$

= \$285.95

30

ARKANSAS  
HOMEOWNERS INSURANCE

EXPERIENCE FOR DETERMINATION OF STATEWIDE  
CREDIBILITY-WEIGHTED BASE CLASS LOSS COST – TENANTS

<u>Territory</u>	<u>5-Year Earned House Years</u>	<u>5-Year Classification and Coverage Factor</u>	<u>Credibility-Weighted Base Class Loss Cost</u>
30	4,024	1.691	79.50
31	2,191	1.881	56.53
32	493	1.912	62.98
33	17,438	1.889	52.75
Statewide	24,146	1.850	

Statewide Credibility-Weighted Base Class Loss Cost =

$$\frac{\sum_{i=30}^{33} [(Terr. Cred.-Wtd. Base Class Loss Cost)_i \times (Terr. 5 Yr. House Yrs.)_i \times (Terr. 5 Yr. Class \& Coverage Factor)_i]}{[(Statewide 5 Year House Years) \times (Statewide 5 Year Class \& Coverage Factor)]}$$

= \$57.55

31

ARKANSAS  
HOMEOWNERS INSURANCE

EXPERIENCE FOR DETERMINATION OF STATEWIDE  
CREDIBILITY-WEIGHTED BASE CLASS LOSS COST – CONDOMINIUM UNIT OWNERS

<u>Territory</u>	<u>5-Year Earned House Years</u>	<u>5-Year Classification and Coverage Factor</u>	<u>Credibility-Weighted Base Class Loss Cost</u>
30	1,129	3.506	74.43
31	400	3.174	66.74
32	120	3.184	67.47
33	4,120	3.008	65.00
Statewide	5,769	3.137	

Statewide Credibility-Weighted Base Class Loss Cost =

$$\frac{\sum_{i=30}^{33} [(Terr. Cred.-Wtd. Base Class Loss Cost)_i \times (Terr. 5 Yr. House Yrs.)_i \times (Terr. 5 Yr. Class \& Coverage Factor)_i]}{[(Statewide 5 Year House Years) \times (Statewide 5 Year Class \& Coverage Factor)]}$$

= \$66.90

32

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF ADVISORY LOSS COST LEVEL CHANGES BY TERRITORY

- COLUMN (3)                    RELATIVITY TO STATEWIDE OF CURRENT BASE CLASS LOSS COST
- The Relativity to Statewide of Current Base Class Loss Cost is the current ISO territory base class loss cost divided by the current average statewide base class loss cost, as shown in the "Determination of Statewide Advisory Loss Cost Level Change" exhibits (Line 12). The average statewide base class loss cost is the average of the current territory base class loss costs using latest year house years as weights.
- COLUMN (4)                    EXPERIENCE BASE CLASS LOSS COST
- The Experience Base Class Loss Cost by territory is derived by dividing the five year incurred losses (adjusted by the territory wind and water provision procedure for Owners, as shown in Section C) by the five year house years and by the five year Classification and Coverage Factor. The five year house years and the five year Classification and Coverage Factors by territory are shown on the "Experience for Determination of Statewide Credibility-Weighted Base Class Loss Cost" exhibits, by form, as shown on previous pages.
- COLUMN (5)                    CREDIBILITY
- The standard for 100% credibility is a five-year total of 60,000 house years for Owners, 75,000 house years for Tenants, and 50,000 house years for Condominium Unit Owners. Partial credibility is determined by the "square root rule". See Credibility tables in Section C.
- COLUMN (6)                    CREDIBILITY-WEIGHTED BASE CLASS LOSS COST
- The Credibility-Weighted Base Class Loss Cost is a weighted average of the territory base class loss cost and the statewide base class loss cost. For territory<sub>i</sub>, the credibility-weighted base class loss cost equals  $(\text{Credibility})_i \times (\text{territory experience base class loss cost})_i + (1 - \text{Credibility})_i \times (\text{statewide experience base class loss cost}) \times (\text{relativity to statewide of current territory base class loss cost})_i$ . The statewide Credibility-Weighted Base Class Loss Cost is defined by form in the exhibits "Experience for Determination of Statewide Credibility-Weighted Base Class Loss Cost".
- COLUMN (8)                    INDICATED RELATIVE CHANGE
- The indicated change is derived by comparing the experience relativity to the current relativity to produce indicated relative changes by territory.

ARKANSAS  
HOMEOWNERS INSURANCE

DETERMINATION OF ADVISORY LOSS COST LEVEL CHANGES BY TERRITORY

COLUMN (9)                      FILED RELATIVE CHANGE

The filed relative change is based on the indicated relative change in Column (8) and has the effect of imposing an additional measure of credibility.

COLUMN (10)                    FILED BASE CLASS LOSS COST CHANGE

The territory filed loss cost level change is the ratio of the filed territory relative change to the statewide average filed relative change, multiplied by the filed statewide loss cost level change.

$$\frac{\text{Territory Column (9)}}{\text{Statewide Column (9)}} \times \text{Statewide loss cost level change}$$

34

ARKANSAS  
HOMEOWNERS INSURANCE

SECTION C – SUPPORTING MATERIAL

Countrywide Loss Adjustment Expense Experience .....	C-2-3
Trend Procedure .....	C-4-18
Development of Current Cost Factors (CCF) and Loss Projection Factor	
Owners .....	C-6
Tenants and Condominium Unit Owners .....	C-7
Development of Loss Trend Adjustment Factor	
Owners .....	C-8
Tenants .....	C-9
Condominium Unit Owners .....	C-10
Development of Composite Loss Projection Factor and Trend From First Dollar	
Owners .....	C-11
Tenants .....	C-12
Condominium Unit Owners .....	C-13
Development of Current Amount Factors and Amount of Insurance Projection Factor (All Forms) .....	C-14
Credibility Tables .....	C-19
Loss Development .....	C-20-23
Excess Wind and Water Procedure .....	C-24-30
Derivation of Excess Water Losses .....	C-26
Derivation of Excess Wind and Water Factor .....	C-27-28
Development of Excess Losses on a Base Deductible Level .....	C-29
Methodology for Calculating Wind and Water Provisions by Territory .....	C-30

ARKANSAS  
HOMEOWNERS INSURANCE

COUNTRYWIDE LOSS ADJUSTMENT EXPENSE EXPERIENCE

OBJECTIVE	The reported indemnity losses must be loaded for both allocated and unallocated loss adjustment expenses (LAE).
DESCRIPTION	A factor representing the ratio of the sum of the incurred indemnity losses plus all LAE to the sum of the incurred indemnity losses was selected based on countrywide financial data excluding major non-ISO reporting companies shown on the following page.

36

ARKANSAS  
HOMEOWNERS INSURANCE

COUNTRYWIDE LOSS ADJUSTMENT EXPENSE EXPERIENCE Ø

	(1) 2002	(2) 2003	(3) 2004	(4) 2005	(5) 2006	(6) 2002-2006 MEAN
(1) Direct Losses Incurred	\$12,989,986	\$14,280,126	\$17,394,309	\$18,839,453	\$13,621,555	
(2) Direct Loss Adjustment Expenses Incurred	2,091,517	2,226,628	2,456,464	2,558,272	2,206,680	
(3) Loss Adjustment Expenses Incurred as ratio to Losses Incurred [(2)/(1)]	16.1%	15.6%	14.1%	13.6%	16.2%	15.1%
(4) Selected Loss Adjustment Expense Ratio						15.0%

Note: All dollar amounts displayed in thousands.

Ø Items (1) and (2) are from the Insurance Expense Exhibits for Agency and Direct Writers Combined excluding major non-ISO reporting companies.

ARKANSAS  
HOMEOWNERS INSURANCE

TREND PROCEDURE OVERVIEW

INTRODUCTION

The prospective loss cost level established in this document reflects the anticipated cost level and changes in revenue due to increases in amount of insurance for the period that the new loss costs are assumed to be in effect.

In reviewing experience, aggregate loss costs have been placed on current loss cost levels and losses on a common deductible level. The exhibits on the following pages present the trending procedure used in this document to reflect the effects of inflation on both losses and aggregate loss costs.

AMOUNT OF  
INSURANCE  
TRENDING

The formula used to develop aggregate loss costs (and the Class and Coverage factors derived from them) incorporates a method which reflects changes in the amounts of insurance selected by insureds. This is needed since the policies written during the experience period, if written today, would be written at higher amounts of insurance in order to maintain an appropriate average amount of insurance coverage level.

The trend is applied in two steps. First, current amount factors trend amounts of insurance from the experience period to the midpoint of the latest quarter of external loss trend data. Then, amounts of insurance are projected from the midpoint of latest quarter of external loss trend data to the average date of writing, six months beyond the anticipated effective date of this document, by a Projection Factor based on the average annual rate of change in average amount of insurance relativity.

LOSS TRENDING

We measure the impact of inflation on losses using external loss trend data and supplement this by internal insurance loss trend data.

External Loss Data

In order to measure the effect of inflation on losses, an external index, the Current Cost Index (CCI), is based on the Boeckh Residential Index (BRI), the Modified Consumer Price Index (MCPI), and additional information pertaining to the costs of buildings-related materials and labor. (The BRI values utilized reflect a modification which is based on certain actuarial formulas. Both the BRI and MCPI values reflect a 1967 base.) The values of the monthly CCI points starting with October 2003 are estimated as described in the following pages entitled "Explanation of the Development of Current Cost Factors (CCF) and Loss Projection Factor". Further use of the figures derived from the Boeckh Index requires the prior written consent of ISO. The Boeckh Residential Index is compiled by Marshall&Swift/Boeckh. The Consumer Price Index is compiled by the Department of Labor. Effective January 1998, the Bureau of Labor Statistics (BLS) modified the definitions of some of its Consumer Price Indices (CPIs). To maintain continuity, ISO has used the new CPIs to estimate current values for the old CPI series. This was accomplished by moving some components between new CPIs and by removing other components completely.

ARKANSAS  
HOMEOWNERS INSURANCE

TREND PROCEDURE OVERVIEW

LOSS TRENDING  
(Cont'd)

For Owners, the MCPI is a weighted average of the following subgroups of our reconstructed Consumer Price Index: House furnishings (48%), Medical Care (20%), Apparel Commodities (16%) and Entertainment Commodities (16%). The Boeckh Residential and the Modified Consumer Price indices are weighted 55% and 45%, respectively. These weights are based on Homeowners loss distributions. The indices are displayed in the "Development of Current Cost Factors (CCF) and Loss Projection Factor – Owners" exhibit.

Since Tenants covers only contents and Condominium Unit Owners covers primarily contents, the Modified Consumer Price Index is used exclusively for loss trending in Tenants and Condominium Unit Owners, and is a weighted average of the following subgroups of the "All-Urban" Consumer Price Index: Housefurnishings (54%), Apparel Commodities (18%), Entertainment Commodities (18%) and Medical Care (10%). This index is displayed in the "Development of Current Cost Factors (CCF) and Loss Projection Factor – Tenants and Condominium Unit Owners" exhibit.

The current cost factors trend adjusted incurred losses from the experience period to the midpoint of the latest quarter of external loss trend data. The losses are then projected from the midpoint of the latest quarter of cost index data to the average date of accident, 12 months beyond the anticipated effective date of this document, by a projection factor based on the latest annual rate of change in losses.

Loss Trend Adjustment

In some instances, the historical consumer trend data will not be indicative of future trends. In order to provide a more accurate estimate of prospective losses, we have supplemented the trend as measured by the external consumer index with a loss trend adjustment factor. This loss trend adjustment factor is based on an analysis of observed historical loss trends relative to the external consumer trend index (reflecting the trend from first dollar adjustment).

Trend from First Dollar Adjustment

A trend from first dollar adjustment factor is needed since loss trend indices are based on full coverage (first dollar) losses, whereas ISO's loss experience is adjusted to a base deductible level. Applying first dollar trend to deductible losses understates the trend effect. This is due to the elimination of losses below the deductible. The trend from first dollar factor when applied to the external index produces a trend factor appropriate for deductible losses.

Composite Loss Projection Factor

The composite loss projection factor includes an external loss projection factor, total loss trend adjustment, and an adjustment for trend from first dollar. The composite loss projection factor is applied to the incurred losses to project them from the midpoint of the latest quarter of trend to the average date of loss (12 months past the effective date).

ARKANSAS  
HOMEOWNERS INSURANCE - OWNERS

DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS PROJECTION FACTOR

QUARTER ENDING DECEMBER 31, 2007

PART A: CURRENT COST INDEX (CCI)

Month	CCI	3 Month Average	Month	CCI	3 Month Average
1/2005	548.7		7/2006	577.0	
2/2005	549.8		8/2006	577.2	
3/2005	550.8	<b>549.8</b>	9/2006	580.5	<b>578.2</b>
4/2005	548.7		10/2006	581.6	
5/2005	551.3		11/2006	578.4	
6/2005	548.4	<b>549.5</b>	12/2006	580.0	<b>580.0</b>
7/2005	552.8		1/2007	581.9	
8/2005	551.8		2/2007	585.6	
9/2005	553.5	<b>552.7</b>	3/2007	588.7	<b>585.4</b>
10/2005	560.2		4/2007	590.7	
11/2005	559.2		5/2007	588.6	
12/2005	560.2	<b>559.9</b>	6/2007	586.8	<b>588.7</b>
1/2006	564.6		7/2007	587.1	
2/2006	567.8		8/2007	588.2	
3/2006	571.4	<b>567.9</b>	9/2007	591.7	<b>589.0</b>
4/2006	573.4		10/2007	590.7	
5/2006	573.2		11/2007	591.8	
6/2006	573.8	<b>573.5</b>	12/2007	591.3	<b>591.3</b>

PART B: CURRENT COST FACTORS (CCF)

Year	Average CCI	Current Cost Factors To Quarter Ending December 31, 2007 <u>591.3 ÷ Average CCI</u>
7/1/2002-6/30/2003	500.5	<b>1.181</b>
7/1/2003-6/30/2004	524.8	<b>1.127</b>
7/1/2004-6/30/2005	546.5	<b>1.082</b>
7/1/2005-6/30/2006	563.5	<b>1.049</b>
7/1/2006-6/30/2007	583.1	<b>1.014</b>

PART C: COMPUTATION OF LOSS PROJECTION FACTOR

ANNUAL RATE OF CHANGE = 1.030 or +3.0%

LOSS PROJECTION FACTOR \* =  $1.030^{(24.5/12)} = 1.062$

\* TO PROJECT LOSSES FROM 11/15/2007 TO 12/1/2009.

40

ARKANSAS  
HOMEOWNERS INSURANCE - TENANTS AND CONDOMINIUM UNIT OWNERS

DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS PROJECTION FACTOR

QUARTER ENDING DECEMBER 31, 2007

**PART A: CURRENT COST INDEX (CCI)**

<u>Month</u>	<u>CCI</u>	<u>3 Month Average</u>	<u>Month</u>	<u>CCI</u>	<u>3 Month Average</u>
1/2005	303.2		7/2006	304.7	
2/2005	304.7		8/2006	305.3	
3/2005	306.6	<b>304.8</b>	9/2006	306.3	<b>305.4</b>
4/2005	306.8		10/2006	307.3	
5/2005	306.8		11/2006	306.3	
6/2005	304.6	<b>306.1</b>	12/2006	304.3	<b>306.0</b>
7/2005	303.4		1/2007	304.2	
8/2005	303.4		2/2007	306.5	
9/2005	305.1	<b>304.0</b>	3/2007	307.7	<b>306.1</b>
10/2005	306.1		4/2007	307.4	
11/2005	305.8		5/2007	307.1	
12/2005	304.5	<b>305.5</b>	6/2007	305.4	<b>306.6</b>
1/2006	303.7		7/2007	304.3	
2/2006	304.9		8/2007	304.4	
3/2006	307.0	<b>305.2</b>	9/2007	305.7	<b>304.8</b>
4/2006	308.0		10/2007	307.1	
5/2006	307.6		11/2007	307.2	
6/2006	306.0	<b>307.2</b>	12/2007	305.7	<b>306.7</b>

**PART B: CURRENT COST FACTORS (CCF)**

<u>Year</u>	<u>Average CCI</u>	<u>Current Cost Factors To Quarter Ending December 31, 2007 306.7 ÷ Average CCI</u>
7/1/2002-6/30/2003	304.2	<b>1.008</b>
7/1/2003-6/30/2004	303.3	<b>1.011</b>
7/1/2004-6/30/2005	304.6	<b>1.007</b>
7/1/2005-6/30/2006	305.5	<b>1.004</b>
7/1/2006-6/30/2007	306.0	<b>1.002</b>

**PART C: COMPUTATION OF LOSS PROJECTION FACTOR**

ANNUAL RATE OF CHANGE	=	1.002 or +0.2%
LOSS PROJECTION FACTOR *	=	1.002 <sup>(24.5/12)</sup> = 1.004

\* TO PROJECT LOSSES FROM 11/15/2007 TO 12/1/2009.

41

ARKANSAS  
HOMEOWNERS INSURANCE

DEVELOPMENT OF LOSS TREND ADJUSTMENT FACTOR – OWNERS

<u>Account Year Ended</u>	<u>Statewide Pure Premium (A)</u>
9/30/02	294.16
12/31/02	290.48
3/31/03	289.11
6/30/03	313.17
9/30/03	313.70
12/31/03	310.36
3/31/04	293.36
6/30/04	267.17
9/30/04	268.16
12/31/04	260.65
3/31/05	267.23
6/30/05	268.21
9/30/05	269.23
12/31/05	304.01
3/31/06	336.29
6/30/06	378.68
9/30/06	399.93
12/31/06	397.15
3/31/07	392.19
6/30/07	379.17

(1) Fitted Annual Changes in Pure Premium:

Latest 20 points = +6.5%

12 points = +20.6%

8 points = +22.3%

(2) External Index (CCI Annual Change) = 1.03 or +3.0%\*

(3) Annualized Trend From First Dollar =  $(1.004)^{12/53.0}$  = 1.001 or +0.1%\*\*

(4) CCI Annual Change from First Dollar = (2) x (3) = 1.031 or +3.1%

(5) Selected Annual Loss Trend Adjustment Factor = 0.5%

\* See Exhibit "DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS PROJECTION FACTOR"

\*\* See Exhibit "DEVELOPMENT OF COMPOSITE LOSS PROJECTION FACTORS AND TREND FROM FIRST DOLLAR – OWNERS"

(A) Excluding Wind and on a paid basis.

42

ARKANSAS  
HOMEOWNERS INSURANCE

DEVELOPMENT OF LOSS TREND ADJUSTMENT FACTOR – TENANTS

<u>Account Year Ended</u>	<u>Statewide Pure Premium (A)</u>
9/30/02	106.45
12/31/02	109.25
3/31/03	105.65
6/30/03	121.30
9/30/03	98.14
12/31/03	119.98
3/31/04	103.40
6/30/04	75.91
9/30/04	76.12
12/31/04	56.30
3/31/05	83.00
6/30/05	92.14
9/30/05	103.24
12/31/05	105.74
3/31/06	89.51
6/30/06	115.57
9/30/06	120.83
12/31/06	138.00
3/31/07	144.67
6/30/07	125.14

(1) Fitted Annual Changes in Pure Premium:

Latest 20 points = +4.2%

12 points = +30.5%

8 points = +22.5%

(2) External Index (CCI Annual Change) = 1.002 or +0.2%\*

(3) Annualized Trend From First Dollar =  $(1.000)^{12/53.0}$  = 1.000 or 0.0%\*\*

(4) CCI Annual Change from First Dollar = (2) x (3) = 1.002 or +0.2%

(5) Selected Annual Loss Trend Adjustment Factor = 0.5%

\* See Exhibit "DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS PROJECTION FACTOR"

\*\* See Exhibit "DEVELOPMENT OF COMPOSITE LOSS PROJECTION FACTORS AND TREND FROM FIRST DOLLAR – TENANTS"

(A) Excluding Wind and on a paid basis.

43

ARKANSAS  
HOMEOWNERS INSURANCE

DEVELOPMENT OF LOSS TREND ADJUSTMENT FACTOR – CONDOMINIUM UNIT OWNERS

<u>Account Year Ended</u>	<u>Statewide Pure Premium (A)</u>
9/30/02	207.86
12/31/02	182.61
3/31/03	170.43
6/30/03	180.25
9/30/03	131.47
12/31/03	183.35
3/31/04	185.59
6/30/04	149.53
9/30/04	177.38
12/31/04	127.32
3/31/05	120.60
6/30/05	145.08
9/30/05	124.42
12/31/05	229.34
3/31/06	268.08
6/30/06	310.60
9/30/06	293.58
12/31/06	236.48
3/31/07	205.15
6/30/07	187.91

(1) Fitted Annual Changes in Pure Premium:

Latest 20 points = +7.5%

12 points = +25.2%

8 points = +9.4%

(2) External Index (CCI Annual Change) = 1.002 or +0.2%\*

(3) Annualized Trend From First Dollar =  $(1.000)^{12/53.0}$  = 1.000 or 0.0%\*\*

(4) CCI Annual Change from First Dollar = (2) x (3) = 1.002 or +0.2%

(5) Selected Annual Loss Trend Adjustment Factor = 0.5%

\* See Exhibit "DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS PROJECTION FACTOR"

\*\* See Exhibit "DEVELOPMENT OF COMPOSITE LOSS PROJECTION FACTORS AND TREND FROM FIRST DOLLAR – CONDOMINIUM UNIT OWNERS"

(A) Excluding Wind and on a paid basis.

44

ARKANSAS  
HOMEOWNERS INSURANCE

DEVELOPMENT OF COMPOSITE LOSS PROJECTION FACTOR AND TREND FROM FIRST DOLLAR OWNERS

A. CALCULATION OF TREND FROM FIRST DOLLAR OF LOSS

	(1)	(2)	
Year Ended	Current Cost Factor	Weights	
06/30/2003	1.181	0.10	
06/30/2004	1.127	0.15	
06/30/2005	1.082	0.20	
06/30/2006	1.049	0.25	
06/30/2007	1.014	0.30	
(B) Base Deductible Amount		=	250
(3) Weighted Current Cost Factors = Sum of (1) X (2)		=	1.070
(4) Loss Projection Factor		=	1.062
(5) Loss Trend = (3) X (4)		=	1.136
(6) Five Year Adjusted Claims		=	34,997
(7) Five Year Liability Claims		=	797
(8) Losses Eliminated by Base Deductible = ((6)-(7)) X (B)		=	8,550,000
(9) Five Year Losses and Loss Adjustment Expense Adjusted for Excess = ( Total Losses - Excess Losses) x LAE x Excess Factor = ( 211,958,420 - 22,132,518) x 1.150 x 1.088		=	237,510,169
(10) Factor to Adjust Losses for Effect of Trending From First Dollar = 1.0 + ((5) - 1.0) x (8) / ((5) x (9))		=	1.004

B. CALCULATION OF COMPOSITE LOSS PROJECTION FACTOR

(11) Loss Trend Adjustment 1.005 <sup>53.0/12</sup>	=	1.022
(12) Composite Loss Projection Factor = (4) x (10) x (11)	=	1.090

45

ARKANSAS  
HOMEOWNERS INSURANCE

DEVELOPMENT OF COMPOSITE LOSS PROJECTION FACTOR AND TREND FROM FIRST DOLLAR  
TENANTS

A. CALCULATION OF TREND FROM FIRST DOLLAR OF LOSS

Year <u>Ended</u>	(1) Current Cost <u>Factor</u>	(2) <u>Weights</u>	
06/30/2003	1.008	0.10	
06/30/2004	1.011	0.15	
06/30/2005	1.007	0.20	
06/30/2006	1.004	0.25	
06/30/2007	1.002	0.30	
(B) Base Deductible Amount		=	250
(3) Weighted Current Cost Factors = Sum of (1) X (2)		=	1.005
(4) Loss Projection Factor		=	1.004
(5) Loss Trend = (3) X (4)		=	1.009
(6) Five Year Adjusted Claims		=	485
(7) Five Year Liability Claims		=	26
(8) Losses Eliminated by Base Deductible = ((6)-(7)) X (B)		=	114,750
(9) Five Year Losses and Loss Adjustment Expense			
= Total Losses x LAE			
= 2,651,407 x 1.150		=	3,049,118
(10) Factor to Adjust Losses for Effect of Trending From First Dollar			
= $1.0 + ((5) - 1.0) \times (8) / ((5) \times (9))$		=	1.000

B. CALCULATION OF COMPOSITE LOSS PROJECTION FACTOR

(11) Loss Trend Adjustment $1.005^{53.0/12}$		=	1.022
(12) Composite Loss Projection Factor			
= (4) x (10) x (11)		=	1.026

46

ARKANSAS  
HOMEOWNERS INSURANCE

DEVELOPMENT OF COMPOSITE LOSS PROJECTION FACTOR AND TREND FROM FIRST DOLLAR  
CONDOMINIUM UNIT OWNERS

A. CALCULATION OF TREND FROM FIRST DOLLAR OF LOSS

Year Ended	(1) Current Cost Factor	(2) Weights	
06/30/2003	1.008	0.10	
06/30/2004	1.011	0.15	
06/30/2005	1.007	0.20	
06/30/2006	1.004	0.25	
06/30/2007	1.002	0.30	
(B) Base Deductible Amount		=	250
(3) Weighted Current Cost Factors = Sum of (1) X (2)		=	1.005
(4) Loss Projection Factor		=	1.004
(5) Loss Trend = (3) X (4)		=	1.009
(6) Five Year Adjusted Claims		=	248
(7) Five Year Liability Claims		=	8
(8) Losses Eliminated by Base Deductible = ((6)-(7)) X (B)		=	60,000
(9) Five Year Losses and Loss Adjustment Expense			
= Total Losses x LAE			
= 1,201,757 x 1.150		=	1,382,021
(10) Factor to Adjust Losses for Effect of Trending From First Dollar			
= $1.0 + ((5) - 1.0) \times (8) / ((5) \times (9))$		=	1.000

B. CALCULATION OF COMPOSITE LOSS PROJECTION FACTOR

(11) Loss Trend Adjustment 1.005 <sup>53.0/12</sup>		=	1.022
(12) Composite Loss Projection Factor			
= (4) x (10) x (11)		=	1.026

47

ARKANSAS  
HOMEOWNERS INSURANCE

DEVELOPMENT OF CURRENT AMOUNT FACTORS AND AMOUNT OF INSURANCE  
PROJECTION FACTOR

Year End	(1)	OWNERS (2)	(3)
	Average Relativity	Relativity to Projected Point <u>1.653 / (1)</u>	Current Amount Factor <u>(((2)-1.0) x 0.60) + 1</u>
06/30/2003	1.202	1.375	1.225
06/30/2004	1.261	1.311	1.187
06/30/2005	1.342	1.232	1.139
06/30/2006	1.434	1.153	1.092
06/30/2007	1.537	1.075	1.045
11/15/2007	1.653		

Year End	(1)	TENANTS (2)	(3)
	Average Relativity	Relativity to Projected Point <u>1.483 / (1)</u>	Current Amount Factor <u>(((2)-1.0) x 0.75) + 1</u>
06/30/2003	1.327	1.118	1.089
06/30/2004	1.378	1.076	1.057
06/30/2005	1.415	1.048	1.036
06/30/2006	1.426	1.040	1.030
06/30/2007	1.444	1.027	1.020
11/15/2007	1.483		

YEAR END	(1)	CONDOMINIUM UNIT OWNERS	
	Average Relativity	(2) Relativity to Projected Point <u>2.201 / (1)</u>	(3) Current Amount Factor <u>(((2)-1.0) x 0.75) + 1</u>
06/30/2003	1.962	1.122	1.092
06/30/2004	2.000	1.101	1.076
06/30/2005	2.036	1.081	1.061
06/30/2006	2.082	1.057	1.043
06/30/2007	2.140	1.029	1.022
11/15/2007	2.201		

	Owners	Tenants	Condominium Unit Owners
(4) A (Mean of Fitted Line of Column (1))	= 1.355	1.398	2.044
(5) B (Average Annual Increment of Column (1))	= 0.084	0.028	0.044
(6) Annual Rate of Change = (5) / (4)	= 0.062	0.020	0.022
(7) Annual Rate of Change Tempered 25% = (6) x 0.75*	= 0.037	0.015	0.017
(8) Amount of Insurance Projection Factor = (1 + (7)) <sup>18.5/12</sup>	= 1.058	1.023	1.026

\* 0.60 for Owners Forms

48

ARKANSAS  
HOMEOWNERS INSURANCE

TREND PROCEDURE

EXPLANATION OF THE DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS  
PROJECTION FACTOR EXHIBITS

Part A

These are the quarterly averages of the Current Cost Index (CCI) for the latest 12 quarters available. The 55% Boeckh Residential Index (BRI) – 45% Modified Consumer Price Index (MCPI) component weighting of the CCI is also shown. The 3-month average is a straight average of the 3 CCI points for that quarter. For Tenants and Condominium Unit Owners, the MCPI only is used. CCI values shown for months prior to October 2003 were calculated using the Boeckh Residential Report, modified by application of certain actuarial formulas, and combined with the relevant information from the MCPI. CCI values starting with October 2003 reflect estimated values. In February 2008, the Bureau of Labor and Statistics (BLS) updated historical values in its labor cost index back to April 2006, based on more complete information. The growth in these values is based on an analysis of buildings-related material and labor costs. Further use of the figures derived from the Boeckh Index requires the prior written consent of ISO.

Part B

The Current Cost Factors for the Statewide Advisory Loss Cost Level indication are developed by dividing the average annual CCI points into the latest quarterly average CCI. For Owners, the CCI points are a weighted average of the BRI and the MCPI (55%, 45% respectively) average annual points. These average BRI and MCPI points are each developed by taking a straight average of the 12 monthly points making up the designated year. For Tenants and Condominium Unit Owners, annual CCI points are based on the average of the 12 monthly Modified Consumer Price Indices for the years under review.

Part C

The latest annual rate of change for losses is developed by fitting a least squares exponential curve to the latest 12 quarterly CCI points. The annual rate of change is then used to determine the external Loss Projection Factor which, as part of the Composite Loss Projection Factor, is used to project losses from the midpoint of the latest quarter to 12 months beyond the anticipated effective date.

49

ARKANSAS  
HOMEOWNERS INSURANCE

TREND PROCEDURE

EXPLANATION OF THE LOSS TREND ADJUSTMENT FACTOR EXHIBIT

The Homeowners formula to develop loss costs employs external trend indices to bring losses to current and anticipated cost levels. An evaluation of the latest Homeowners data, for Owners, Tenants, and Condominium Unit Owners indicates that the cost level inherent in the coverage(s) provided by the Homeowners Policy is increasing at a faster rate than the external trend indices. Comparisons reflecting this difference, including the effect of the "first dollar" adjustment, are shown on the "Loss Trend Adjustment Factor" exhibit(s).

Based on this comparison, a 0.5% Loss Trend Adjustment Factor has been selected for Owners. Hence, in this filing, losses are being projected at an annual rate of 3.6% ( $1.031 \times 1.005$ ), compounded from the midpoint of the experience period to one year past the effective date. Given the differences between the observed annual changes in pure premium versus the external index, the selected Loss Trend Adjustment percentage has, in effect, been tempered.

In addition, a 0.5% Loss Trend Adjustment Factor has been selected for Tenants and Condominium Unit Owners. Hence, in this filing, losses are being projected at an annual rate of 0.7% ( $1.002 \times 1.005$ ), compounded from the midpoint of the experience period to one year past the effective date. Given the differences between the observed annual changes in pure premium versus the external index, the selected Loss Trend Adjustment percentage has, in effect, been tempered.

50

ARKANSAS  
HOMEOWNERS INSURANCE

TREND PROCEDURE

EXPLANATION OF "DEVELOPMENT OF COMPOSITE LOSS PROJECTION FACTOR" EXHIBITS

SECTION A

CALCULATION OF TREND FROM FIRST DOLLAR OF LOSS

The formula to develop loss costs employs external trend indices to bring losses to current and anticipated cost levels. These indices estimate changes in claim cost from the first dollar of loss, i.e. before the application of a deductible.

Applying first dollar trend to deductible losses understates the trend effect. This is due to the elimination of losses below the deductible. To ensure adequate loss costs, we add back in the losses eliminated by the deductible which are calculated by multiplying the number of claims (excluding liability claims as no deductible is applicable to them) by the deductible amount \$250. The losses including those eliminated by the deductible are trended. The losses below the deductible are then removed to put the losses back on a base deductible level.

The ratio of the trended losses to the losses before the application of trend is the Trend from First Dollar adjustment factor, which covers the time period from the weighted midpoint of the experience period, 7/1/2005, to the average date of coverage, 12 months past the effective date.

SECTION B

CALCULATION OF COMPOSITE LOSS PROJECTION FACTOR

An evaluation of the latest homeowners data shows that the cost level inherent in the coverages provided by the Homeowners Policy is increasing at a faster rate than the external trend indices for Owners, Tenants, and Condominium Unit Owners. Comparisons reflecting this difference are shown on the "Loss Trend Adjustment Factor" exhibit.

For Owners, Tenants, and Condominium Unit Owners, Line (11) displays the selected Annual Loss Trend Adjustment percentage compounded for N/12 years, where N represents the number of months from the weighted midpoint of the experience period, 7/1/2005 to the average date of coverage, 12 months past the effective date.

For Owners, Tenants, and Condominium Unit Owners, the Composite Loss Projection Factor, line (12), is calculated as the product of lines (4), (10), and (11).

51

ARKANSAS  
HOMEOWNERS INSURANCE

TREND PROCEDURE

EXPLANATION OF THE DEVELOPMENT OF CURRENT AMOUNT FACTORS AND AMOUNT OF  
INSURANCE PROJECTION FACTOR EXHIBITS

COLUMN (1)

AVERAGE RELATIVITY

Average Relativities are the average policy amount relativities based on the current policy amount curves in effect. The relativities listed for 11/15/2007 (which corresponds to the midpoint of the latest quarter of the Current Cost Index) are Projected Values based on linear least squared fits of the latest five values.

$$\text{Projected Value} = R + (I \times M/12)$$

where I is the average annual increment B obtained from one least squares fit.

M is the number of months from the average date of writing for policies in effect during the latest year of the experience period, 7/1/2006, to the midpoint of the latest quarter of trend data, 11/15/2007.

R is the average relativity for the latest year of experience period, ending 6/30/2007.

COLUMN (2)

RELATIVITY TO PROJECTED VALUE

The projected value for 11/15/2007 is divided by each relativity in column (1).

COLUMN (3)

CURRENT AMOUNT FACTORS

Current amount factors in column (3) are tempered 40% (25% in Tenants and Condominium Unit Owners) due to

- a) the impact of new construction (Owners only), and
- b) the variation in insureds from year to year.

LINES (4) - (6)

The linear least squares fit is used to compute Annual Rates of Change.

LINE (7)

The Annual Rates of Change are tempered 40% (25% in Tenants and Condominium Unit Owners) in order to reflect the effects of the following:

- a) the impact of new construction (Owners only) and
- b) variation of insureds from year to year

Note that an analysis of the data most-recently reported to ISO has shown that, for the owners forms, the rate of growth in average policy limits has decreased relative to the growth rates for the five-year historical time period underlying our loss cost level analysis. In order to reflect this decrease in growth, our amount-of-insurance trend procedure incorporated a revised tempering factor of .60.

LINE (8)

The Amount of Insurance Projection Factor is calculated as:

$$(1 + \text{Tempered Annual Rate of Change})^{N/12}$$

where N = the number of months from the midpoint of the latest quarter of trend to an average date of writing for policies that will be written using these loss costs; i.e. 6 months beyond the effective date.

52

ARKANSAS  
HOMEOWNERS INSURANCE

CREDIBILITY TABLES

STATEWIDE CREDIBILITIES

<u>Owners</u>		<u>Tenants</u>		<u>Condominium Unit Owners</u>	
<u>House Years</u>	<u>Credibility</u>	<u>House Years</u>	<u>Credibility</u>	<u>House Years</u>	<u>Credibility</u>
240,000 & Over	1.00	285,000 & Over	1.00	190,000 & Over	1.00
194,400 - 239,999	.90	230,850 - 284,999	.90	153,900 - 189,999	.90
153,600 - 194,399	.80	182,400 - 230,849	.80	121,600 - 153,899	.80
117,600 - 153,599	.70	139,650 - 182,399	.70	93,100 - 121,599	.70
86,400 - 117,599	.60	102,600 - 139,649	.60	68,400 - 93,099	.60
60,000 - 86,399	.50	71,250 - 102,599	.50	47,500 - 68,399	.50
38,400 - 59,999	.40	45,600 - 71,249	.40	30,400 - 47,499	.40
21,600 - 38,399	.30	25,650 - 45,599	.30	17,100 - 30,399	.30
9,600 - 21,599	.20	11,400 - 25,649	.20	7,600 - 17,099	.20
2,400 - 9,599	.10	2,850 - 11,399	.10	1,900 - 7,599	.10
0 - 2,399	.00	0 - 2,849	.00	0 - 1,899	.00

TERRITORY CREDIBILITIES

<u>Owners</u>		<u>Tenants</u>		<u>Condominium Unit Owners</u>	
<u>House Years</u>	<u>Credibility</u>	<u>House Years</u>	<u>Credibility</u>	<u>House Years</u>	<u>Credibility</u>
60,000 & Over	1.00	75,000 & Over	1.00	50,000 & Over	1.00
48,600 - 59,999	.90	60,750 - 74,999	.90	40,500 - 49,999	.90
38,400 - 48,599	.80	48,000 - 60,749	.80	32,000 - 40,499	.80
29,400 - 38,399	.70	36,750 - 47,999	.70	24,500 - 31,999	.70
21,600 - 29,399	.60	27,000 - 36,749	.60	18,000 - 24,499	.60
15,000 - 21,599	.50	18,750 - 26,999	.50	12,500 - 17,999	.50
9,600 - 14,999	.40	12,000 - 18,749	.40	8,000 - 12,499	.40
5,400 - 9,599	.30	6,750 - 11,999	.30	4,500 - 7,999	.30
2,400 - 5,399	.20	3,000 - 6,749	.20	2,000 - 4,499	.20
600 - 2,399	.10	750 - 2,999	.10	500 - 1,999	.10
0 - 599	.00	0 - 749	.00	0 - 499	.00

The formula used to obtain the credibility to be assigned is the square root of the quantity (5 years earned house years/house years required for full credibility). These tables are based on the 'frequency with severity modification' model discussed in "Credibility of the Pure Premium" by Mayerson, Bowers and Jones. The full credibility standards are based upon a Normal distribution with a 90% probability of meeting the test and a 5.0% and 10.0% maximum departure from the expected value for Statewide and Territories, respectively. The claims standards have been translated to house year standards. Minimum credibility is 50% for statewide.

53

ARKANSAS  
HOMEOWNERS INSURANCE

LOSS DEVELOPMENT

The incurred losses are developed to an "ultimate" settlement basis by applying loss development factors. The use of a loss development factor is necessitated by the fact that not all of the losses for a particular accident year have been finally determined at the time the experience is compiled.

The incurred losses for each of the years appearing on the Statewide Loss Cost Level exhibit have been evaluated as of September 30, 2007. As an example, losses for the first accident year have "matured" for 63 months while losses for the last accident year have "matured" for 15 months. The immature experience must be adjusted to an ultimate settlement basis. This adjustment is accomplished through the use of loss development factors.

ISO loss development methodology is a basic loss development triangle. To better reflect differences in loss development by state and to incorporate a more mature ultimate settlement time period, the loss development procedure now uses statewide data exclusively and computes link ratios through 87 months. In selecting the final development factors, link ratios that are "outliers" are tempered.

54

INSURANCE SERVICES OFFICE, INC.

ARKANSAS  
HOMEOWNERS INSURANCE

LOSS DEVELOPMENT

OWNERS

Arkansas Incurred Losses as of

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
1995	13,003,751	13,147,182	13,212,442	13,242,104	13,090,085	13,066,223	13,066,213
1996	32,491,219	33,176,401	33,131,031	33,239,883	33,231,220	33,247,405	33,254,320
1997	21,855,156	21,775,994	21,875,324	21,840,431	21,677,743	21,690,971	21,688,470
1998	18,179,315	18,342,307	18,484,087	18,579,415	18,542,717	18,513,586	18,503,522
1999	36,934,461	37,270,405	37,730,712	37,921,937	37,844,449	37,593,657	37,595,875
2000	44,821,982	46,408,400	46,921,580	47,078,623	47,142,837	47,148,995	47,079,744
2001	26,883,553	27,483,115	27,710,138	27,604,684	27,609,758	27,610,657	
2002	24,104,761	24,148,022	24,304,491	24,343,719	24,316,322		
2003	28,411,171	28,513,434	28,599,564	28,676,304			
2004	23,330,002	23,738,990	23,645,899				
2005	34,365,387	35,484,632					
2006	49,016,725						

Arkansas Link Ratios

Accident Year	<u>27:15</u>	<u>39:27</u>	<u>51:39</u>	<u>63:51</u>	<u>75:63</u>	<u>87:75</u>
1995	1.011	1.005	1.002	0.989	0.998	1.000
1996	1.021	0.999	1.003	1.000	1.000	1.000
1997	0.996	1.005	0.998	0.993	1.001	1.000
1998	1.009	1.008	1.005	0.998	0.998	0.999
1999	1.009	1.012	1.005	0.998	0.993	1.000
2000	1.035	1.011	1.003	1.001	1.000	0.999
2001	1.022	1.008	0.996	1.000	1.000	
2002	1.002	1.006	1.002	0.999		
2003	1.004	1.003	1.003			
2004	1.018	0.996				
2005	1.033					
	<u>27:15</u>	<u>39:27</u>	<u>51:39</u>	<u>63:51</u>	<u>75:63</u>	<u>87:75</u>
Average	1.015	1.005	1.002	0.997	0.999	1.000
Selected Link Ratio	1.015	1.005	1.002	0.997	0.999	1.000

Selected Loss Development Factors

<u>6/2003</u>	<u>6/2004</u>	<u>6/2005</u>	<u>6/2006</u>	<u>6/2007</u>
0.999	0.996	0.998	1.003	1.018

55

INSURANCE SERVICES OFFICE, INC.

ARKANSAS  
HOMEOWNERS INSURANCE

LOSS DEVELOPMENT

TENANTS

Arkansas Incurred Losses as of

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
1995	334,168	392,082	397,082	397,082	397,082	397,082	397,082
1996	267,170	274,790	275,790	275,790	275,790	275,790	275,790
1997	410,336	508,715	508,715	508,715	508,715	507,610	507,610
1998	316,428	340,358	340,358	340,358	340,358	348,608	348,608
1999	486,582	483,211	483,211	483,211	483,791	482,404	482,404
2000	457,936	451,592	451,592	451,592	451,592	451,592	451,592
2001	687,672	788,804	788,804	788,804	788,804	788,804	
2002	333,799	328,677	329,975	329,975	329,975		
2003	473,019	409,606	461,725	461,724			
2004	319,372	303,656	299,482				
2005	468,957	538,703					
2006	693,471						

Arkansas Link Ratios

Accident Year	<u>27:15</u>	<u>39:27</u>	<u>51:39</u>	<u>63:51</u>	<u>75:63</u>	<u>87:75</u>
1995	1.173*	1.013	1.000	1.000	1.000	1.000
1996	1.029	1.004	1.000	1.000	1.000	1.000
1997	1.240*	1.000	1.000	1.000	0.998	1.000
1998	1.076	1.000	1.000	1.000	1.024	1.000
1999	0.993	1.000	1.000	1.001	0.997	1.000
2000	0.986	1.000	1.000	1.000	1.000	1.000
2001	1.147	1.000	1.000	1.000	1.000	
2002	0.985	1.004	1.000	1.000		
2003	0.866	1.127*	1.000			
2004	0.951	0.986				
2005	1.149					
	<u>27:15</u>	<u>39:27</u>	<u>51:39</u>	<u>63:51</u>	<u>75:63</u>	<u>87:75</u>
Average	1.054	1.013	1.000	1.000	1.003	1.000
Selected Link Ratio	1.020	1.001	1.000	1.000	1.003	1.000

Selected Loss Development Factors

<u>6/2003</u>	<u>6/2004</u>	<u>6/2005</u>	<u>6/2006</u>	<u>6/2007</u>
1.003	1.003	1.003	1.004	1.024

\* Value excluded in selection of link ratio.

56

INSURANCE SERVICES OFFICE, INC.

ARKANSAS  
HOMEOWNERS INSURANCE

LOSS DEVELOPMENT

CONDOMINIUM UNIT OWNERS

Arkansas Incurred Losses as of

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
1995	88,063	82,167	82,167	82,167	82,167	82,167	82,167
1996	113,099	126,226	170,008	170,008	170,008	170,008	170,008
1997	93,546	113,834	113,834	113,834	113,834	113,834	113,834
1998	212,989	222,610	224,270	224,270	224,270	224,270	224,270
1999	199,594	216,937	218,175	765,435	375,794	375,794	375,794
2000	135,119	135,332	135,332	135,332	135,332	135,332	135,332
2001	192,340	188,023	188,023	188,023	188,023	188,023	188,023
2002	192,307	189,106	193,240	193,240	193,240		
2003	177,668	187,544	189,296	189,296			
2004	96,959	95,507	95,507				
2005	361,709	347,710					
2006	123,383						

Arkansas Link Ratios

Accident Year	<u>27:15</u>	<u>39:27</u>	<u>51:39</u>	<u>63:51</u>	<u>75:63</u>	<u>87:75</u>
1995	0.933	1.000	1.000	1.000	1.000	1.000
1996	1.116	1.347*	1.000	1.000	1.000	1.000
1997	1.217*	1.000	1.000	1.000	1.000	1.000
1998	1.045	1.007	1.000	1.000	1.000	1.000
1999	1.087	1.006	3.508*	0.491*	1.000	1.000
2000	1.002	1.000	1.000	1.000	1.000	1.000
2001	0.978	1.000	1.000	1.000	1.000	
2002	0.983	1.022	1.000	1.000		
2003	1.056	1.009	1.000			
2004	0.985	1.000				
2005	0.961					
	<u>27:15</u>	<u>39:27</u>	<u>51:39</u>	<u>63:51</u>	<u>75:63</u>	<u>87:75</u>
Average	1.033	1.039	1.279	0.936	1.000	1.000
Selected Link Ratio	1.015	1.005	1.000	1.000	1.000	1.000

Selected Loss Development Factors

<u>6/2003</u>	<u>6/2004</u>	<u>6/2005</u>	<u>6/2006</u>	<u>6/2007</u>
1.000	1.000	1.000	1.005	1.020

\* Value excluded in selection of link ratio.

57

ARKANSAS  
HOMEOWNERS INSURANCE

EXCESS WIND AND WATER PROCEDURE

OBJECTIVE

Since wind and water\* can cause large and unexpected losses, a "catastrophe" or excess wind and water (W&W) procedure is incorporated in the development of Homeowners loss costs. The purpose of this procedure is to avoid shifts in loss costs (both upward and downward) which will result from reflecting large, unexpected losses only in the year in which they occur.

DESCRIPTION OF  
EXCESS WIND AND  
WATER FACTOR  
METHODOLOGY

The excess wind and water procedure makes two adjustments to reported losses. First, it removes the excess wind and water or catastrophic losses that actually occurred in a given year. Then, it replaces these losses with an expected excess wind and water loss provision, by application of the statewide excess wind and water factor as shown in the "Derivation of Excess Wind & Water Factor" exhibit. This statewide excess wind and water factor is based on the state's long-term history of excess wind or water losses and, therefore, is not subject to the type of yearly variation inherent in actual wind and water losses. The methodology for calculating the excess wind and water factor is described below.

Statewide excess water losses by year are calculated by determining a "normal" average water to total minus W&W ratio which represents the long-term expected non-catastrophic water to total minus W&W ratio for the state. All losses above the "normal" ratio are defined as excess water losses.

Statewide excess wind and excess water losses by year are calculated by determining a "normal" wind-and-excess-water to total-minus-wind-and-excess-water ratio, which represents the long-term expected non-catastrophic wind-and-excess-water to total-minus-wind-and-excess-water ratio for the state. All losses above the "normal" ratio are defined as excess wind-and-excess-water losses.

The "normal" wind-and-excess-water to total-minus-wind-and-excess-water ratio is determined by first capping the wind-and-excess-water to total-minus-wind-and-excess-water ratios for extreme years at 5 times the state's median wind-and-excess-water to total-minus-wind-and-excess-water ratio\*\*. The capped wind-and-excess-water to total-minus-wind-and-excess-water ratios are shown in column (6).

An excess wind-and-excess-water to total-minus-wind-and-excess-water ratio for a given year is composed of two parts: (1) a capped excess wind-and-excess-water to total-minus-wind-and-excess-water ratio and (2) an "excess wind-and-excess-water to total-minus-wind-and-excess-water ratio above the cap".

The excess factor (line 14) is calculated as follows:

$$\text{excess factor} = [1.0 + [(average capped excess ratio + average excess ratio above the cap) \div (1.0 + normal ratio - average capped excess ratio)]]$$

\* Water damage, freezing, other physical damage and V&MM.

\*\* In the procedure above, minimum values apply to the median wind-and-excess-water to total-minus-wind-and-excess-water ratio, and the capped wind-and-excess-water to total-minus-wind-and-excess-water ratio. The median has a minimum of 0.100; the cap has a minimum of 5 x 0.100 (0.500). The values used for the median ratio and the cap are shown on line 13 (minimum values are shown, where applicable).

58

ARKANSAS  
HOMEOWNERS INSURANCE

EXCESS WIND AND WATER PROCEDURE

DEVELOPMENT  
OF ADJUSTED  
EXCESS LOSSES

The "Derivation of Excess Wind and Water Factor" exhibit develops an Excess Wind and Water Factor using losses on a reported basis. Since the "Determination of Statewide Advisory Loss Cost Level Change - Owners" exhibit in Section B uses losses adjusted to a common deductible level to determine the advisory loss cost level change, the excess losses used to produce that exhibit must also be on an adjusted basis.

First, adjusted excess water losses are calculated in the "Development of Excess Losses on a Base Deductible Level" exhibit by determining the ratio of total reported excess water losses to the total reported water losses. This ratio is then applied to the adjusted water losses to produce the adjusted excess water losses.

Next, the reported overall excess losses are compared to the sum of the reported wind losses and the reported excess water losses, with the resulting ratio being applied to the combined adjusted wind losses and adjusted excess water losses. This calculation produces overall adjusted excess losses, which constitute the excess losses removed from Column (1) in the "Determination of Statewide Advisory Loss Cost Level Change" exhibit.

59

ARKANSAS  
HOMEOWNER INSURANCE - OWNERS

DERIVATION OF EXCESS WATER FACTOR

Year	(1) Reported Wind Losses	(2) Reported Water & Other PD Losses	(3) Reported Total Losses	(4) Reported Total- Wind-Water-Other PD Losses (3) - (2) - (1)	(5) Total Water To Non- WW Ratio (2) / (4)	(6) Excess Water Ratio (5) - AVG(5)	(7) Excess Water Losses (4) x (6)
12/1980	7,220,985	1,261,276	22,943,126	14,460,865	0.087	0.000	0
12/1981	2,470,295	1,612,303	19,659,208	15,576,610	0.104	0.000	0
12/1982	7,275,259	2,515,352	31,555,192	21,764,581	0.116	0.000	0
12/1983	5,500,977	3,823,556	31,357,266	22,032,733	0.174	0.000	0
12/1984	11,102,710	2,607,396	34,846,145	21,136,039	0.123	0.000	0
12/1985	2,807,537	3,236,442	24,682,238	18,638,259	0.174	0.000	0
12/1986	3,914,542	2,205,729	22,621,108	16,500,837	0.134	0.000	0
12/1987	5,023,485	2,006,152	23,811,661	16,782,024	0.120	0.000	0
12/1988	2,238,399	2,535,803	15,609,478	10,835,276	0.234	0.000	0
12/1989	11,752,070	4,396,282	28,199,612	12,051,260	0.365	0.050	602,563
12/1990	5,411,612	3,018,025	19,074,443	10,644,806	0.284	0.000	0
06/1992	5,775,982	2,470,233	20,467,065	12,220,850	0.202	0.000	0
06/1993	2,662,045	2,973,741	15,446,750	9,810,964	0.303	0.000	0
06/1994	5,144,128	3,799,264	17,120,892	8,177,500	0.465	0.150	1,226,625
06/1995	4,756,299	2,950,701	17,775,918	10,068,918	0.293	0.000	0
06/1996	27,579,358	4,982,947	47,797,990	15,235,685	0.327	0.012	182,828
06/1997	10,122,480	5,310,371	31,269,446	15,836,595	0.335	0.020	316,732
06/1998	6,024,801	5,124,350	23,745,150	12,595,999	0.407	0.092	1,158,832
06/1999	21,545,874	7,258,963	41,978,389	13,173,552	0.551	0.236	3,108,958
06/2000	8,898,521	7,875,173	36,515,650	19,741,956	0.399	0.084	1,658,324
06/2001	12,639,360	21,591,457	56,293,595	22,062,778	0.979	0.664	14,649,685
06/2002	9,787,678	7,235,571	32,836,705	15,813,456	0.458	0.143	2,261,324
06/2003	4,465,265	7,725,815	28,931,670	16,740,590	0.462	0.147	2,460,867
06/2004	11,799,246	5,457,779	31,674,876	14,417,851	0.379	0.064	922,742
06/2005	6,024,038	6,536,388	28,939,359	16,378,933	0.399	0.084	1,375,830
06/2006	28,006,289	7,169,218	58,792,315	23,616,808	0.304	0.000	0
06/2007	8,556,877	7,594,996	39,704,438	23,552,565	0.322	0.007	164,868
TOTAL	\$ 238,506,112	\$ 135,275,283	\$ 803,649,685	\$ 429,868,290	8.500	1.753	\$ 30,090,178
AVERAGE					0.315	0.065	

NORMAL WATER TO NON-WIND & WATER RATIO = AVG. OF COL.(5) = 0.315

60

ARKANSAS  
HOMEOWNER INSURANCE - OWNERS

DERIVATION OF EXCESS WIND & WATER FACTOR

Year	(1) Reported Wind Losses	(2) Excess Water Losses	(3) Reported Total Losses	(4) Total-Wind- Excess Water Losses (3) - (2) - (1)	(5) Total Wind & Excess Water To Non- WXS Ratio (1)+(2) (4)	(6) Capped Wind & Excess Water Ratio (5)x(MED) (4)	(7) Capped Excess W & XS Ratio (6)-AVG(6)	(8) Capped Excess W & XS Losses (4)x(7)	(9) Excess W & XS Ratio Above The Cap (5)-(6)	(10) Excess Losses Above The Cap (4)x(9)	(11) Total Excess Losses (8)+(10)
12/1960	172,190	0	1,295,891	1,123,701	0.153	0.153	0	0.000	0	0	0
12/1961	997,311	0	2,562,293	1,564,982	0.637	0.637	325,516	0.000	0	0	325,516
12/1962	254,488	0	2,618,917	2,364,429	0.108	0.108	0	0.000	0	0	0
12/1963	264,547	0	3,298,379	3,033,832	0.087	0.087	0	0.000	0	0	0
12/1964	1,422,916	0	5,016,190	3,593,274	0.396	0.396	0	0.000	0	0	0
12/1965	1,844,312	0	6,265,687	4,421,375	0.417	0.417	0	0.000	0	0	0
12/1966	1,626,975	0	6,808,591	5,181,616	0.314	0.314	0	0.000	0	0	0
12/1967	1,520,154	0	6,529,762	5,009,608	0.303	0.303	0	0.000	0	0	0
12/1968	3,713,415	0	9,309,461	5,596,046	0.664	0.664	1,315,071	0.000	0	0	1,315,071
12/1969	701,950	0	5,856,919	5,154,969	0.136	0.136	0	0.000	0	0	0
12/1970	555,329	0	6,259,496	5,704,167	0.097	0.097	0	0.000	0	0	0
12/1971	840,757	0	6,951,687	6,110,930	0.138	0.138	0	0.000	0	0	0
12/1972	4,238,719	0	10,847,372	6,608,653	0.641	0.641	1,401,034	0.000	0	0	1,401,034
12/1973	7,247,944	0	14,972,391	7,724,447	0.938	0.938	3,931,744	0.000	0	0	3,931,744
12/1974	2,344,049	0	11,962,186	9,618,137	0.244	0.244	0	0.000	0	0	0
12/1975	7,175,517	0	18,697,682	11,522,165	0.623	0.623	2,235,300	0.000	0	0	2,235,300
12/1976	1,129,272	0	13,664,046	12,534,774	0.090	0.090	0	0.000	0	0	0
12/1977	1,038,904	0	13,812,420	12,773,516	0.081	0.081	0	0.000	0	0	0
12/1978	5,532,826	0	17,676,815	12,143,989	0.456	0.456	327,888	0.000	0	0	327,888
12/1979	4,176,703	0	15,927,989	11,751,286	0.355	0.355	0	0.000	0	0	0
12/1980	7,220,985	0	22,943,126	15,722,141	0.459	0.459	471,664	0.000	0	0	471,664
12/1981	2,470,295	0	19,659,208	17,188,913	0.144	0.144	0	0.000	0	0	0
12/1982	7,275,259	0	31,555,192	24,279,933	0.300	0.300	0	0.000	0	0	0
12/1983	5,500,977	0	31,357,266	25,856,289	0.213	0.213	0	0.000	0	0	0
12/1984	11,102,710	0	34,846,145	23,743,435	0.468	0.468	925,994	0.000	0	0	925,994
12/1985	2,807,537	0	24,682,238	21,874,701	0.128	0.128	0	0.000	0	0	0
12/1986	3,914,542	0	22,621,108	18,706,566	0.209	0.209	0	0.000	0	0	0
12/1987	5,023,485	0	23,811,661	18,788,176	0.267	0.267	0	0.000	0	0	0
12/1988	2,238,399	0	15,609,478	13,371,079	0.167	0.167	0	0.000	0	0	0
12/1989	11,752,070	602,563	28,199,612	15,844,979	0.780	0.780	5,561,588	0.000	0	0	5,561,588

(continued on next page)

6

ARKANSAS  
HOMEOWNER INSURANCE - OWNERS

DERIVATION OF EXCESS WIND & WATER FACTOR

Year	(1) Reported Wind Losses	(2) Excess Water Losses	(3) Reported Total Losses	(4) Reported Total-Wind- Excess Water Losses (3) - (2) - (1)	(5) Total Wind & Excess Water To Non- WXS Ratio (1)+(2) (4) <(5xMED)	(6) Capped Wind & Excess Water Ratio (6)-AVG(6)	(7) Capped Excess W & XSW Ratio (6)-AVG(6)	(8) Capped Excess W & XSW Losses (4)x(7)	(9) Excess W & XSW Ratio Above The Cap (5)-(6)	(10) Excess Losses Above The Cap (4)x(9)	(11) Total Excess Losses (8)+(10)
12/1990	5,411,612	0	19,074,443	13,662,831	0.396	0.396	0	0.000	0	0	0
06/1992	5,775,982	0	20,467,065	14,691,083	0.393	0.393	0	0.000	0	0	0
06/1993	2,662,045	0	15,446,750	12,784,705	0.208	0.208	0	0.000	0	0	0
06/1994	5,144,128	1,226,625	17,120,892	10,750,139	0.593	0.593	1,763,023	0.164	0	0	1,763,023
06/1995	4,756,299	0	17,775,918	13,019,619	0.365	0.365	0	0.000	0	0	0
06/1996	27,579,358	182,828	47,797,990	20,035,804	1.386	1.386	19,174,264	0.957	0	0	19,174,264
06/1997	10,122,480	316,732	31,269,446	20,830,234	0.501	0.501	1,499,777	0.072	0	0	1,499,777
06/1998	6,024,801	1,158,832	23,745,150	16,561,517	0.434	0.434	82,808	0.005	0	0	82,808
06/1999	21,545,874	3,108,958	41,978,389	17,323,557	1.423	1.423	17,219,616	0.994	0	0	17,219,616
06/2000	8,898,521	1,658,324	36,515,650	25,958,805	0.407	0.407	0	0.000	0	0	0
06/2001	12,639,360	14,649,685	56,293,595	29,004,550	0.941	0.941	14,850,330	0.512	0	0	14,850,330
06/2002	9,787,678	2,261,324	32,836,705	20,787,703	0.580	0.580	3,138,943	0.151	0	0	3,138,943
06/2003	4,465,265	2,460,867	28,931,670	22,005,538	0.315	0.315	0	0.000	0	0	0
06/2004	11,799,246	922,742	31,674,876	18,952,888	0.671	0.671	4,586,599	0.242	0	0	4,586,599
06/2005	6,024,038	1,375,830	28,939,359	21,539,491	0.344	0.344	0	0.000	0	0	0
06/2006	28,006,289	0	58,792,315	30,786,026	0.910	0.910	14,808,079	0.481	0	0	14,808,079
06/2007	8,556,877	164,868	39,704,438	30,982,693	0.282	0.282	0	0.000	0	0	0
Total	\$ 285,304,390	\$ 30,090,178	\$ 983,983,859	\$ 668,589,291	20.162	20.162	\$ 93,619,238	5.383	0.000	\$ 0	\$ 93,619,238
Average				0.429	0.429	0.115		0.000	0.000		

(11) NORMAL WIND TO NON-W&W RATIO = AVG. OF COL6

(12) MEDIAN WIND TO NON-W&W RATIO = 0.365 5 X MEDIAN WIND TO NON-W&W RATIO = 0.429 = 1.825

(13) EXCESS WIND FACTOR = 1.0 + {(AVG.(7) + AVG.(9))/(1.0 + (AVG.(6) - AVG.(7))}  
EXCESS WIND FACTOR = 1.0 + {( 0.115 + 0.000)/(1.0 + 0.429 - 0.115)} = 1.088

62

ARKANSAS

HOMEOWNERS INSURANCE – OWNERS FORMS

DEVELOPMENT OF EXCESS LOSSES ON A BASE DEDUCTIBLE LEVEL

	(1)	(2)	(3)	(4)
<u>Accident Year Ended</u>	<u>Excess Water Losses Column (7) (a)</u>	<u>Reported Water Losses Column (2) (a)</u>	<u>Excess Water Ratio (1)/(2)</u>	<u>Water Losses on a Base Deductible Level</u>
06/30/2003	\$ 2,460,867	\$ 7,725,815	0.319	\$ 9,121,110
06/30/2004	922,742	5,457,779	0.169	6,322,412
06/30/2005	1,375,830	6,536,388	0.210	7,778,428
06/30/2006	0	7,169,218	0.000	8,980,840
06/30/2007	164,868	7,594,996	0.022	9,613,554

	(5)	(6)	(7)	(8)
<u>Accident Year Ended</u>	<u>Excess Water Losses on a Base Deductible Level</u>	<u>Wind Losses on a Base Deductible Level</u>	<u>Wind and Excess Water Losses on a Base Deductible Level (5) + (6)</u>	<u>Excess Losses Column (11)(b)</u>
06/30/2003	\$ 2,909,634	\$ 4,793,614	\$ 7,703,248	\$ 0
06/30/2004	1,068,488	12,875,788	13,944,276	4,586,599
06/30/2005	1,633,470	6,765,879	8,399,349	0
06/30/2006	0	32,322,560	32,322,560	14,808,079
06/30/2007	211,498	10,036,012	10,247,510	0

	(9)	(10)	(11)
<u>Accident Year Ended</u>	<u>Reported Wind and Excess Water Losses Column (1) + (2) (b)</u>	<u>Excess Ratio (8)/(9)</u>	<u>Excess Losses on a Base Deductible Level (7) x (10)</u>
06/30/2003	\$ 6,926,132	0.000	\$ 0
06/30/2004	12,721,988	0.361	5,033,884
06/30/2005	7,399,868	0.000	0
06/30/2006	28,006,289	0.529	17,098,634
06/30/2007	8,721,745	0.000	0

(a) See the "Derivation of Excess Water Losses" exhibit.

(b) See the "Derivation of Excess Wind and Water Factor" exhibit.

63

ARKANSAS

HOMEOWNERS INSURANCE

METHODOLOGY FOR CALCULATING WIND AND EXCESS WATER PROVISIONS BY TERRITORY - OWNERS

In order to develop Wind and Excess Water Provisions by territory\*, the statewide provision\*\* is distributed using each territory's "expected" wind and excess water losses. This procedure is illustrated in the following example:

Territory	(1) Long-Term*** Ratio of Wind and Excess Water to Non-Wind and Excess Water Losses	(2) Non-[Wind and Excess Water] Losses for Latest Five Years	(3) "Expected" Wind and Excess Water Losses for Latest Five Years <u>(1) x (2)</u>	(4) "Expected" Wind and Excess Water Distribution <u>(3) ÷ Total (3)</u>
	A	.250	\$16,000,000	\$ 4,000,000
B	.200	6,000,000	1,200,000	.120
C	.600	8,000,000	4,800,000	.480
			<b>Total</b> 10,000,000	<b>1.000</b>

Year	(5) Statewide Wind and Excess Water Provision	(6) "Expected" Wind and Excess Water Distribution	(7) Territory A	(8) Territory B	(9) Territory A <u>(5) x (6)</u>	(10) Territory B <u>(5) x (7)</u>	(11) Territory C <u>(5) x (8)</u>
	x	\$4,000,000	.400	.120	.480	\$1,600,000	\$480,000
x+1	1,000,000	.400	.120	.480	400,000	120,000	480,000
x+2	2,000,000	.400	.120	.480	800,000	240,000	960,000
x+3	3,000,000	.400	.120	.480	1,200,000	360,000	1,440,000
x+4	2,000,000	.400	.120	.480	800,000	240,000	960,000

\* When Loss Cost Changes By Territory are worked up, actual wind and excess water losses by territory are taken out of the Adjusted Incurred Losses and replaced with the losses arrived at using this procedure.

\*\* The statewide wind and excess water provision is defined as  $(T - E)F - (T - L_1 - L_2)$ , where:  
 T = total statewide incurred losses on a base deductible level  
 E = statewide excess wind and water losses on a base deductible level  
 F = statewide excess wind and water factor  
 L<sub>1</sub> = wind losses on a base deductible level  
 L<sub>2</sub> = statewide excess water losses on a base deductible level

\*\*\* Average of yearly ratios of wind to non-wind losses and wind and excess water to non-wind and excess water losses based on territory experience for all available years.

64

ARKANSAS  
HOMEOWNERS INSURANCE

SECTION D – LOSS COSTS AND RATING INFORMATION

Loss Costs and Relativities .....	D-2
Sample Calculation of the Filed Base Class Loss Cost .....	D-3-5
Owners .....	D-3
Tenants .....	D-4
Condominium Unit Owners .....	D-5
Current Relativities .....	D-6-9
Miscellaneous Loss Costs .....	D-10-29

65

INSURANCE SERVICES OFFICE, INC.

ARKANSAS  
HOMEOWNERS INSURANCE

LOSS COSTS AND RELATIVITIES

SAMPLE LOSS COSTS (Pages D-3-5)

Sample calculations of the Base Class Loss Costs for Owners, Tenants, and Condominium Unit Owners for one territory are displayed on Pages D-3-5. The Base Premium Computation section of the ISO manual provides instructions and factors to calculate Key Loss Costs.

RELATIVITIES (Pages D-6-9)

The current relativities included in this section of the Loss Cost Reference Filing are presented ONLY for information.

66

ARKANSAS  
HOMEOWNERS INSURANCE – OWNERS

SAMPLE CALCULATION OF THE FILED BASE CLASS (\$100,000) LOSS COST

To revise the deductible relativities at no change to overall loss costs, the effects must be built back into the current base class loss costs. The applicable off-balance effects must be divided into the current base class loss costs, after applying the loss cost level adjustment factor, to arrive at the filed base class loss costs.

<u>Territory</u>	<u>Current Base Class \$100,000 \$250 Deductible Loss Cost, Form 3, Class 5 Frame</u>		<u>Current \$500 Deductible Manual Factor (Excluding Expense Flattening)</u>		<u>Filed Loss Cost Level Adjustment Factor</u>		<u>Off-Balance for Revised Deductible Relativity Ø</u>		<u>Filed Base Class \$100,000 \$500 Deductible Loss Cost Form 3, Class 5 Frame</u>
30	\$252.96	x	0.908	x	1.223	÷	1.003	=	\$280.07

Ø See concurrent filing HO-2008-RDED1 for revised deductible relativities.

67

ARKANSAS  
 HOMEOWNERS INSURANCE – TENANTS

SAMPLE CALCULATION OF THE FILED BASE CLASS (\$20,000) LOSS COST

To revise the deductible relativities at no change to overall loss costs, the effects must be built back into the current base class loss costs. The applicable off-balance effects must be divided into the current base class loss costs, after applying the loss cost level adjustment factor, to arrive at the filed base class loss costs.

<u>Territory</u>	<u>Current Base Class \$20,000 \$250 Deductible Loss Cost, Class 5 Frame</u>		<u>Current \$500 Deductible Manual Factor (Excluding Expense Flattening)</u>		<u>Filed Loss Cost Level Adjustment Factor</u>		<u>Off-Balance for Revised Deductible Relativity Ø</u>		<u>Filed Base Class \$20,000 \$500 Deductible Loss Cost Class 5 Frame</u>
30	\$72.63	x	0.897	x	1.118	÷	0.989	=	\$73.65

Ø See concurrent filing HO-2008-RDED1 for revised deductible relativities.

68

ARKANSAS  
 HOMEOWNERS INSURANCE – CONDOMINIUM UNIT OWNERS

SAMPLE CALCULATION OF THE FILED BASE CLASS (\$20,000) LOSS COST

To revise the deductible relativities at no change to overall loss costs, the effects must be built back into the current base class loss costs. The applicable off-balance effects must be divided into the current base class loss costs, after applying the loss cost level adjustment factor, to arrive at the filed base class loss costs.

<u>Territory</u>	<u>Current Base Class \$20,000 \$250 Deductible Loss Cost, Class 5 Frame</u>		<u>Current \$500 Deductible Manual Factor (Excluding Expense Flattening)</u>		<u>Filed Loss Cost Level Adjustment Factor</u>		<u>Off-Balance for Revised Deductible Relativity Ø</u>		<u>Filed Base Class \$20,000 \$500 Deductible Loss Cost Class 5 Frame</u>
30	\$69.04	x	0.885	x	1.020	÷	0.992	=	\$62.83

Ø See concurrent filing HO-2008-RDED1 for revised deductible relativities.

69

INSURANCE SERVICES OFFICE, INC.

ARKANSAS  
HOMEOWNERS INSURANCE

CURRENT RELATIVITIES

94-G3 Curve

STATEWIDE

1. Policy Size Relativities, Owners (Key Factors)

<u>Amount of Insurance</u>	<u>Relativity</u>	<u>Amount of Insurance</u>	<u>Relativity</u>	<u>Amount of Insurance</u>	<u>Relativity</u>
\$10,000	0.648	\$ 68,000	0.887	\$165,000	1.409
12,000	0.649	70,000	0.907	170,000	1.448
14,000	0.650	72,000	0.913	175,000	1.490
16,000	0.651	74,000	0.920	180,000	1.531
18,000	0.652	76,000	0.925	185,000	1.574
20,000	0.653	78,000	0.929	190,000	1.617
22,000	0.655	80,000	0.933	195,000	1.661
24,000	0.656	82,000	0.939	200,000	1.705
26,000	0.658	84,000	0.945	205,000	1.749
28,000	0.661	86,000	0.951	210,000	1.793
30,000	0.663	88,000	0.956	215,000	1.838
32,000	0.668	90,000	0.962	220,000	1.882
34,000	0.673	92,000	0.970	225,000	1.926
36,000	0.678	94,000	0.977	230,000	1.969
38,000	0.684	96,000	0.985	235,000	2.014
40,000	0.690	98,000	0.992	240,000	2.059
42,000	0.699	100,000	1.000	245,000	2.104
44,000	0.708	105,000	1.023	250,000	2.149
46,000	0.717	110,000	1.045	255,000	2.194
48,000	0.728	115,000	1.072	260,000	2.239
50,000	0.738	120,000	1.098	265,000	2.284
52,000	0.752	125,000	1.128	270,000	2.329
54,000	0.765	130,000	1.157	275,000	2.374
56,000	0.780	135,000	1.190	280,000	2.419
58,000	0.795	140,000	1.222	285,000	2.464
60,000	0.811	145,000	1.258	290,000	2.509
62,000	0.829	150,000	1.293	295,000	2.554
64,000	0.847	155,000	1.331	300,000	2.599
66,000	0.866	160,000	1.369		

---

Each Additional 1,000 0.009

70

INSURANCE SERVICES OFFICE, INC.

ARKANSAS  
HOMEOWNERS INSURANCE

CURRENT RELATIVITIES

90-F4 Curve

2. Policy Size Relativities, Tenants (Key Factors)

<u>Amount of Insurance</u>	<u>Relativity</u>	<u>Amount of Insurance</u>	<u>Relativity</u>	<u>Amount of Insurance</u>	<u>Relativity</u>
\$ 6,000	0.356	\$ 34,000	1.532	\$ 62,000	2.526
7,000	0.402	35,000	1.570	63,000	2.554
8,000	0.448	36,000	1.608	64,000	2.582
9,000	0.494	37,000	1.646	65,000	2.610
10,000	0.540	38,000	1.684	66,000	2.638
11,000	0.584	39,000	1.722	67,000	2.666
12,000	0.628	40,000	1.760	68,000	2.694
13,000	0.672	41,000	1.798	69,000	2.722
14,000	0.716	42,000	1.836	70,000	2.750
15,000	0.760	43,000	1.874	71,000	2.778
16,000	0.808	44,000	1.912	72,000	2.806
17,000	0.856	45,000	1.950	73,000	2.834
18,000	0.904	46,000	1.988	74,000	2.862
19,000	0.952	47,000	2.026	75,000	2.890
20,000	1.000	48,000	2.064	76,000	2.918
21,000	1.038	49,000	2.102	77,000	2.946
22,000	1.076	50,000	2.140	78,000	2.974
23,000	1.114	51,000	2.178	79,000	3.002
24,000	1.152	52,000	2.216	80,000	3.030
25,000	1.190	53,000	2.254	81,000	3.058
26,000	1.228	54,000	2.292	82,000	3.086
27,000	1.266	55,000	2.330	83,000	3.114
28,000	1.304	56,000	2.358	84,000	3.142
29,000	1.342	57,000	2.386	85,000	3.170
30,000	1.380	58,000	2.414	86,000	3.198
31,000	1.418	59,000	2.442	87,000	3.226
32,000	1.456	60,000	2.470	88,000	3.254
33,000	1.494	61,000	2.498	89,000	3.282
Each Additional 1,000					0.028

71

INSURANCE SERVICES OFFICE, INC.

ARKANSAS  
HOMEOWNERS INSURANCE

CURRENT RELATIVITIES

90-F6 Curve

3. Policy Size Relativities, Condominium Unit Owners (Key Factors)

<u>Amount of Insurance</u>	<u>Relativity</u>	<u>Amount of Insurance</u>	<u>Relativity</u>	<u>Amount of Insurance</u>	<u>Relativity</u>
\$ 1,000	0.332	\$ 31,000	1.374	\$ 61,000	2.346
2,000	0.364	32,000	1.408	62,000	2.372
3,000	0.396	33,000	1.442	63,000	2.398
4,000	0.428	34,000	1.476	64,000	2.424
5,000	0.460	35,000	1.510	65,000	2.450
6,000	0.492	36,000	1.544	66,000	2.476
7,000	0.524	37,000	1.578	67,000	2.502
8,000	0.556	38,000	1.612	68,000	2.528
9,000	0.588	39,000	1.646	69,000	2.554
10,000	0.620	40,000	1.680	70,000	2.580
11,000	0.662	41,000	1.714	71,000	2.606
12,000	0.704	42,000	1.748	72,000	2.632
13,000	0.746	43,000	1.782	73,000	2.658
14,000	0.788	44,000	1.816	74,000	2.684
15,000	0.830	45,000	1.850	75,000	2.710
16,000	0.864	46,000	1.884	76,000	2.736
17,000	0.898	47,000	1.918	77,000	2.762
18,000	0.932	48,000	1.952	78,000	2.788
19,000	0.966	49,000	1.986	79,000	2.814
20,000	1.000	50,000	2.020	80,000	2.840
21,000	1.034	51,000	2.054	81,000	2.866
22,000	1.068	52,000	2.088	82,000	2.892
23,000	1.102	53,000	2.122	83,000	2.918
24,000	1.136	54,000	2.156	84,000	2.944
25,000	1.170	55,000	2.190	85,000	2.970
26,000	1.204	56,000	2.216	86,000	2.996
27,000	1.238	57,000	2.242	87,000	3.022
28,000	1.272	58,000	2.268	88,000	3.048
29,000	1.306	59,000	2.294	89,000	3.074
30,000	1.340	60,000	2.320		

Each Additional 1,000 0.026

72

ARKANSAS  
HOMEOWNERS INSURANCE

CURRENT RELATIVITIES

4. Form Relativities

<u>Form</u>	<u>Relativities</u>
2	0.95
3	1.00
5	1.20
8	1.15

5. Protection – Construction Relativities\*

<u>Protection Class</u>	<u>Owners</u>		<u>Tenants and Condominium Unit Owners</u>	
	<u>Masonry</u>	<u>Frame</u>	<u>Masonry</u>	<u>Frame</u>
1	0.86	0.96	0.86	0.96
2	0.87	0.97	0.87	0.97
3	0.88	0.98	0.88	0.98
4	0.89	0.99	0.89	0.99
5	0.90	1.00	0.90	1.00
6	0.91	1.01	0.91	1.01
7	0.92	1.10	0.92	1.30
8	1.15	1.40	0.93	1.30
8B	1.36	1.70	1.15	1.48
9	1.50	1.90	1.30	1.60
10	1.90	2.10	1.50	1.95

\*Note that the above protection-construction relativities are applied to a homeowners loss cost that includes coverage for non-fire causes of loss such as water, theft, wind and liability that are not materially influenced by the fire protection grade. The protection-construction relativities would differ more by grade if they were being applied to a fire only loss cost.

6. Three and Four Family Relativity

One and two families	1.00
Three and four families	1.30

73

ARKANSAS

HOMEOWNERS INSURANCE

MISCELLANEOUS LOSS COSTS

This section contains advisory prospective loss costs for the miscellaneous classes and coverages not affected by the experience level review.

We also have updated the Earthquake loss costs (Rule 505) in order to reflect the recent implementation of Filing HO-2007-REQLC.

Additionally, we are revising the loss costs of consistency with the latest loss costs in effect in the Personal Liability Manual.

The loss costs referred to above are shown in the following pages. We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

ISO will not print and distribute these loss costs to manualholders. Each insurer is responsible for determining a method for developing gross rates for these classes and coverages, and for furnishing its manualholders with its gross rates.

74

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**105. SECONDARY RESIDENCE PREMISES**

B. Premium Adjustment	
2. Credit .....	\$6.27

**204. MULTIPLE COMPANY INSURANCE**

C. Premium	
3. Credit .....	\$6.27

**205. MINIMUM PREMIUM**

D. ....	Refer to Company
---------	---------------------

**207. WAIVER OF PREMIUM**

B. Amount that may be waived .....	Refer to Company
------------------------------------	---------------------

**406. DEDUCTIBLES**

B. Optional Deductibles	
1. Additional Premium Charge	
b. Minimum additional charge .....	Refer to
Maximum additional charge .....	Company

**503. BUSINESS PROPERTY - INCREASED LIMITS**

A. On-Premises	
2. Loss cost per \$2,500 .....	\$14.38

**504. CREDIT CARD, ELECTRONIC FUND TRANSFER CARD OR ACCESS DEVICE, FORGERY & COUNTERFEIT MONEY**

B. Premium	
<b>Limit</b>	
\$ 1,000.....	\$0.58
\$ 2,500.....	\$1.73
\$ 5,000.....	\$2.30
\$ 7,500.....	\$2.88
\$10,000+.....	\$3.45

+For limits in excess of \$10,000, refer to Company.

75

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**505. EARTHQUAKE COVERAGE**

D.1 5% DEDUCTIBLE - Loss cost per \$1,000

Columns

(A) (B) (C) (D) (E) (F) (G)

	HO 00 02, HO 00 03 & HO 00 05	HO 00 04	HO 00 06	HO 00 02, HO 00 03 & HO 00 05 Increased Coverage C	HO 00 06 Basic and Increased Coverage A	Increased Cov. D	Building Or Non-Building Structure Items
--	-------------------------------------	----------	----------	--	--	---------------------	---

**Table A -  
FRAME+**

Territory

21	\$1.05	\$0.43	\$0.53	\$0.42	\$0.71	\$0.50	\$0.66
22	\$0.96	\$0.41	\$0.53	\$0.42	\$0.64	\$0.49	\$0.60
23	\$0.90	\$0.37	\$0.49	\$0.40	\$0.59	\$0.43	\$0.60
24	\$0.78	\$0.32	\$0.42	\$0.36	\$0.49	\$0.37	\$0.58
25	\$0.60	\$0.29	\$0.34	\$0.31	\$0.34	\$0.29	\$0.42
26	\$0.28	\$0.14	\$0.15	\$0.18	\$0.15	\$0.13	\$0.21
27	\$0.13	\$0.09	\$0.09	\$0.08	\$0.10	\$0.07	\$0.09

**Table B -  
MASONRY+**

Territory

21	\$1.33	\$0.60	\$0.70	\$0.55	\$0.86	\$0.62	\$0.72
22	\$1.33	\$0.60	\$0.70	\$0.55	\$0.86	\$0.62	\$0.72
23	\$1.33	\$0.60	\$0.70	\$0.55	\$0.86	\$0.62	\$0.72
24	\$1.33	\$0.60	\$0.70	\$0.55	\$0.86	\$0.62	\$0.72
25	\$1.15	\$0.59	\$0.67	\$0.55	\$0.75	\$0.57	\$0.59
26	\$0.62	\$0.36	\$0.34	\$0.36	\$0.36	\$0.32	\$0.33
27	\$0.35	\$0.22	\$0.25	\$0.22	\$0.25	\$0.19	\$0.20

**Table C -  
SUPERIOR**

Territory

21	\$1.14	\$0.40	\$0.55	\$0.42	\$0.78	\$0.53	\$0.60
22	\$1.14	\$0.40	\$0.55	\$0.42	\$0.78	\$0.53	\$0.60
23	\$1.14	\$0.40	\$0.55	\$0.42	\$0.78	\$0.53	\$0.60
24	\$1.00	\$0.36	\$0.49	\$0.42	\$0.65	\$0.50	\$0.58
25	\$0.63	\$0.33	\$0.43	\$0.30	\$0.53	\$0.30	\$0.36
26	\$0.43	\$0.17	\$0.26	\$0.23	\$0.31	\$0.23	\$0.24
27	\$0.13	\$0.08	\$0.06	\$0.08	\$0.07	\$0.08	\$0.08

+If exterior Masonry Veneer is covered, rate as Masonry; if not covered, rate as Frame.

76

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**505. EARTHQUAKE COVERAGE (Cont'd)**

D.1.a 10% DEDUCTIBLE - Loss cost per \$1,000

Columns

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	HO 00 02, HO 00 03 & HO 00 05	HO 00 04	HO 00 06	HO 00 02, HO 00 03 & HO 00 05 Increased Coverage C	HO 00 06 Basic and Increased Coverage A	Increased Cov. D	Building Or Non- Building Structure Items

**Table A -  
FRAME+  
Territory**

21	\$0.98	\$0.37	\$0.47	\$0.40	\$0.67	\$0.50	\$0.66
22	\$0.86	\$0.34	\$0.44	\$0.39	\$0.58	\$0.49	\$0.59
23	\$0.81	\$0.31	\$0.41	\$0.37	\$0.55	\$0.43	\$0.59
24	\$0.69	\$0.26	\$0.36	\$0.34	\$0.44	\$0.37	\$0.55
25	\$0.52	\$0.24	\$0.27	\$0.27	\$0.29	\$0.29	\$0.39
26	\$0.23	\$0.11	\$0.12	\$0.14	\$0.12	\$0.13	\$0.18
27	\$0.11	\$0.07	\$0.08	\$0.07	\$0.08	\$0.06	\$0.07

**Table B -  
MASONRY+  
Territory**

21	\$1.21	\$0.53	\$0.62	\$0.51	\$0.81	\$0.62	\$0.71
22	\$1.21	\$0.53	\$0.62	\$0.51	\$0.81	\$0.62	\$0.71
23	\$1.21	\$0.53	\$0.62	\$0.51	\$0.81	\$0.62	\$0.71
24	\$1.21	\$0.53	\$0.62	\$0.51	\$0.81	\$0.62	\$0.71
25	\$1.01	\$0.49	\$0.57	\$0.51	\$0.67	\$0.57	\$0.57
26	\$0.54	\$0.30	\$0.29	\$0.32	\$0.32	\$0.32	\$0.32
27	\$0.31	\$0.19	\$0.22	\$0.19	\$0.23	\$0.19	\$0.19

**Table C -  
SUPERIOR  
Territory**

21	\$1.04	\$0.33	\$0.49	\$0.41	\$0.74	\$0.53	\$0.59
22	\$1.04	\$0.33	\$0.49	\$0.41	\$0.74	\$0.53	\$0.59
23	\$1.04	\$0.33	\$0.49	\$0.41	\$0.74	\$0.53	\$0.59
24	\$0.90	\$0.29	\$0.42	\$0.38	\$0.59	\$0.49	\$0.57
25	\$0.54	\$0.26	\$0.35	\$0.27	\$0.48	\$0.30	\$0.34
26	\$0.37	\$0.13	\$0.22	\$0.20	\$0.27	\$0.22	\$0.23
27	\$0.12	\$0.07	\$0.05	\$0.07	\$0.06	\$0.07	\$0.07

+If exterior Masonry Veneer is covered, rate as Masonry; if not covered, rate as Frame.



HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**507. FORM HO 00 06 COVERAGE A DWELLING BASIC & INCREASED LIMITS & SPECIAL COVERAGE**

C. Special Coverage	
1. Charge per policy for \$5,000 in basic form .....	\$1.15
2. Loss cost for each add'l \$1,000 of Cov. A .....	\$0.58

**509. HOME DAY CARE COVERAGE**

D. Premium Computation	
1. Section I	
c. Loss cost per \$1,000 for business in other structure .....	\$2.88

**510. PERMITTED INCIDENTAL OCCUPANCIES - RESIDENCE PREMISES**

E. Premium Computation	
1. Section I	
c. Loss cost per \$1,000 for business in other structure .....	\$2.88

**511. LOSS ASSESSMENT COVERAGE**

A. Residence Premises	
3. Premium	
All Forms Except HO 00 03, HO 00 05 or 06 with HO 17 32	
<b>New Amount of Coverage</b>	
\$ 5,000 .....	\$1.73
\$10,000 .....	\$2.88
Each Add'l \$5,000 up to \$50,000 .....	\$0.58
 <b>HO 00 03, HO 00 05 or 06 with HO 17 32</b>	
<b>New Amount of Coverage</b>	
\$ 5,000 .....	\$2.30
\$10,000 .....	\$4.03
Each Add'l \$5,000 up to \$50,000 .....	\$1.15

78

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**511. LOSS ASSESSMENT COVERAGE - (CONT'D)**

B. Additional Locations

2. Premium

All Forms Except HO 00 03, HO 00 05 or 06 with HO 17 32

**New Amount of Coverage**

\$1,000.....	\$2.88
\$5,000.....	\$4.60
\$10,000.....	\$5.75
Each Add'l \$5,000 up to \$50,000 .....	\$0.58

**HO 00 03, HO 00 05 or 06 with HO 17 32**

**New Amount of Coverage**

\$ 1,000.....	\$3.45
\$ 5,000.....	\$5.75
\$10,000.....	\$7.48
Each Add'l \$5,000 up to \$50,000 .....	\$1.15

**512. LOSS OF USE - INCREASED LIMIT**

B. Loss cost per \$1,000 .....	\$2.30
--------------------------------	--------

**514. OTHER STRUCTURES**

A. On-Premises Structures

1. Specific Structure - Increased Limits

a. Premium

Loss cost per \$1,000.....	\$2.30
----------------------------	--------

2. Structure on the - Residence Premises Rented to Others

a. Premium

(1) Loss cost per \$1,000.....	\$2.88
--------------------------------	--------

B. Structures off the Residence Premises

1. Under Forms HO 00 02, HO 00 03 and HO 00 05

b. Premium

Off-premises structures charge per policy.....	\$8.63
--	--------

79

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**514. OTHER STRUCTURES - (CONT'D)**

2. All Forms	
a. Premium	
(2) Specific structures - Off-Premises Loss cost per \$1,000.....	\$2.88

**515. PERSONAL PROPERTY**

A. Increased Limit	
3. Loss cost per \$1,000	
HO 00 02 or 03 .....	\$1.15
HO 00 05 .....	\$1.73
B. Increased Limit - Other Residences	
3. Loss cost per \$1,000 .....	\$4.03
C. Reduction in Limit	
2. Credit per \$1,000.....	\$0.58
D. Increased Special Limits of Liability	
1. Jewelry, Watches & Furs - Loss cost per \$1,000. ....	\$10.35
2. Money Loss cost per \$100 .....	\$3.45
3. Securities - Loss cost per \$100.....	\$2.30
4. Silverware - Loss cost per \$500 .....	\$ .15
5. Firearms - Loss cost per \$100. ....	\$1.73
6. Electronic Apparatus - Loss cost per \$500.....	\$5.75
E. Refrigerated Personal Property	
3. Charge per policy.....	\$5.75
F. Theft Coverage Increase - Form HO 00 08	
1. On-Premises - Loss Cost per \$2,000.....	\$19.13
2. Off-Premises - Additional Charge .....	\$ 8.78

80

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

<b>517.</b>	<b>RENTAL TO OTHERS-EXTENDED THEFT COVERAGE</b>	
	B. Premium	
	Loss cost per policy.....	\$ 8.63
<b>518.</b>	<b>SINKHOLE COLLAPSE COVERAGE</b>	
	B. Premium Determination	
	1. Loss cost per \$1,000.....	\$0.20
<b>519.</b>	<b>SPECIAL COMPUTER COVERAGE</b>	
	B. Premium	
	Charge per policy.....	\$8.63
<b>520.</b>	<b>LIVESTOCK COLLISION COVERAGE</b>	
	C. Premium	
	4. Estimated No. of Head	
	1-100.....	\$ 5.70
	101-250.....	\$11.40
	251-500.....	\$17.10
	501-1,000.....	\$22.80
<b>521.</b>	<b>WATER BACK UP AND SUMP DISCHARGE OR OVERFLOW</b>	
	C. Premium	
	Charge per policy if <b>HO 04 90</b> Personal Property Replacement Cost Endorsement is:	
	1. Not attached to the policy.....	\$50.00
	2. Attached to the policy.....	\$60.00
<b>522.</b>	<b>LANDLORD'S FURNISHINGS</b>	
	C. Premium	
	Loss cost per \$500 per unit	
	1. Forms <b>HO 00 02</b> & <b>HO 00 03</b> .....	\$0.63
	2. Form <b>HO 00 05</b> .....	\$0.95

81

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**523. ASSISTED LIVING CARE COVERAGE**

**C. Premium**

- 1. Section I and Section II Basic Limits  
Loss cost per unit..... \$45.00
- 2. Increased Limits  
Add to the basic limit loss cost in Paragraph 1. above:
  - a. Coverage C - Loss cost per \$1,000..... \$ 4.03
  - b. Coverage E (Coverage F does not apply to this option.)

Limit	Loss Costs
\$200,000	\$1.50
\$300,000	\$2.40
\$400,000	\$3.00
\$500,000	\$3.50

**524. OTHER MEMBERS OF A NAMED INSURED'S HOUSEHOLD**

**C. Premium**

- 1. Section I and Section II Basic Limits  
Loss cost per person named in the Schedule..... \$35.00
- 2. Section II Increased Limits  
Add to the basic limit loss cost in Paragraph 1. above:
  - a. Coverage E

Limit	Loss Costs
\$200,000	\$ 4.50
\$300,000	\$ 7.20
\$400,000	\$ 9.00
\$500,000	\$10.50

- b. Coverage F  
Refer to Rule 702. for loss costs for limits above \$1,000

82

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

525. **MOTORIZED GOLF CART - PHYSICAL LOSS COVERAGE**

E. Premium

The following charge is the minimum annual premium for each motorized golf cart for any period within a policy year.

Loss cost per motorized golf cart <b>without</b> collision.....	\$4.00
Loss cost per motorized golf cart <b>with</b> collision.....	\$7.00

526. **RESIDENCE HELD IN TRUST ALL FORMS EXCEPT HO 00 04**

F. Premium

**Basic Limits Loss Costs**

1. Trust/Trustee	
Applies whether or not the trustee resides on the residence premises.....	\$15.00
2. Beneficiary or Grantor	
a. Beneficiary <b>OR</b> grantor named in the endorsement; and	
(1) Trustee resides on the residence premises.....	\$15.00
(2) Trustee does <b>not</b> reside on the residence premises.....	No Add'l Charge
b. Beneficiary <b>AND</b> grantor named in the endorsement; and	
(1) Trustee resides on the residence premises.....	\$30.00
(2) Trustee does <b>not</b> reside on the residence premises.....	\$15.00

**Increased Limits**

- Coverage E  
Refer to Rule 701. for increased limits factors.
- Coverage F  
Refer to Rule 702. for increased limits charges.

83

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**527. STUDENT AWAY FROM HOME**

**C. Premium**

1. Section I and Section II Basic Limits  
Loss cost per location..... \$40.00

2. Section II Increased Limits  
Add to the basic limit loss cost in Paragraph 1. above:

a. Coverage E

Limit	Loss Costs
\$200,000	\$ 4.50
\$300,000	\$ 7.20
\$400,000	\$ 9.00
\$500,000	\$10.50

b. Coverage F

Refer to Rule 702. for loss costs for limits above \$1,000

**528. HOME BUSINESS INSURANCE COVERAGE**

**D. Home Business Premium Computation**

3. Section II - Business Liability

a. Basic Limits Premium - Coverages E and F

(1) Office (Gross Annual Receipts Up To \$250,000)

**Business Visitors**

Per Week *	Under 10	10 or more
	\$1.51	\$2.27

(2) Service, Sales and Crafts

Gross Annual Receipts**	Business Visitors Per Week *					
	Services		Sales		Crafts	
	Under 10	10 or more	Under 10	10 or more	Under 10	10 or more
Up to \$50,000	\$11.75	\$17.63	\$ 5.50	\$ 8.25	\$ 6.75	\$10.13
\$ 50,001 to \$100,000	35.25	52.88	16.50	24.75	20.25	30.38
\$100,001 to \$175,000	64.63	96.95	30.25	45.38	37.13	55.70
\$175,001 to \$250,000	99.88	149.82	46.75	70.13	57.38	86.07

\* New Business, use 10 or more classification.

\*\* New Business, use \$50,001 to \$100,000 classification.

84

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

528. HOME BUSINESS INSURANCE COVERAGE - (CONT'D)

c.(2) Coverage F - Increased Limits

ALL Home Business CLASSIFICATIONS

Business Visitors Per Week	Homeowners Increased Limit of Liability			
	\$2,000	\$3,000	\$4,000	\$5,000
Under 10	\$2.88	\$5.75	\$ 8.63	\$10.93
10 or more	4.88	7.75	11.63	13.93

F. Options

1. Additional Insured
  - a. Managers or Lessors of Premises Leased to an Insured
    - (2) Premium  
Loss cost Per Location/Per additional insured..... \$8.35
  
5. Special Coverage - Spoilage of Perishable Stock
  - b. Premium
    - (1) Florists  
Loss cost per \$100..... \$1.24
    - (2) Other Classes of Business  
Loss cost per \$1,000..... Refer to Company
  
6. Valuable Papers and Records
 

Loss cost per \$1,000

  - a. Increased Limits - HO 07 56
    - (2) Premium
      - (a) Named Perils Coverage (HO 00 02, 03, 04 and 06)..... \$0.63
      - (b) Open Perils Coverage (HO 00 05, HO 00 04 with HO 05 24 and HO 00 06 with HO 17 31)..... \$0.95
    - b. Special Coverage (HO 07 56 and HO 07 57)
      - (2) Premium
        - (a) First \$2,500  
HO 00 02, 03, 04 and 06..... \$1.58
        - HO 00 05, HO 00 04 with HO 05 24 and HO 00 06 with HO 17 31.. \$1.06
        - (b) Each Additional \$1,000  
All Forms..... \$1.26
  
  7. Off-Premises Property Coverage - Increased Limits
    - b. Premium
 

Loss cost per \$2,500

      - HO 00 02, 03, 04 and 06..... \$14.38
      - HO 00 05, HO 00 04 with HO 05 24 and HO 00 06 with HO 17 31..... \$21.57

85

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**601. RESIDENCE PREMISES - BASIC AND INCREASED LIMITS**

A.2. Residence Premises

Coverage E - Liability 1 and 2 Family Premium		Coverage F - Medical Payments	
Limit	Loss cost	Limit	Loss cost
\$100,000	-	\$1,000	-
200,000	\$ <del>2.07</del> <u>1.67</u>	2,000	\$1.73
300,000	<del>3.32</del> <u>2.67</u>	3,000	3.45
400,000	<del>4.15</del> <u>3.34</u>	4,000	5.19
500,000	<del>4.84</del> <u>3.89</u>	5,000	6.92

3 Family Premium

Limit	Loss cost
\$100,000	-
200,000	\$ <del>4.15</del> <u>3.34</u>
300,000	<del>6.64</del> <u>5.34</u>
400,000	<del>8.30</del> <u>6.67</u>
500,000	<del>9.68</del> <u>7.78</u>

4 Family Premium

Limit	Loss cost
\$100,000	-
200,000	\$ <del>4.15</del> <u>4.17</u>
300,000	<del>6.64</del> <u>6.67</u>
400,000	<del>8.30</del> <u>8.34</u>
500,000	<del>9.68</del> <u>9.73</u>

**602. OTHER INSURED LOCATION OCCUPIED BY INSURED**

B. Premium

Loss cost per Residence	
One Family.....	\$ 3.93
Two Family.....	\$ 7.85
Three Family.....	\$15.70
Four Family.....	\$17.01

**603. RESIDENCE EMPLOYEES**

B. Loss cost per Person in Excess of Two.....	\$ 2.88
---	---------

86

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**604. ADDITIONAL RESIDENCE RENTED TO OTHERS**

B. Premium	
Loss cost per Residence	
One Family.....	\$ <del>11.76</del> <u>10.56</u>
Two Family.....	\$ <del>18.67</del> <u>16.68</u>
Three Family.....	\$ <del>41.49</del> <u>36.14</u>
Four Family.....	\$ <del>51.86</del> <u>44.48</u>

**605. OTHER STRUCTURES RENTED TO OTHERS - RESIDENCE PREMISES**

B. Premium	
Loss cost per Structure.....	\$ <del>11.76</del> <u>10.56</u>

**607. HOME DAY CARE COVERAGE**

C.1. Premium	
1-3 Persons.....	\$65.44

**608. PERMITTED INCIDENTAL OCCUPANCIES - RESIDENCE PREMISES AND OTHER RESIDENCES**

B. Premium	
Loss cost per Residence	
1. Residence Premises.....	\$ 9.82
2. Other Residence.....	\$10.47

**609. BUSINESS PURSUITS**

B. Premium	
Loss cost per Insured Person	
1. Clerical Employees.....	\$2.62
2. Sales person, Collector or Messenger - Installation, demonstration or servicing operation.: Included .....	\$3.93
Excluded .....	\$2.62
3. Teachers	
a. laboratory, athletic, manual or physical training.....	\$7.20
b. not otherwise classified.....	\$3.28
c. corporal punishment (add to 3. a. or b.).....	\$2.62

87

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**610. PERSONAL INJURY**

B. Premium  
Loss cost per Policy..... \$7.48

**611. INCIDENTAL LOW POWER RECREATIONAL MOTOR VEHICLES**

B. Premium  
Loss cost per Conveyance ..... \$8.63

**612. OUTBOARD MOTORS AND WATERCRAFT**

C. Premium  
1. Outboard, Inboard, or Inboard-Outdrive Engines or Motors

Horsepower	Length	
	Up to 15 ft.	Over 15 to 26 feet
	<b>Loss cost</b>	<b>Loss cost</b>
Up to 50*	\$ <del>3.54</del> <u>3.19</u>	\$ <del>5.51</del> <u>4.96</u>
51 to 100	<del>6.00</del> <u>5.40</u>	<del>7.98</del> <u>7.18</u>
101 to 150	<del>8.46</del> <u>7.61</u>	<del>10.42</del> <u>9.38</u>
151 to 200	Refer to Co.	<del>12.90</del> <u>11.61</u>
over 200	Refer to Co.	Refer to Co.

2. Sailboats With or Without Auxiliary Power

Overall Length/Feet	Loss cost
26 to 40 feet*	\$ <del>3.54</del> <u>3.19</u>
over 40 feet	Refer to Co.

\* Outboard engines or motors of up to 25 horsepower or sailboats less than 26 feet in overall length with or without auxiliary power are covered in the policy form.

**613. OWNED SNOWMOBILE**

B. Premium  
Loss cost per Snowmobile ..... \$ ~~15.13~~ 12.86

88

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

614. FARMERS PERSONAL LIABILITY (FPL)

C.1. Owned and Operated By Insured

a. Initial Farm Premises

Total Acreage	
Up to 160 .....	\$ 58.87
Over 160-500 .....	\$100.92
Over 500 .....	\$185.01

b. Add'l Loss cost per <b>each</b> add'l farm premises with bldgs. ....	\$8.55
--	--------

C.2. Owned by Insured and Rented To Others

a. All farm premises <b>without</b> bldgs	\$8.55+
b. <b>Each</b> farm premises with bldgs	\$8.55+

+Total all acreage of farms which are owned by the insured and  
rented to others. Add the following flat charge when total acreage is:

Over 160 to 500 acres.....	\$1.14
Over 500 acres.....	\$4.56

The charges are **not** subject to increased limits factors.

C.3. Farm Employees

a. Per 100 person days or fraction thereof.....	\$ 6.27
b. Each Farm Employee Part Time.....	\$ 7.41
c. Each Farm Employee Full Time.....	\$17.67

615. INCIDENTAL FARMING PERSONAL LIABILITY

A.2.. Farming Done on the Residence Premises .....	\$23.00
B.2. Farming Done Away From the Residence Premises.....	\$34.50

89

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**616. OPTIONAL PROPERTY REMEDIATION FOR ESCAPED LIQUID FUEL AND LIMITED LEAD AND ESCAPED LIQUID FUEL LIABILITY COVERAGES**

A. Coverage Outline

2. Premium Credit

- a. Credit..... \$4.14 (All forms except 4& 6)  
\$1.09 (Form 4)  
\$2.00 (Form 6)

D. Premium Basis

3. Premium Selection

a. Escaped Liquid Fuel Remediation Coverage

Liquid Fuel Risk Class Number	\$25,000	Limit of Liability \$50,000	\$100,000
100	\$19.16	\$48.77	\$95.45
200	6.39	16.26	31.82

b. Lead and Escaped Liquid Fuel Liability Coverage

(1) No Insured Location Has a Home Day Care Business

Lead Risk Class No.	Liquid Fuel Risk Class 100		Liquid Fuel Risk Class 200		Liquid Fuel Risk Class 300	
	\$100,000	\$300,000	\$100,000	\$300,000	\$100,000	\$300,000
500	\$ 32.85	\$ 72.29	\$ 14.22	\$ 26.66	\$ 9.57	\$ 15.25
600	28.06	64.66	9.44	19.03	4.78	7.62
700	28.06	64.66	9.44	19.03	4.78	7.62

(2) ONE or MORE Insured Locations Have a Home Day Care Business

Multiply the premium charge selected in D.b.(1) by a factor of 2.00.

90

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**702. OTHER EXPOSURES - MEDICAL PAYMENTS TO OTHERS INCREASED LIMITS**

**Basic  
Limit**

Rule#	Coverage F - Medical Payments	\$2,000	\$3,000	\$4,000	\$5,000
524.	Other Members of an Insured's Household	\$ .58	\$1.15	\$1.73	\$2.30
526.	Residence Held in Trust All Forms Except <b>HO 00 04</b>	.58	1.15	1.73	2.30
527.	Student Away From Home	.58	1.15	1.73	2.30
602	Other Insured Locations Occupied By Insured	\$ .58	\$1.15	\$1.73	\$2.30
603.	Residence Employees	.58	1.15	1.73	2.30
604.	Add'l. Residence Rented to Others	.58	1.15	1.73	2.30
605.	Other Structures Rented to Others - Res Premises	.58	1.15	1.73	2.30
607.	Home Day Care Coverage	2.88	5.75	8.63	10.93
608.	Permitted Incidental Occupancies				
	1. Residence Premises	2.88	5.75	8.63	10.93
	2. Other Residence	1.73	3.45	5.18	6.33
609.	Business Pursuits				
	1. Clerical Employees	.58	1.15	1.73	2.30
	2. Salesperson, Installation, etc. Included or Excluded	.58	1.15	1.73	2.30
	3. Teachers				
	a. Lab, etc.	1.15	2.30	3.45	4.03
	b. not otherwise classified	.58	1.15	1.73	2.30
	c. Corporal Punishment				
611.	Incidental Motorized Land Conveyances	.58	1.15	1.73	2.30
612.	Outboard Motors and Watercraft				
	1. Outboard, Inboard or Inboard-Outboard engines or Motors				
	a) Up to 15 feet:				
	Up to 50 hp.	1.73	3.45	5.18	6.33
	51 to 100 hp.	2.30	4.60	6.90	8.05
	101 to 150 hp.	3.45	6.90	10.35	12.08
	151 to 200 hp.				
	Over 200 hp.				
	b) Over 15 to 26 feet:				
	Up to 50 hp.	2.30	4.60	6.90	8.05
	51 to 100 hp.	3.45	6.90	10.35	12.08
	101 to 150 hp.	4.60	9.20	13.80	16.10
	151 to 200 hp.	6.90	13.80	20.70	24.15
	Over 200 hp.				
	2. Sailboats, with or without auxiliary power				
	26 to 40 feet	1.73	3.45	5.18	6.33
	Over 40 feet				
613.	Owned Snowmobile				
614.	Farmers Personal Liability				
	1. Owned & Operated				
	a. Initial farm incl'g all add'l acreage	1.73	3.45	5.18	6.33
	b. <b>Each</b> add'l farm <b>with</b> buildings	.58	1.15	1.73	2.30
	2. Owned & Rented				
	a. All farms without buildings	.58	1.15	1.73	2.30
	b. <b>Each</b> farm <b>with</b> buildings	.58	1.15	1.73	2.30
	3. Farm Employees				
615.	Incidental Farming Personal Liability	.58	1.15	1.73	2.30

Medical Payments Not Available

Refer to Company  
Refer to Company

Refer to Company

Refer to Company  
Refer to Company

91

HOMEOWNERS POLICY PROGRAM MANUAL  
ARKANSAS LOSS COST PAGE

**ADDITIONAL RULES**

**RULE A3.  
IDENTITY FRAUD EXPENSE COVERAGE**

**C. Premium Computation**

Limit of Liability \$15,000..... \$15.00

PAGE 92

92

**MOBILEHOME SUPPLEMENT TO HOMEOWNERS POLICY PROGRAM MANUAL**

**MULTISTATE LOSS COST PAGE**

**COVERAGE C - REDUCTION IN LIMIT**

Credit per \$1,000 ..... \$ .58

**TRANSPORTATION/PERMISSION TO MOVE**

**Deductible Amount**

\$100 ..... \$28.75  
\$250 ..... \$20.13  
\$500 ..... \$14.38

**LIENHOLDERS SINGLE INTEREST**

Additional charge ..... \$ 5.75

**PROPERTY REMOVED**

Loss cost per \$250 increase ..... \$ 1.15

93

ARKANSAS  
HOMEOWNERS INSURANCE

SECTION A – SCOPE OF REVISION

Statewide Loss Cost Level Changes .....	A-2
Loss Cost Level Changes by Territory .....	A-3
Present and Filed Base Class Loss Costs by Territory.....	A-4
Territory Definitions .....	A-5

11  
3  
Page

11