

SERFF Tracking Number: ARKS-125727974 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104971 \$250
Company Tracking Number: DP-2008-RLA1
TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)
Product Name: Dwelling Program Loss Cost
Project Name/Number: /

Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: Dwelling Program Loss Cost SERFF Tr Num: ARKS-125727974 State: Arkansas
TOI: 01.0 Property SERFF Status: Closed State Tr Num: #104971 \$250
Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines) Co Tr Num: DP-2008-RLA1 State Status: Fees verified and received
Filing Type: Rate Co Status: Reviewer(s): Becky Harrington, Betty Montesi
Author: Disposition Date: 07/11/2008
Date Submitted: 07/09/2008 Disposition Status: Filed
Effective Date Requested (New): 01/01/2009 Effective Date (New): 01/01/2009
Effective Date Requested (Renewal): 01/01/2009 Effective Date (Renewal): 01/01/2009

State Filing Description:

General Information

Project Name: Status of Filing in Domicile:
Project Number: Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 07/11/2008 Deemer Date:
State Status Changed: 07/09/2008
Corresponding Filing Tracking Number:
Filing Description:
base loss cost and miscellaneous loss cost

Company and Contact

Filing Contact Information

SERFF Tracking Number: ARKS-125727974 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104971 \$250
Company Tracking Number: DP-2008-RLA1
TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)

Product Name: Dwelling Program Loss Cost
Project Name/Number: /

Donald Beckel, dbeckel@iso.com
2828 E Trinity Mills Rd (214) 390-1825 [Phone]
Carrollton, TX 75006 (214) 390-1975[FAX]

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas
INC.

No Address Group Code: Company Type:
City, AR 99999 Group Name: State ID Number:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

SERFF Tracking Number: ARKS-125727974 State: Arkansas
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Filing Fees

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

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	07/11/2008	07/11/2008

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 Project Name/Number: /

Disposition

Disposition Date: 07/11/2008
 Effective Date (New): 01/01/2009
 Effective Date (Renewal): 01/01/2009
 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.	-6.300%	\$		\$	%	%	-6.300%

SERFF Tracking Number: ARKS-125727974 State: Arkansas
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 Product Name: Dwelling Program Loss Cost
 Project Name/Number: /

Item Type	Item Name	Item Status	Public Access
Supporting Document	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	ARKS-125727974		Yes

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 Company Tracking Number: DP-2008-RLA1
 TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)
 Product Name: Dwelling Program Loss Cost
 Project Name/Number: /

Rate Information

Rate data applies to filing.

Filing Method:

Rate Change Type: Decrease
Overall Percentage of Last Rate Revision: -2.300%
Effective Date of Last Rate Revision: 01/01/2007
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.	-6.300%	-6.300%				%	%

SERFF Tracking Number: ARKS-125727974 State: Arkansas
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TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)
Product Name: Dwelling Program Loss Cost
Project Name/Number: /

Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125727974

07/11/2008

Comments:

Attachments:

ARKS-125727974.pdf
ARKS-125727974-a.pdf
ARKS-125727974-b.pdf
ARKS-125727974-c.pdf
ARKS-125727974-d.pdf

ARKS-125727974

BH

104971

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

July 3, 2008

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

FILED
JUL 09 2008
PROPERTY AND CASUALTY
ARKANSAS INSURANCE DEPT.

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

RE: Insurance Services Office, Inc.
DP 2008-RLA1
Dwelling Program Advisory Prospective Loss Cost 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 January 1, 2009.

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

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

Very truly yours,

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

DJB:dlb
Encl.

RECEIVED
JUL 09 2008

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only

FILED
JUL 09 2008
 PROPERTY AND CASUALTY
 ARKANSAS INSURANCE DEPT.

2. Insurance Department Use Only

a. Date the filing is received:

b. Analyst:

c. Disposition:

d. Date of disposition of the filing:

e. Effective date of filing:

New Business	
Renewal Business	

f. State Filing #:

g. SERFF Filing #:

h. Subject Codes

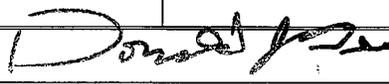
3. Group Name _____ **Group NAIC #** _____

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

5. Company Tracking Number DP-2008-RLA1

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

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

7. Signature of authorized filer 

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

RECEIVED
 1 JUL 09 2008

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

9. Type of Insurance (TOI)	Personal Property	PROPERTY AND CASUALTY DIVISION
10. Sub-Type of Insurance (Sub-TOI)	01.2000	ARKANSAS INSURANCE DEPARTMENT
11. State Specific Product code(s) (if applicable) [See State Specific Requirements]	N/A	
12. Company Program Title (Marketing title)	Dwelling 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: 1/1/2009	Renewal: 1/1/2009
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	7/3/08	
19. Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved	

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Property & Casualty Transmittal Document---

20. This filing transmittal is part of Company Tracking # DP-2008-RLA1

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

Revision of Dwelling advisory prospective loss costs.

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

Check #: 104971
Amount: \$ 250.00

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

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

RATE/RULE FILING SCHEDULE

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

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

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

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

Rate Increase Rate Decrease Rate Neutral (0%)

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

4a. Rate Change by Company (As Proposed)

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Insurance Services Office, Inc.	-6.3	-6.3	N/A	N/A	N/A	N/A	-12.0

4b. Rate Change by Company (As Accepted) For State Use Only

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

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

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

6.	Overall percentage of last rate revision	-2.3%
----	--	-------

7.	Effective Date of last rate revision	1/1/2007
----	--------------------------------------	----------

8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File & Use
----	---	------------

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Pages A-4, D-5 thru D-8 and D-12	<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	

Loss Cost Level Revision

Executive Summary

Purpose

This document:

- revises advisory prospective loss costs. These revised loss costs represent a -6.3% statewide change from the current loss costs.
- provides the analyses used to derive these advisory loss costs.
- revises certain miscellaneous loss costs.

Definition of the ISO Advisory Prospective Loss Cost

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

Loss Cost Level Changes

The statewide advisory loss cost level changes are:

	<u>Indicated</u>	<u>Filed</u>
Dwelling Fire		
Buildings	- 10.0%	- 10.0%
Dwelling Contents	- 12.0%	- 12.0%
Apartment Contents	- 10.3%	- 10.3%
All Classes	- 10.0%	- 10.0%
Extended Coverage		
Buildings	- 2.1%	- 2.1%
Contents	- 5.7%	- 5.7%
All Classes	- 2.1%	- 2.1%
Total	- 6.3%	- 6.3%

Indicated and filed loss cost level changes are changes from the current loss costs. The Base Deductible in this state is \$250.

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Indicated vs. Filed

Indicated changes are based on standard ISO methodology. For Fire and Extended Coverage, the filed changes equal the indicated changes.

Prior ISO Revisions

The last revisions in this state are:

<u>Reference Document or Filing</u>	DP-2006-RLA1	DP-2004-RLA1
<u>Rate Level/Loss Costs</u>	Loss Costs	Loss Costs
<u>Dates</u>		
Filed	06/07/2006	06/15/2004
Implemented	01/01/2007	02/01/2005
<u>Changes</u>		
Indicated	- 2.3%	+0.5%
Filed	- 2.3%	+0.5%
Implemented	- 2.3%	+0.5%

Source Data

The data used in this revision is:

- Voluntary market experience of companies reporting to ISO, under the ISO Personal Lines Statistical Plan – Other than Automobile (PLSP-OTA).
- 5 Accident years ended 6/30/2007 for Dwelling Fire.
- 10 Accident years ended 6/30/2007 for Extended Coverage.

Trend and Other Adjustments

Loss Trend

The loss costs that we are developing in this document will be used in a future period. For the historical loss costs to be valid for use in a future period, they must be multiplied by trend factors.

A trend factor is a number based on the changes in claim costs that are expected to occur between Date X (representing the historical data period) and Date Y (representing the future period for which loss costs will be in effect). The trend factors in this document are based on changes in countrywide consumer indices (CCI), through fourth quarter 2007, which estimate the changes in claim costs.

An adjustment ("trend from first dollar") is included to account for the fact that the CCI reflect no deductible and are on a "first dollar" basis, whereas ISO's loss experience is on a deductible basis.

The annual trend factors, including an adjustment for trend from first dollar, are:

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<u>Coverage</u>	<u>Annual Trend Factor</u>
Dwelling Fire	+3.4%
Extended Coverage	+3.6%

In some instances the historical consumer trend data will not be indicative of future trends. An analysis of this state's historical pure premium trend indicates higher growth rates than the consumer indices. Therefore, we have supplemented the above trend factors with a loss trend adjustment of 0.5% (1.005) for Extended Coverage.

This produces a net annual loss trend of:

<u>Coverage</u>	<u>Annual Trend Factor (including loss trend adjustment)</u>
Dwelling Fire	+3.4%
Extended Coverage	+4.1%

Amount of Insurance Trend

The amount of insurance purchased by insureds affects the cost of insurance for Dwelling Fire and Extended Coverage insurance. As inflation affects the price of dwellings, insureds tend to buy higher amounts of insurance. As a result, 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 the rate of growth in average policy limits has decreased relative to the growth rates for the 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 for the prospective period. The annual trends in the amounts of insurance are:

<u>Coverage</u>	<u>Annual Trend Factor</u>
Dwelling Fire	+3.6%
Extended Coverage	+4.2%

Other Adjustments

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

Ten Largest Companies in ISO Data Base

<u>Dwelling Fire</u>	<u>Extended Coverage</u>
1. Safeco Insurance Companies	1. United Services Automobile Assoc.
2. United Services Automobile Assoc.	2. Safeco Insurance Companies
3. Great Plains Mutual Insurance Co.	3. Allmerica Financial Group
4. Allmerica Financial Group	4. Great Plains Mutual Insurance Co.
5. State Automobile Mutual Insur. Co.	5. State Automobile Mutual Insur. Co.
6. Nationwide Mutual Insurance Co.	6. Nationwide Mutual Insurance Co.
7. Grain Dealers Mutual Insurance Co.	7. Grain Dealers Mutual Insurance Co.
8. Hartford Accident & Indemnity Co.	8. Hartford Accident & Indemnity Co.
9. Cincinnati Insurance Company	9. Cincinnati Insurance Company
10. Liberty Mutual Insurance Co.	10. Liberty Mutual Insurance Co.

Insurers are listed in descending order based on year ended 6/30/2007 statewide written premium as reported to ISO.

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 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.

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Section A – Scope of Revision

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Overview

Statewide Loss Cost Level Changes

In Exhibit A-1, Statewide Loss Cost Level Changes are presented separately by coverage (Fire and Extended Coverage) and for all coverages combined (Grand Total).

Current and Filed Base Class Loss Costs

Current and Filed Base Class Loss Costs are displayed by coverage and class in Exhibit A-2.

Territory Codes

Descriptions of the Territory Codes currently valid in this state are presented in Exhibit A-3.

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STATEWIDE LOSS COST LEVEL CHANGES

Coverages	Aggregate Loss Costs at Current Level (A)	Filed Loss Cost Level Changes (B)
<u>Dwelling Fire:</u>		
Buildings	\$ 1,996,945	-10.0%
Dwelling Contents	70,917	-12.0%
Apartment Contents	867	-10.3%
Sub-Total	2,068,729	-10.0%
<u>Extended Coverage:</u>		
Buildings	\$ 1,768,794	- 2.1%
Contents	28,026	- 5.7%
Sub-Total	1,796,820	- 2.1%
GRAND TOTAL	\$ 3,865,549	- 6.3%(C)

- (A) Year ended 6/30/2007 Aggregate Loss Costs at Current Level based on ISO staff developed loss costs contained in the latest implemented filing.
- (B) For trend purposes, the period of use for this revision is assumed to begin on 1/1/2009.
- (C) Aggregate Loss Costs at current level are only used to determine the GRAND TOTAL by weighting the sub-totals by coverage.

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CURRENT AND FILED BASE CLASS LOSS COSTS

FIRE

	<u>Current (A)</u>			<u>Filed (A)</u>		
	<u>Buildings</u>	<u>Dwelling Contents</u>	<u>Apartment Contents</u>	<u>Buildings</u>	<u>Dwelling Contents</u>	<u>Apartment Contents</u>
Statewide	\$61.06	\$16.16	\$29.98	\$54.95	\$14.22	\$26.89

EXTENDED COVERAGE

	<u>Current (A)</u>		<u>Filed (A)</u>	
	<u>Buildings</u>	<u>Contents</u>	<u>Buildings</u>	<u>Contents</u>
Statewide	\$31.51	\$2.72	\$30.85	\$2.56

(A) The base class loss costs are shown for the base class which is:

BASE DEDUCTIBLE \$250

FIRE

Coverage A
 Coverage C, one family
 Coverage C, 5 or more families

BASE CLASS

Frame, Protection Class 5, One Family, Owner Occupied
 Frame, Protection Class 5, One Family, Owner Occupied
 Frame, Protection Class 5

EXTENDED COVERAGE

Base class loss costs are the same for all protection, construction, number of family and occupancy classifications.

BASE AMOUNT

Coverage A, Buildings \$20,000
 Coverage C, Contents \$ 6,000

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TERRITORY DEFINITIONS

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
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Overview

Introduction

Dwelling Fire and Extended Coverage (EC) 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 each coverage.

Statewide Advisory Loss Cost Level Change

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 "Calculation of Statewide Advisory Loss Cost Level Change".

Class Advisory Loss Cost Level Changes

For Fire and Extended Coverage, ISO distributes the statewide loss cost indication to each class by comparing the relative loss experience by class to the statewide average for each coverage.

Application of Percent Changes

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

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Statewide Advisory Loss Cost Level Change

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 in the prospective period in which the revised loss costs are assumed to be in effect?

Description

This procedure compares the developed and trended incurred losses and loss adjustment expenses with the trended aggregate current loss costs. Extended Coverage losses have also been subjected to a smoothing procedure. These aggregate loss costs at current level are the amount that would have been collected for losses and loss adjustment expense if the current loss costs had been in effect during the experience period.

The resulting experience ratio (losses and all loss adjustment expenses divided by aggregate loss costs, both including projection to the prospective period) is calculated for several years and a weighted average is calculated. For Fire, the five-year weights vary by year, giving greater weight to the more recent experience. For Extended Coverage, because of the more volatile nature of the data, the ten individual years are given equal weight.

The average experience ratio is then credibility-weighted with the expected experience ratio in order to minimize the impact of random variation in the observed losses. The resulting credibility-weighted experience ratio is the indicated statewide advisory loss cost level change in decimal form.

Source Data

The data used in this statewide revision is:

- Voluntary market experience of companies reporting to ISO, under the ISO Personal Lines Statistical Plan – Other than Automobile (PLSP-OTA).
- 5 Accident years ended 6/30/2007 for Dwelling Fire.
- 10 Accident years ended 6/30/2007 for Extended Coverage.

Calculation

The calculation of the Statewide Advisory Loss Cost Level Change is shown on Exhibits B-1, B-2.

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Developed Incurred Losses on a Common Deductible Level (Column 1)

Reported Incurred Losses are adjusted to a Base Deductible Level. Loss Elimination Ratios (LERs) are applied in class detail for each cause of loss and deductible based on the most recent ISO analysis of losses eliminated. The Incurred Losses reflect the LERs as well as the loss development factors to bring losses to an ultimate settlement basis. The derivation of the loss development factors is found in Section C.

Trended Incurred Losses and LAE, Adjusted for Excess (Column 2)

Note: Excess applicable only to EC

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.

Due to the nature of Extended Coverage Insurance and the potential for unusually severe losses in any given year, an excess loss procedure which caps losses in any given year at one-half the reported earned premium volume is incorporated in the development of Extended Coverage loss costs. 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 result from reflecting large, unexpected losses only in the year in which they occur.

Loss adjustment expenses are included by applying a factor of 1.095 for Fire and 1.100 for Extended Coverage to the Incurred Losses on a Base Deductible Level. These factors are based on five years of countrywide experience as shown in Section C.

Projected losses reflect the anticipated cost level for the period that the new loss costs are assumed to be in effect. Current Cost Factors are measures of the loss trend as measured by the external index on the losses 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 appears in Section C.

Losses including Loss Adjustment Expense multiplied by the Current Cost Factors and the Composite Loss Projection Factor produce projected losses. In Extended Coverage, losses including Loss Adjustment Expense are also multiplied by the state excess loss factor, as derived in Section C. The excess loss factor adjusts the losses for the state's long-term average excess losses. The composite loss projection factor projects these losses from the midpoint of the latest quarter of trend to the average date of loss during the period in which the advisory loss costs are assumed to be in use. The composite loss projection

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factor includes an external loss projection factor, total loss trend adjustment for EC, and an adjustment for trend from first dollar. The Composite Loss Projection Factor is derived and explained in Section C, "Development of Composite Projection Factors".

Aggregate Loss Costs at Current Level (Column 3)

The aggregate loss costs at current ISO loss cost level are the loss-related revenue that would have been collected if the current loss costs were used during the experience period. It is obtained by extending house years by class and coverage by the current loss costs.

Trended Aggregate Loss Costs (Column 4)

Projected Aggregate Loss Costs reflect the changes in revenue that accrue due to increases in amount of insurance for the period that the new loss costs are assumed to be in effect. This is accomplished by multiplying the Aggregate Loss Costs at Current Level by the Current Amount Factors and the Amount of Insurance Projection Factor.

Current Amount Factors are measures of the amount of insurance trend on the aggregate loss costs 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 projects the Aggregate Loss Costs at Current Level from the midpoint of the latest quarter of trend to the average date of writing during the period in which the advisory loss costs are assumed to be in use.

The Current Amount Factors and the Amount of Insurance Projection Factor are derived and explained in Section C, "Development of Current Amount Factors and Amount of Insurance Projection Factors".

Trended Experience Ratio (Column 5)

The Trended Experience Ratio is calculated as the Trended Incurred Losses and LAE, Adjusted for Excess (Excess applicable to EC only) divided by the Trended Aggregate Loss Costs; i.e., Column (2) divided by Column (4).

Weighted Experience Ratio (Line 7)

For Fire, the ratios shown in Column (5) are weighted on a 10%, 15%, 20%, 25% and 30% basis (see Column (6)), giving greater emphasis to the more recent experience to derive the weighted experience ratio. For Extended Coverage, because of the more volatile nature of the data, the ten individual years are given equal weight.

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Credibility (Line 8)

The standard for 100% credibility is a five-year total of 500,000 house years for Fire and 330,000 house years for Extended Coverage. Partial credibility is determined by the following formulas:

Fire: Square Root of (Five-year house years/500,000), truncated to one decimal place.

EC: Square Root of (Five-year house years/330,000), truncated to one decimal place.

Credibility tables are included in Section C.

Expected Experience Ratio (Line 9)

The expected experience ratio is ISO's best prediction of the experience ratio if the displayed ISO experience were not available. For this review we have assumed that the current loss costs were adequate when implemented and will be inadequate for the prospective period to the extent of the net trend. The expected experience ratio is calculated as the net (loss/amount of insurance) trend factor projected for the number of years between the average date of coverage of the last revision (or review) and this revision.

Indicated Loss Cost Level Change (Line 10)

The indicated loss cost level change is calculated by taking the credibility-weighted average of the weighted experience ratio and the expected experience ratio:

$(\text{Credibility}) \times (\text{Weighted Exp. Ratio}) + (1 - \text{Credibility}) \times (\text{Expected Exp. Ratio})$.

Filed Loss Cost Level Change (Line 11)

For Fire and EC, the filed change is equal to the indicated change.

Class Advisory Loss Cost Level Changes

Objective

The objective of this procedure is to distribute the statewide advisory loss cost level change to each class. For Fire the classes are Buildings, Contents (other than apartments) and Apartment Contents. For Extended Coverage the classes are Buildings and All Contents.

Description

This procedure compares, by class, the developed and trended incurred losses with the trended aggregate current loss costs. These loss costs are the aggregate amount that would have been collected for losses and loss adjustment expense if

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the current loss costs were in effect throughout the experience period. The resulting experience ratio (trended losses divided by trended aggregate loss costs) is credibility-weighted with the statewide experience ratio to produce the credibility-weighted ratio by class. A relative change by class is calculated by dividing each class' credibility-weighted experience ratio by the weighted average credibility-weighted experience ratio for all classes combined.

Source Data

The data used in this class revision is:

- Voluntary market experience of companies reporting to ISO, under the ISO Personal Lines Statistical Plan – Other than Automobile (PLSP-OTA).
- 5 Accident years ended 6/30/2007 for Dwelling Fire.
- 5 Accident years ended 6/30/2007 for Extended Coverage.

Calculation

The Class Advisory Loss Cost Level Changes are shown on Exhibits B-3 and B-4.

Five-Year Trended Aggregate Loss Costs at Current Level (Column 1)

The trended aggregate loss costs at current ISO loss cost level are the loss-related revenue that would have been collected if current loss costs were in effect for each year of the experience period. It is obtained by extending house years by the current loss costs. These loss costs are then multiplied by the current amount factors and the amount of insurance projection factor for each year (see Section C). This calculation is done separately for each class.

Five-Year Trended Adjusted Incurred Losses (Column 2)

Reported Incurred Losses are adjusted to a Base Deductible Level. Loss Elimination Ratios (LERs) are applied in class detail for each cause of loss and deductible based on the most recent ISO analysis of losses eliminated. The Adjusted Incurred Losses reflect the LERs as well as the loss development factors to bring losses to an ultimate settlement basis. The derivation of the loss development factors is found in Section C. These losses are then multiplied by the loss projection factor (including loss trend adjustment for EC and trend from first dollar) and the current cost factors for each year (see Section C). This calculation is done separately for each class.

Five-Year Experience Ratio (Column 3)

The experience ratio is obtained by dividing the losses in column (2) by the aggregate loss costs in column (1).

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Credibility (Column 5)

The standard for 100% credibility is a five-year total of 500,000 house years for Fire and 330,000 house years for Extended Coverage. Partial credibility is determined by the following formulas:

Fire: Square Root of (Five-year house years/500,000), truncated to one decimal place.

EC: Square Root of (Five-year house years/330,000), truncated to one decimal place.

Credibility tables are included in Section C.

Credibility-Weighted Experience Ratio (Column 6)

The Credibility-Weighted Experience Ratio is a weighted average of the class experience ratio and the statewide experience ratio. The formula is as follows:

[Class Column (3) x Class Column (5)] + [Total Column (3) x (1.0 - Class Column (5))]

Indicated Relative Change (Column 7)

The indicated relative change is the ratio of Class Column (6) to total Column (6). The total in Column (6) is the weighted average of the experience ratios in Column (6) using Aggregate Loss Costs at Current Level shown in Column (1).

Indicated Loss Cost Level Change (Column 8)

Column (8) is the product of Column (7) and the Statewide Indicated Loss Cost Level Change.

Filed Loss Cost Level Change (Column 9)

The filed changes are equal to the indicated changes.

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**CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGE
FIRE**

<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>Aggregate Loss Costs at Current Level</u>
06/30/2003	1,338,773	1,942,476	1,843,160
06/30/2004	1,541,198	2,108,769	1,779,709
06/30/2005	1,274,861	1,661,867	1,763,060
06/30/2006	1,184,175	1,492,575	1,867,471
06/30/2007	1,744,655	2,113,320	2,068,729

	(4) <u>Trended Aggregate Loss Cost</u>	(5) <u>Trended Experience Ratio</u>	(6) <u>Weights</u>
06/30/2003	2,497,624	0.778	.10
06/30/2004	2,345,802	0.899	.15
06/30/2005	2,204,418	0.754	.20
06/30/2006	2,192,792	0.681	.25
06/30/2007	2,351,128	0.899	.30

(7) Weighted Experience Ratio	=	0.803
(8) Credibility (69,759) House Years	=	0.50
(9) Expected Experience Ratio	=	0.996
(10) Indicated Loss Cost Level Change	=	0.900
(11) Filed Loss Cost Level Change	=	0.900

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**CALCULATION OF STATEWIDE ADVISORY LOSS COST LEVEL CHANGE
 EXTENDED COVERAGE**

Accident Year Ended	(1) Developed Incurred Losses on a Common Deductible Level	(2) Trended Incurred Losses and LAE Adjusted for Excess	(3) Aggregate Loss Costs at Current Level
06/30/1998	605,566	1,306,656	1,245,662
06/30/1999	2,018,477	2,100,879	1,295,241
06/30/2000	975,311	2,013,922	1,359,141
06/30/2001	2,015,479	2,147,665	1,406,216
06/30/2002	1,244,377	2,266,614	1,445,506
06/30/2003	938,185	1,818,622	1,448,559
06/30/2004	1,133,451	2,071,948	1,376,684
06/30/2005	1,042,554	1,815,672	1,489,182
06/30/2006	2,860,484	2,254,297	1,591,666
06/30/2007	1,242,068	2,010,048	1,796,820

	(4) Trended Aggregate Loss Cost	(5) Trended Experience Ratio	(6) Weights
06/30/1998	2,152,855	0.607	.10
06/30/1999	2,157,182	0.974	.10
06/30/2000	2,186,367	0.921	.10
06/30/2001	2,201,745	0.975	.10
06/30/2002	2,169,952	1.045	.10
06/30/2003	2,067,952	0.879	.10
06/30/2004	1,887,205	1.098	.10
06/30/2005	1,908,047	0.952	.10
06/30/2006	1,914,058	1.178	.10
06/30/2007	2,082,788	0.965	.10

(7) Weighted Experience Ratio	=	0.959
(8) Credibility (68,068) House Years	=	0.50
(9) Expected Experience Ratio	=	0.999
(10) Indicated Loss Cost Level Change	=	0.979
(11) Filed Loss Cost Level Change	=	0.979

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**CALCULATION OF CLASS ADVISORY LOSS COST LEVEL CHANGES
FIRE**

	(1) Five Year Trended Aggregate Loss Costs <u>At Current Level</u>	(2) Five Year Trended Adjusted <u>Incurred Losses</u>	(3) Five Year <u>Experience Ratio</u>
BUILDINGS	11,219,844	8,301,290	0.740
DWELLING CONTENTS	348,931	207,786	0.595
APARTMENT CONTENTS	22,989	0	0.000
TOTAL	11,591,764	8,509,076	0.734

	(4) <u>Five Year House Years</u>	(5) <u>Credibility</u>	(6) Credibility Weighted <u>Experience Ratio</u>
BUILDINGS	58,183	0.30	0.736
DWELLING CONTENTS	11,513	0.10	0.720
APARTMENT CONTENTS	63	0.00	0.734
TOTAL	69,759		0.736

	(7) Indicated Relative <u>Change</u>	(8) Indicated Loss Cost <u>Level Change</u>	(9) Filed Loss Cost <u>Level Change</u>
BUILDINGS	1.000	0.900	0.900
DWELLING CONTENTS	0.978	0.880	0.880
APARTMENT CONTENTS	0.997	0.897	0.897
TOTAL	1.000	0.900	0.900

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**CALCULATION OF CLASS ADVISORY LOSS COST LEVEL CHANGES
 EXTENDED COVERAGE**

	(1) Five Year Trended Aggregate Loss Costs At Current Level	(2) Five Year Trended Adjusted Incurred Losses	(3) Five Year Experience Ratio
BUILDINGS	9,723,340	8,999,843	0.926
CONTENTS	136,710	82,728	0.605
TOTAL	9,860,050	9,082,571	0.921
	(4) Five Year House Years	(5) Credibility	(6) Credibility Weighted Experience Ratio
BUILDINGS	56,979	0.40	0.923
CONTENTS	11,089	0.10	0.889
TOTAL	68,068		0.923
	(7) Indicated Relative Change	(8) Indicated Loss Cost Level Change	(9) Filed Loss Cost Level Change
BUILDINGS	1.000	0.979	0.979
CONTENTS	0.963	0.943	0.943
TOTAL	1.000	0.979	0.979

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Overview

Loss Adjustment Expense

The reported indemnity losses must be loaded for both allocated and unallocated loss adjustment expenses (LAE). A factor is selected based on countrywide financial data, which includes Commercial and Dwelling Fire and Allied Lines Insurance.

Trend

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. The trending procedure used in this document reflects the effects of inflation on both losses and aggregate loss costs.

Credibility

Since not every state has sufficient data to produce reliably predictive results, a credibility procedure is employed. Statewide Credibility Tables display values which are used to add stability to the review indications, in the event that the data is sparse.

Loss Development

A loss development procedure 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 immature experience must be adjusted to an ultimate settlement basis. This adjustment is accomplished through the use of loss development factors.

Adjustment for Excess Losses

An excess procedure is incorporated into the development of Extended Coverage 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. The excess procedure includes eliminating excess losses in the experience period and multiplying by an excess factor to spread the impact of the large losses over a longer period of time.

Loss Adjustment Expense

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, which includes Commercial and Dwelling Fire and Allied Lines Insurance.

For both Fire and Allied Lines, the 2002- 2004 data were affected by the 9/11 catastrophe. Therefore, the 2002- 2004 expense ratios have been adjusted to account for this distortion.

For Allied Lines, the 2005 and 2006 loss adjustment expense ratios are distorted by the impact of catastrophe hurricane losses in 2005. The selected Allied Lines loss adjustment expense factors used for this review were selected after consideration of this distortion and based on a review of average loss adjustment expense ratios over a longer time period.

The financial data supporting the LAE factors is shown in Exhibit C-1.

Trend

Objective

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 trend procedure used in this document reflects the effects of inflation on both losses and aggregate loss costs.

Description of Loss Trend

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

The external data, based upon government indices, is first used to bring losses from their historical time period to the prospective period. This is a two-step process: 1) Historical losses are brought from the past to the current time period

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by means of Current Cost Factors; 2) Losses are then projected from the current time period to the prospective period by a Loss Projection Factor. Additionally, the external data is used in a calculation to adjust trend for use with losses on a deductible basis.

Internal loss trend data is examined to determine whether the trend determined by the external data, which is on a countrywide basis, is sufficient for the particular state whose data is being reviewed.

External Loss Data

In order to measure the effect of inflation on losses an external index, the Current Cost Index (CCI), is developed from a composite of the Boeckh Residential Index (BRI), the Modified Consumer Price Index (MCPI), and additional information pertaining to the costs of buildings-related materials and labor. (Both indices are calculated relative to the base 1967=100.) The figures shown prior to October, 2003, were calculated using the Boeckh Residential Report, modified by application of certain actuarial formulas, and combined with data available through various government sources. 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 and Loss Projection Factor Exhibit". Further use of the figures derived from the Boeckh Index requires the prior written consent of ISO. The Boeckh Residential Index (BRI) 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. Additionally, ISO modifies the Consumer Price Index to reflect Dwelling Fire and Extended Coverage Insurance losses.

The MCPI is a weighted average of the following subgroups of our reconstructed Consumer Price Index: House Furnishings (70%), Apparel Commodities (20%) and Entertainment Commodities (10%). The Boeckh Residential and Consumer Price Indices are weighted 80% and 20%. The weights are selected based on Dwelling loss distributions.

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 loss, 18 months beyond the anticipated effective date of this document by a projection factor based on the latest annual rate of change in losses.

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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 index with a loss trend adjustment factor for EC. This loss trend adjustment factor for EC is based on an analysis of observed historical loss trends relative to the external 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 for EC, and an adjustment for trend from first dollar. The composite loss projection factor is applied to losses to project these losses to the average date of loss for policies written during the period the new loss costs are assumed to be in effect. For jurisdictions subject to biennial reviews, the average date of loss is 18 months after the effective date.

Explanation of the Development of Current Cost Factors and Loss Projection Factor Exhibit

Part A

These are the quarterly averages of the Current Cost Index (CCI) for the latest 12 quarters available. The CCI is a weighted average of the following components: 80% Boeckh Residential Index (BRI), 20% Modified Consumer Price Index (MCPI). The 3 months average is a straight average of the 3 CCI points for that quarter. The figures shown prior to October, 2003, were calculated using the Boeckh Residential Report, modified by application of certain actuarial formulas, and combined with data available through various governmental sources. The values of the monthly CCI points starting with October, 2003, reflect estimated values. 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.

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Part B

The Current Cost Factors are developed by dividing the average annual CCI points into the latest quarterly average CCI. The CCI points are a weighted average of the BRI and the MCPI (80%, 20% 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 year designated.

Part C

The latest quarterly rate of change for losses is developed by fitting a least squares exponential curve to the latest 12 quarterly CCI points. The quarterly rate of change is then used to determine the Loss Projection Factor, which projects losses 18 months beyond the anticipated effective date.

The development of Current Cost Factors and Loss Projection Factor is shown in Exhibit C-2.

Explanation of the Loss Trend Adjustment Factor Exhibit

The Dwelling ratemaking formula employs external trend indices to bring losses to current and anticipated cost levels. An evaluation of the latest Dwelling data indicates that the cost level inherent in the coverage provided by the Dwelling Policy is increasing at a faster rate than the external trend index for EC. Comparisons reflecting this difference, including the effect of the “first dollar” adjustment, are shown on the “Loss Trend Adjustment Factor” exhibit.

Based on this comparison, a 0.5% Annual Loss Trend Adjustment Factor has been selected for EC. Hence, in this filing, EC losses are being projected at an annual rate of 4.1% (1.036×1.005), compounded from the weighted midpoint of the experience period to 18 months 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.

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.

The development of Loss Trend Adjustment Factor for EC is shown in Exhibit C-2a.

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Explanation of the Development of Composite Loss Projection Factor Exhibit

Calculation of Trend From First Dollar of Loss Adjustment (Part A)

The Dwelling 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 insure adequate loss costs we add back in the losses eliminated by the deductible, calculated by multiplying the number of claims by the base deductible amount. The losses including those eliminated by the deductible are trended. The losses below the deductible are then removed to place the losses back on the 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 for Fire, 7/1/2002 for Extended Coverage, to the average date of coverage, 18 months past the effective date.

Loss Trend Adjustment Percentage (Line 10)

An evaluation of the latest Dwelling EC data shows that the cost level inherent in the coverages provided by the Dwelling Policy is increasing at a faster rate than the external consumer trend indices. Comparisons reflecting this difference are shown in the “Loss Trend Adjustment Factor” exhibit.

The annual Loss Trend Adjustment Factor for EC Experience is raised to the $N/12$ power, where N = number of months from the weighted midpoint of experience, 7/1/2002 for EC, to the average date of coverage, 18 months past the effective date.

Composite Loss Projection Factor (Line 11)

For Fire and EC Experience:

Composite Loss Projection Factor = (Line 4) x (Line 9) x (Line 10)

The development of the Composite Loss Projection Factor is shown in Exhibits C-3 and C-4.

Description of Amount of Insurance Trend

The formula used to develop aggregate loss costs incorporates a method which reflects changes in the amounts of insurance selected by insureds. This is needed

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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 the amounts of insurance are projected from the midpoint of the latest quarter of external loss trend data to the average date of writing, twelve months beyond the anticipated effective date of this document, by the Amount of Insurance Projection Factor based on the average annual rate of change in average amount of insurance relativity.

Explanation of the Development of Current Amount Factors and Amount of Insurance Projection Factors

Average Relativity (Column 1)

Average buildings (contents) relativities are the average policy amount relativities for Buildings (Contents) based on the current policy amount curve in effect. The relativity listed for 11/15/2007 is a projected value based on a least squared fit of the latest five values.

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

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

where I is the annual increment B for buildings and I^o is the annual increment B for contents from line (5) below:

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 buildings relativity and R^o is the average contents relativity for the latest year of the experience period, ending 6/30/2007.

Relativity to Projected Point (Column 2)

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

Current Amount Factor (Column 3)

Buildings and Contents current amount factors are Column (2) tempered 25% to reflect the impact of new construction and the variation in insureds from year to year.

(Lines 4-6)

The linear least-squares fit is used to compute the Average Annual Rate of Change.

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Tempered Average Annual Rate of Change (Line 7)

The Average Annual Rate of Change is tempered 40%, i.e., by a factor of .60. This tempering is to reflect the impact of new construction and the variation in insureds from year to year. Note that an analysis of the data most-recently reported to ISO has shown that the rate of growth in average policy limits has decreased relative to the growth rates for the 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 for the prospective period.

Amount of Insurance Projection Factor (Line 8)

Amount of Insurance Projection Factor = $(1 + \text{Line 7})^{N/12}$

where N = the number of months from the midpoint of latest quarter of trend to the average date of writing for policies that will be written using these indicated loss costs; 12 months past the effective date in this case because of biennial revisions.

The development of Current Amount Factors and Amount of Insurance Projection Factor is shown in Exhibits C-5 and C-6.

Credibility

Objective

Since not every state has a sufficiently large amount of data which will produce reliably predictive results, a credibility procedure is established. This procedure determines whether there is sufficient data to rely fully on the statewide experience (100% credibility). In addition, the procedure determines credibility of less than 100%, based upon the amount of data on a statewide basis, if the full credibility standard is not met.

Description

The formula used to obtain statewide credibility is the square root of the quantity (5 years earned house years/500,000 house years) for Fire or (5 years earned house years/330,000 house years) for EC, where 500,000 and 330,000 house years are the full credibility standards for Fire and EC, respectively. Minimum credibility is 50% for statewide.

These credibility standards are based on the first model discussed in "An Introduction to Credibility Theory" by L.H.Longley-Cook. The statewide full credibility standards are based upon a Poisson distribution with a 90% probability of meeting the test and a 2.5% maximum departure from the expected value. The claims standards were translated to house year standards.

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Credibility tables are shown in Exhibit C-7.

Loss Development

Objective

Not all of the losses for a particular accident year have been completely settled at the time the experience in this document was compiled. Therefore, the incurred losses are adjusted to an ultimate settlement basis by means of loss development factors. Loss development factors are applied by year to the historical incurred losses at their latest evaluation, to account for average development from that point forward.

Description

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, Fire 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 uses statewide data exclusively and computes link ratios through 87 months. In selecting the final development factors, link ratios that are “outliers” are tempered.

Development of the Loss Development factors is shown in Exhibits C-8 and C-9.

Adjustment for Excess Losses

Objective

Due to the nature of Extended Coverage Insurance and the potential for catastrophic losses in any given year, a “catastrophic” or excess loss procedure is incorporated in the development of Extended Coverage 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

The Dwelling Extended Coverage procedure makes two adjustments to incurred losses. First, a smoothing procedure is used to cap the losses at 0.500 of the

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reported premium volume. This capping (normalizing) procedure removes the excess or catastrophic losses that actually occurred in a given year. Then, it replaces these losses with an expected excess loss provision, by application of the statewide excess loss factor. The statewide excess loss factor is based on the state's long-term history of excess losses and, therefore, is not subject to the type of yearly variation inherent in actual loss ratio experience.

The excess loss procedure normalizes the Developed Incurred Loss ratios for any given year by capping the normal loss ratio at 0.500, the long-term expected non-catastrophic loss ratio. The portion of the loss ratio above 0.500 is the excess loss ratio.

The statewide excess loss factor is calculated as follows:

state excess loss factor = $1.0 + [(average\ excess\ ratio) \div (average\ normal\ loss\ ratio)]$

Development of Excess Loss Factor is shown in Exhibit C-10.

Derivation of Excess Losses on a Base Deductible Level

The excess loss procedure is incorporated into the calculation of the Statewide Advisory Loss Cost Level Change - Extended Coverage shown in Exhibit B-2. In order to appear in this calculation, excess losses must be on the same base deductible level as the total losses. The ratio of excess developed losses to total developed losses from Exhibit C-10 is applied to total losses on a base deductible level in Exhibit C-11, to produce excess losses on a base deductible level.

**FIRE AND ALLIED LINES INSURANCE
COUNTRYWIDE LOSS ADJUSTMENT EXPENSE EXPERIENCE (A)**

	(1) 2002	(2) 2003	(3) 2004	(4) 2005	(5) 2006	(6) Selected
(1) (Fire)						
(a) Direct Losses Incurred	2,628,944	3,596,436	3,087,347	4,984,919	4,185,340	
(b) Direct Loss Adjustment Expense Incurred	331,120	365,907	359,823	399,000	405,223	
(2) Allied Lines						
(a) Direct Losses Incurred	2,249,588	3,264,045	5,992,816	15,094,988	2,825,038	
(b) Direct Loss Adjustment Expense Incurred	369,794	433,387	495,543	692,213	592,526	
(3) Loss Adjustment Expense as a Ratio to Losses						
Fire ((1b)/(1a))	12.6%(10.1%**)	10.2%(9.6%**)	11.7%(9.1%**)	8.0%	9.7%	9.5%
Allied Lines ((2b)/(2a))	16.4%(12.2%**)	13.3%(12.1%**)	8.3%(7.3%**)	4.6%	21.0%	10.0%

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Note: All dollar amounts displayed in thousands

(A) Items (1) and (2) are from the Insurance Expense Exhibits for Agency and Direct Writers Combined.

** Loss Adjustment Expenses as a Ratio to Losses for 2002- 2004 have been distorted by the 9/11 catastrophe. Hence, the 2002- 2004 ratios have been re-calculated adjusting for this distortion.

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

QUARTER ENDING 12/31/2007

PART A: Current Cost Index (CCI)

<u>MO.</u>	<u>CCI</u>	<u>QCCI</u>	<u>CCI</u>	<u>QCCI</u>	<u>CCI</u>	<u>QCCI</u>
	<u>2005</u>		<u>2006</u>		<u>2007</u>	
01	579.4		598.0		618.3	
02	579.5		601.4		621.9	
03	579.9	579.6	605.3	601.6	625.7	622.0
04	576.5		607.5		628.4	
05	580.0		607.0		625.1	
06	576.4	577.6	608.5	607.7	623.1	625.5
07	582.8		613.1		623.1	
08	581.3		613.0		624.3	
09	582.9	582.3	617.3	614.5	628.6	625.3
10	591.8		618.1		626.0	
11	589.8		613.6		627.1	
12	591.7	591.1	616.6	616.1	626.7	626.6

PART B: USE OF AVERAGE ANNUAL CCI TO CALCULATE CURRENT COST FACTORS (CCF)

<u>YEAR</u>	<u>AVERAGE CCI</u>	<u>CURRENT COST FACTORS FOR STATEWIDE REVIEW BASED ON AVERAGE CCI VALUE FOR QUARTER ENDING 12/31/2007 = 626.6</u>
07/1997-06/1998	464.9	1.348
07/1998-06/1999	472.1	1.327
07/1999-06/2000	485.6	1.290
07/2000-06/2001	494.2	1.268
07/2001-06/2002	503.1	1.245
07/2002-06/2003	517.3	1.211
07/2003-06/2004	548.9	1.142
07/2004-06/2005	575.7	1.088
07/2005-06/2006	595.7	1.052
07/2006-06/2007	619.6	1.011

PART C: COMPUTATION OF LOSS PROJECTION FACTOR

ANNUAL RATE OF CHANGE = 1.034 or +3.4%

LOSS PROJECTION FACTOR* = $1.034^{31.5/12} = 1.092$

* TO PROJECT LOSSES FROM 11/15/2007 TO 7/1/2010

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LOSS TREND ADJUSTMENT FACTOR

Pure premium data are shown below for Dwelling Extended Coverage, and are based on paid losses.

<u>Account Year Ending</u>	<u>Extended Coverage Excluding Wind Pure Premium</u>	<u>Account Year Ending</u>	<u>Extended Coverage Excluding Wind Pure Premium</u>
09/1997	21.28	09/2002	39.41
12/1997	19.38	12/2002	44.78
03/1998	17.48	03/2003	40.45
06/1998	14.10	06/2003	41.49
09/1998	14.04	09/2003	29.45
12/1998	13.12	12/2003	23.73
03/1999	18.34	03/2004	24.23
06/1999	22.57	06/2004	23.30
09/1999	25.47	09/2004	25.63
12/1999	27.72	12/2004	28.58
03/2000	24.43	03/2005	39.40
06/2000	22.71	06/2005	38.76
09/2000	24.54	09/2005	33.17
12/2000	23.93	12/2005	32.41
03/2001	53.86	03/2006	50.34
06/2001	60.02	06/2006	65.93
09/2001	59.48	09/2006	77.55
12/2001	59.57	12/2006	84.03
03/2002	34.64	03/2007	60.83
06/2002	29.83	06/2007	49.17

(1)	Fitted Annual Rates of Change	Latest 40 points 20 points 8 points	+11.9% +16.1% +43.6%
(2)	External Index (CCI Annual Change)	=	1.034 or 3.4%*
(3)	Annualized Trend From First Dollar	=	$(1.020)^{12/96} = 1.002$ or 0.2%**
(4)	CCI Annual Change from First Dollar	=	$(2) \times (3) = 1.036$ or 3.6%
(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"

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**DEVELOPMENT OF COMPOSITE LOSS PROJECTION FACTOR
 FIRE**

A. CALCULATION OF TREND FROM FIRST DOLLAR OF LOSS

<u>YEAR ENDED</u>	<u>(1) CURRENT COST FACTOR</u>	<u>(2) WEIGHTS</u>
06/30/2003	1.2110	.10
06/30/2004	1.1420	.15
06/30/2005	1.0880	.20
06/30/2006	1.0520	.25
06/30/2007	1.0110	.30
(B) BASE DEDUCTIBLE AMOUNT		= 250
(3) WEIGHTED CURRENT COST FACTORS = SUM OF (1) X (2)		= 1.076
(4) LOSS PROJECTION FACTOR		= 1.092
(5) LOSS TREND = (3) X (4)		= 1.175
(6) FIVE YEAR ADJUSTED CLAIMS		= 315
(7) LOSSES ELIMINATED BY BASE DEDUCTIBLE = (6) x (B)		= 78,750
(8) FIVE YEAR LOSSES AND LOSS ADJUSTMENT EXPENSE		
= Total Losses x LAE		
= 7,083,662 x 1.095		= 7,756,609
(9) FACTOR TO ADJUST LOSSES FOR EFFECT OF TRENDING FROM FIRST DOLLAR		
= $1.0 + ((5) - 1.0) \times (7) / ((5) \times (8))$		= 1.002

B. CALCULATION OF COMPOSITE LOSS PROJECTION FACTOR

(10) COMPOSITE LOSS PROJECTION FACTOR		
= (4) x (9)		= 1.094

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**DEVELOPMENT OF COMPOSITE LOSS PROJECTION FACTOR
 EXTENDED COVERAGE**

A. CALCULATION OF TREND FROM FIRST DOLLAR OF LOSS

<u>YEAR</u> <u>ENDED</u>	(1) <u>CURRENT COST FACTOR</u>	(2) <u>WEIGHTS</u>
06/30/1998	1.3480	.10
06/30/1999	1.3270	.10
06/30/2000	1.2900	.10
06/30/2001	1.2680	.10
06/30/2002	1.2450	.10
06/30/2003	1.2110	.10
06/30/2004	1.1420	.10
06/30/2005	1.0880	.10
06/30/2006	1.0520	.10
06/30/2007	1.0110	.10
(B) BASE DEDUCTIBLE AMOUNT	=	250
(3) WEIGHTED CURRENT COST FACTORS = SUM OF (1) X (2)	=	1.198
(4) LOSS PROJECTION FACTOR	=	1.092
(5) LOSS TREND = (3) X (4)	=	1.308
(6) TEN YEAR ADJUSTED CLAIMS	=	5,342
(7) LOSSES ELIMINATED BY BASE DEDUCTIBLE = (6) x (B)	=	1,335,500
(8) TEN YEAR LOSSES AND LOSS ADJUSTMENT EXPENSE = Total Losses x LAE = 14,075,952 x 1.100	=	15,483,547
(9) FACTOR TO ADJUST LOSSES FOR EFFECT OF TRENDING FROM FIRST DOLLAR = $1.0 + ((5) - 1.0) \times (7) / ((5) \times (8))$	=	1.020

B. CALCULATION OF COMPOSITE LOSS PROJECTION FACTOR

(10) LOSS TREND ADJUSTMENT	1.005	96.0/12 = 1.041
(11) COMPOSITE LOSS PROJECTION FACTOR = (4) x (9) x (10)	=	1.160

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**DEVELOPMENT OF CURRENT AMOUNT FACTORS
 AND AMOUNT OF INSURANCE PROJECTION FACTOR
 FIRE**

BUILDINGS			
YEAR ENDED	(1) AVERAGE RELATIVITY	(2) RELATIVITY TO PROJECTED POINT 2.637/(1)	(3) CURRENT AMOUNT FACTOR (((2)-1.0) x 0.75) + 1
06/30/2003	1.948	1.354	1.266
06/30/2004	2.017	1.307	1.230
06/30/2005	2.162	1.220	1.165
06/30/2006	2.351	1.122	1.092
06/30/2007	2.453	1.075	1.056
11/15/2007	2.637		

CONTENTS			
YEAR ENDED	(1) AVERAGE RELATIVITY	(2) RELATIVITY TO PROJECTED POINT 1.657/(1)	(3) CURRENT AMOUNT FACTOR (((2)-1.0) x 0.75) + 1
06/30/2003	1.561	1.061	1.046
06/30/2004	1.564	1.059	1.044
06/30/2005	1.575	1.052	1.039
06/30/2006	1.591	1.041	1.031
06/30/2007	1.634	1.014	1.011
11/15/2007	1.657		

BUILDINGS CONTENTS

(4) A (MEAN OF FITTED LINE OF COLUMN (1))	=	2.186	1.585
(5) B (AVERAGE ANNUAL INCREMENT OF COLUMN (1))	=	0.134	0.017
(6) ANNUAL RATE OF CHANGE = (5) / (4)	=	0.061	0.011
(7) ANNUAL RATE OF CHANGE TEMPERED 40 % = (6) x 0.60	=	0.037	0.007
(8) AMOUNT OF INSURANCE PROJ. FACTOR = (1 + (7)) ^{25.5/12}	=	1.080	1.015

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**DEVELOPMENT OF CURRENT AMOUNT FACTORS
 AND AMOUNT OF INSURANCE PROJECTION FACTOR
 EXTENDED COVERAGE**

BUILDINGS

YEAR ENDED	(1) AVERAGE RELATIVITY	(2) RELATIVITY TO PROJECTED POINT 3.382/(1)	(3) CURRENT AMOUNT FACTOR (((2)-1.0) x 0.75) + 1
06/30/1998	1.889	1.790	1.593
06/30/1999	1.974	1.713	1.535
06/30/2000	2.058	1.643	1.482
06/30/2001	2.128	1.589	1.442
06/30/2002	2.241	1.509	1.382
06/30/2003	2.387	1.417	1.313
06/30/2004	2.512	1.346	1.260
06/30/2005	2.736	1.236	1.177
06/30/2006	2.970	1.139	1.104
06/30/2007	3.118	1.085	1.064
11/15/2007	3.382		

CONTENTS

YEAR ENDED	(1) AVERAGE RELATIVITY	(2) RELATIVITY TO PROJECTED POINT 2.005/(1)	(3) CURRENT AMOUNT FACTOR (((2)-1.0) x 0.75) + 1
06/30/1998	1.664	1.205	1.154
06/30/1999	1.736	1.155	1.116
06/30/2000	1.732	1.158	1.119
06/30/2001	1.729	1.160	1.120
06/30/2002	1.764	1.137	1.103
06/30/2003	1.768	1.134	1.101
06/30/2004	1.774	1.130	1.098
06/30/2005	1.820	1.102	1.077
06/30/2006	1.862	1.077	1.058
06/30/2007	1.944	1.031	1.023
11/15/2007	2.005		

BUILDINGS CONTENTS

(4) A (MEAN OF FITTED LINE OF COLUMN (1))	=	2.745	1.834
(5) B (AVERAGE ANNUAL INCREMENT OF COLUMN (1))	=	0.192	0.044
(6) ANNUAL RATE OF CHANGE = (5) / (4)	=	0.070	0.024
(7) ANNUAL RATE OF CHANGE TEMPERED 40 % = (6) x 0.60	=	0.042	0.014
		25.5/12	
(8) AMOUNT OF INSURANCE PROJ. FACTOR = (1 + (7))	=	1.091	1.030

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CREDIBILITY TABLES

STATEWIDE CREDIBILITIES

<u>FIRE</u>		<u>EXTENDED COVERAGE</u>	
<u>House Years</u>	<u>Credibility</u>	<u>House Years</u>	<u>Credibility</u>
500,000 & Over	1.00	330,000 & Over	1.00
405,000 - 499,999	.90	267,300 - 329,999	.90
320,000 - 404,999	.80	211,200 - 267,299	.80
245,000 - 319,999	.70	161,700 - 211,199	.70
180,000 - 244,999	.60	118,800 - 161,699	.60
125,000 - 179,999	.50	82,500 - 118,799	.50
80,000 - 124,999	.40	52,800 - 82,499	.40
45,000 - 79,999	.30	29,700 - 52,799	.30
20,000 - 44,999	.20	13,200 - 29,699	.20
5,000 - 19,999	.10	3,300 - 13,199	.10
0 - 4,999	.00	0 - 3,299	.00

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Paul

LOSS DEVELOPMENT

FIRE DATA

Arkansas Incurred Losses as of

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
1995	720,293	771,605	771,726	756,541	756,841	756,841	756,841
1996	694,200	716,359	731,705	731,705	731,705	731,705	731,705
1997	945,282	932,065	932,065	932,065	932,065	932,065	932,065
1998	998,717	1,007,016	1,006,792	1,006,792	1,003,623	1,003,623	1,003,623
1999	1,228,865	1,222,682	1,222,882	1,222,882	1,222,982	1,223,382	1,222,878
2000	1,512,323	1,505,187	1,506,048	1,505,212	1,505,212	1,505,212	1,505,212
2001	1,118,494	1,118,589	1,105,842	1,105,842	1,105,842	1,105,842	
2002	663,842	649,873	633,860	633,860	633,860		
2003	640,715	646,491	642,373	652,809			
2004	567,501	560,909	560,909				
2005	1,380,964	1,365,288					
2006	625,161						

Arkansas Link Ratios

Accident Year	27:15	39:27	51:39	63:51	75:63	87:75
1995	1.071	1.000	0.980	1.000	1.000	1.000
1996	1.032	1.021	1.000	1.000	1.000	1.000
1997	0.986	1.000	1.000	1.000	1.000	1.000
1998	1.008	1.000	1.000	0.997	1.000	1.000
1999	0.995	1.000	1.000	1.000	1.000	1.000
2000	0.995	1.001	0.999	1.000	1.000	1.000
2001	1.000	0.989	1.000	1.000	1.000	
2002	0.979	0.975	1.000	1.000		
2003	1.009	0.994	1.016			
2004	0.988	1.000				
2005	0.989					
Average	1.005	0.998	0.999	1.000	1.000	1.000
Selected Link Ratio	1.005	0.998	0.999	1.000	1.000	1.000

Selected Loss Development Factors

Fire	06/2003	06/2004	06/2005	06/2006	06/2007
	1.000	1.000	0.999	0.997	1.002

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LOSS DEVELOPMENT

EXTENDED COVERAGE DATA

Arkansas Incurred Losses as of

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
1995	487,806	495,599	498,300	498,300	498,300	498,300	498,300
1996	1,536,548	1,566,442	1,571,025	1,571,025	1,572,941	1,572,941	1,572,941
1997	600,350	606,222	606,371	606,371	603,509	603,509	603,509
1998	509,196	515,813	517,264	517,264	517,264	517,264	517,264
1999	1,580,251	1,593,325	1,598,127	1,602,031	1,610,235	1,610,235	1,610,235
2000	1,394,504	1,500,110	1,506,952	1,504,508	1,504,508	1,504,668	1,504,668
2001	749,841	760,945	759,373	759,373	759,373	759,373	
2002	598,902	608,179	608,807	612,633	613,060		
2003	505,676	489,148	487,647	487,647			
2004	782,201	768,198	778,152				
2005	1,029,753	1,216,146					
2006	1,497,404						

Arkansas Link Ratios

Accident Year	27:15	39:27	51:39	63:51	75:63	87:75
1995	1.016	1.005	1.000	1.000	1.000	1.000
1996	1.019	1.003	1.000	1.001	1.000	1.000
1997	1.010	1.000	1.000	0.995	1.000	1.000
1998	1.013	1.003	1.000	1.000	1.000	1.000
1999	1.008	1.003	1.002	1.005	1.000	1.000
2000	1.076	1.005	0.998	1.000	1.000	1.000
2001	1.015	0.998	1.000	1.000	1.000	
2002	1.015	1.001	1.006	1.001		
2003	0.967	0.997	1.000			
2004	0.982	1.013				
2005	1.181*					
Average	1.027	1.003	1.001	1.000	1.000	1.000
Selected Link Ratio	1.012	1.003	1.001	1.000	1.000	1.000

Selected Loss Development Factors

EC	06/1998-06/2001	06/2002	06/2003	06/2004	06/2005	06/2006	06/2007
	1.000	1.000	1.000	1.000	1.001	1.004	1.016

* Value excluded in selection of link ratio.

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**DERIVATION OF EXCESS LOSS FACTOR
FOR EXTENDED COVERAGE INSURANCE**

YEAR	(1) REPORTED EARNED PREMIUM	(2) DEVELOPED INCURRED LOSSES	(3) LOSS RATIO (2) / (1)	(4) NORMAL LOSS RATIO	(5) EXCESS LOSS RATIO (3) - (4)	(6) EXCESS LOSSES (1) X (5)
12/1960	2,997,148	1,070,136	0.357	0.357	0.000	0
12/1961	2,569,510	1,872,157	0.729	0.500	0.229	588,418
12/1962	2,112,564	353,406	0.167	0.167	0.000	0
12/1963	1,741,498	204,171	0.117	0.117	0.000	0
12/1964	1,625,124	917,457	0.565	0.500	0.065	105,633
12/1965	1,668,073	993,825	0.596	0.500	0.096	160,135
12/1966	1,649,540	772,300	0.468	0.468	0.000	0
12/1967	1,615,592	876,114	0.542	0.500	0.042	67,855
12/1968	1,619,299	2,103,143	1.299	0.500	0.799	1,293,820
12/1969	1,431,024	404,709	0.283	0.283	0.000	0
12/1970	1,396,670	287,752	0.206	0.206	0.000	0
12/1971	1,660,160	370,137	0.223	0.223	0.000	0
12/1972	1,855,690	1,296,453	0.699	0.500	0.199	369,282
12/1973	1,985,541	1,220,826	0.615	0.500	0.115	228,337
12/1974	2,234,044	864,907	0.387	0.387	0.000	0
12/1975	2,494,943	1,310,847	0.525	0.500	0.025	62,374
12/1976	2,695,348	342,081	0.127	0.127	0.000	0
12/1977	2,695,855	342,079	0.127	0.127	0.000	0
12/1978	2,793,888	1,255,351	0.449	0.449	0.000	0
12/1979	2,745,030	1,547,315	0.564	0.500	0.064	175,682
12/1980	2,763,418	1,980,728	0.717	0.500	0.217	599,662
12/1981	2,658,972	652,884	0.246	0.246	0.000	0
12/1982	2,633,155	1,808,681	0.687	0.500	0.187	492,400
12/1983	2,650,155	868,509	0.328	0.328	0.000	0
12/1984	2,498,119	1,900,433	0.761	0.500	0.261	652,009
12/1985	2,464,022	458,276	0.186	0.186	0.000	0
12/1986	2,151,060	508,686	0.236	0.236	0.000	0
12/1987	1,805,747	587,127	0.325	0.325	0.000	0
12/1988	1,486,414	373,213	0.251	0.251	0.000	0
12/1989	1,148,011	887,807	0.773	0.500	0.273	313,407
12/1990	1,109,083	378,293	0.341	0.341	0.000	0
12/1991	1,571,225	662,960	0.422	0.422	0.000	0
12/1992	1,524,080	770,151	0.505	0.500	0.005	7,620
06/1994	1,587,490	606,506	0.382	0.382	0.000	0
06/1995	1,860,602	633,650	0.341	0.341	0.000	0
06/1996	2,025,992	2,104,757	1.039	0.500	0.539	1,092,010
06/1997	1,929,818	992,057	0.514	0.500	0.014	27,017
06/1998	1,873,325	598,512	0.319	0.319	0.000	0
06/1999	1,887,811	1,927,445	1.021	0.500	0.521	983,550
06/2000	1,990,382	947,909	0.476	0.476	0.000	0
06/2001	2,058,842	1,960,364	0.952	0.500	0.452	930,597
06/2002	2,117,626	1,158,166	0.547	0.500	0.047	99,528
06/2003	2,158,377	825,829	0.383	0.383	0.000	0
06/2004	2,095,125	1,026,700	0.490	0.490	0.000	0
06/2005	2,177,365	873,227	0.401	0.401	0.000	0
06/2006	2,222,666	2,376,570	1.069	0.500	0.569	1,264,697
06/2007	2,491,783	978,121	0.393	0.393	0.000	0
TOTAL \$	96,527,206	47,252,727	23.150	18.431	4.719	9,514,032
AVERAGE			0.493	0.392	0.100	

AVERAGE EXCESS LOSS RATIO = AVG. OF COL. (5) = 0.100
 AVERAGE NORMAL LOSS RATIO = AVG. OF COL. (4) = 0.392
 EXCESS FACTOR = 1.0 (AVG. (5) / AVG. (4)) =
 EXCESS FACTOR = 1.0 (0.100 / 0.392) = 1.255

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DERIVATION OF EXCESS LOSSES ON A BASE DEDUCTIBLE LEVEL

<u>Accident Year Ended</u>	(1) <u>Excess Losses Column (6) from (a)</u>	(2) <u>Developed Incurred Losses Column (2) from (a)</u>	(3) <u>Excess Ratio (1)/(2)</u>
06/30/1998	0	598,512	0.000
06/30/1999	983,550	1,927,445	0.510
06/30/2000	0	947,909	0.000
06/30/2001	930,597	1,960,364	0.475
06/30/2002	99,528	1,158,166	0.086
06/30/2003	0	825,829	0.000
06/30/2004	0	1,026,700	0.000
06/30/2005	0	873,227	0.000
06/30/2006	1,264,697	2,376,570	0.532
06/30/2007	0	978,121	0.000

<u>Accident Year Ended</u>	(4) <u>Incurred Losses on a Base Deductible Level</u>	(5) = (3) x (4) <u>Incurred Excess Losses on a Base Deductible Level</u>
06/30/1998	605,566	0
06/30/1999	2,018,477	1,029,423
06/30/2000	975,311	0
06/30/2001	2,015,479	957,353
06/30/2002	1,244,377	107,016
06/30/2003	938,185	0
06/30/2004	1,133,451	0
06/30/2005	1,042,554	0
06/30/2006	2,860,484	1,521,777
06/30/2007	1,242,068	0

(a) See the "Derivation of Excess Loss Factor" exhibit (previous page).

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Section D – Loss Costs and Rating Information

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Overview

Sample Calculation of Revised Base Loss Costs by Class

Examples are shown to illustrate the calculation of the filed Base Class Loss Costs which are displayed in Section A.

Procedure to Develop Revised Key Loss Costs

The procedures used to calculate the revised Fire and Extended Coverage Key Loss Costs are described. These loss costs are developed from the filed Base Class Loss Costs shown in Section A.

Fire and Extended Coverage Key Loss Costs

Key Loss Costs are displayed for Fire by Protection, Construction, Number of Families, Seasonality, and Occupation (Owner or Non-Owner). Extended Coverage Key Loss Costs are displayed by Form. Revised Key Loss Costs are shown on exhibits at the end of this section.

Current Relativities

The current relativities involved in the calculation of Key Loss Costs and Base Premium, as described in Rule 301 of the Dwelling Manual, are displayed in Exhibit D-4.

Miscellaneous Loss Costs

Certain Miscellaneous Loss Costs are affected by the filed loss cost level changes developed in this document. These revised loss costs are shown in Exhibit D-5.

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SAMPLE CALCULATION OF REVISED BASE LOSS COSTS BY CLASS

<u>Class</u>	(1) Current Base Class Loss Cost (A)	(2) Filed Loss Cost Level Change	(3) Filed Base Class Loss Costs (1) x (2) (A)
Fire:			
<u>Statewide</u>			
Buildings	\$61.06	.900	\$54.95
Dwelling Contents	16.16	.880	14.22
Apartment Contents	29.98	.897	26.89
Extended Coverage:			
<u>Statewide</u>			
Buildings	\$31.51	.979	\$30.85
Contents	2.72	.943	2.56

(A) Frame, Protection Class 5, Owner Occupied, One-Family.

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Procedure to Develop Revised Key Loss Costs

This information explains the procedure used to develop the revised Key Loss Costs, shown on exhibits D-2 and D-3.

Fire

To each rating territory's revised Dwelling Fire, Frame, Protection Class 5, Owner Occupied, One Family, Key* Loss Cost the following relativities are applied, in the order stated, with rounding to the nearest cent at each step.

1. Protection - Construction Relativities
2. Owner/Non-Owner Occupied Relativities
3. Number of Families Relativities

Extended Coverage

To each rating territory's revised Extended Coverage, Basic Form, Key* Loss Cost, Policy Form Relativities are applied and rounded to the nearest cent at each step.

*The base (key) amount is \$20,000 for Buildings and \$6,000 for Contents.

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FIRE KEY LOSS COSTS

Owner-Occupied Key Loss Costs - All Territories				
Fire - Coverage A - All Forms - Non-Seasonal and Seasonal				
Prot. Class	Const.	Number of Families		
		1	2	3 or 4
1	M	39.01	42.91	62.42
	F	52.75	58.03	84.40
2	M	39.56	43.52	63.30
	F	53.30	58.63	85.28
3	M	40.11	44.12	64.18
	F	53.85	59.24	86.16
4	M	40.66	44.73	65.06
	F	54.40	59.84	87.04
5	M	41.21	45.33	65.94
	F	54.95	60.45	87.92
6	M	41.76	45.94	66.82
	F	55.50	61.05	88.80
7	M	42.31	46.54	67.70
	F	65.94	72.53	105.50
8	M	49.46	54.41	79.14
	F	71.44	78.58	114.30
8B	M	60.99	67.09	97.58
	F	87.92	96.71	140.67
9	M	68.69	75.56	109.90
	F	98.91	108.80	158.26
10	M	87.92	96.71	140.67
	F	126.39	139.03	202.22

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FIRE KEY LOSS COSTS

Non-Owner-Occupied Key Loss Costs - All Territories				
Fire - Coverage A - All Forms - Non-Seasonal and Seasonal				
Prot. Class	Const.	Number of Families		
		1	2	3 or 4
1	M	48.76	53.64	78.02
	F	65.94	72.53	105.50
2	M	49.45	54.40	79.12
	F	66.63	73.29	106.61
3	M	50.14	55.15	80.22
	F	67.31	74.04	107.70
4	M	50.83	55.91	81.33
	F	68.00	74.80	108.80
5	M	51.51	56.66	82.42
	F	68.69	75.56	109.90
6	M	52.20	57.42	83.52
	F	69.38	76.32	111.01
7	M	52.89	58.18	84.62
	F	82.43	90.67	131.89
8	M	61.83	68.01	98.93
	F	89.30	98.23	142.88
8B	M	76.24	83.86	121.98
	F	109.90	120.89	175.84
9	M	85.86	94.45	137.38
	F	123.64	136.00	197.82
10	M	109.90	120.89	175.84
	F	157.99	173.79	252.78

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FIRE KEY LOSS COSTS

Owner and Non-Owner-Occupied Key Loss Costs - All Territories				
Fire - Coverage C - All Forms - Non-Seasonal and Seasonal				
Prot. Class	Const.	Number of Families		
		1 or 2	3 or 4	5 or more
1	M	10.10	13.13	19.09
	F	13.65	17.75	25.81
2	M	10.24	13.31	19.36
	F	13.79	17.93	26.08
3	M	10.38	13.49	19.63
	F	13.94	18.12	26.35
4	M	10.52	13.68	19.90
	F	14.08	18.30	26.62
5	M	10.67	13.87	20.17
	F	14.22	18.49	26.89
6	M	10.81	14.05	20.44
	F	14.36	18.67	27.16
7	M	10.95	14.24	20.71
	F	17.06	22.18	32.27
8	M	12.80	16.64	24.20
	F	18.49	24.04	34.96
8B	M	15.78	20.51	29.85
	F	22.75	29.58	43.02
9	M	17.78	23.11	33.61
	F	25.60	33.28	48.40
10	M	22.75	29.58	43.02
	F	32.71	42.52	61.85

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EXTENDED COVERAGE, BROAD AND SPECIAL FORM KEY LOSS COSTS

Coverage A Key Loss Costs			
Terr.	Forms		
	DP 00 01	DP 00 02	DP 00 03
Statewide	30.85	46.28	55.53

Coverage C Key Loss Costs			
Terr.	Forms		
	DP 00 01	DP 00 02	DP 00 03
Statewide	2.56	5.89	5.89

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CURRENT RELATIVITIES

I. Policy Size Relativities (Key Factors)

<u>Amount of Insurance</u>	<u>Fire Buildings</u>	<u>E.C. Buildings</u>	<u>Amount of Insurance</u>	<u>Fire Buildings</u>	<u>E.C. Buildings</u>
1	.310	.566	38	1.294	1.411
2	.346	.588	40	1.327	1.456
3	.382	.611	42	1.359	1.502
4	.419	.634	44	1.392	1.547
5	.455	.657	46	1.425	1.593
6	.491	.680	48	1.457	1.639
7	.528	.703	50	1.490	1.685
8	.564	.726	55	1.570	1.800
9	.600	.749	60	1.650	1.915
10	.637	.771	65	1.730	2.030
11	.673	.794	70	1.810	2.145
12	.709	.817	75	1.890	2.260
13	.746	.840	80	1.970	2.375
14	.782	.862	85	2.050	2.490
15	.818	.885	90	2.130	2.605
16	.855	.908	95	2.210	2.720
18	.927	.953	100	2.290	2.835
20	1.000	1.000	105	2.370	2.950
22	1.033	1.046	110	2.450	3.065
24	1.065	1.091	115	2.530	3.180
26	1.098	1.137	120	2.610	3.295
28	1.131	1.182	125	2.690	3.410
30	1.163	1.228	130	2.770	3.525
32	1.196	1.273	135	2.850	3.640
34	1.229	1.320	140	2.930	3.755
36	1.261	1.365	145	3.010	3.870
For each Additional \$1,000				.016	.023

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CURRENT RELATIVITIES

I. Policy Size Relativities (Key Factors)

<u>Amount of Insurance</u>	<u>Fire Contents</u>	<u>E.C. Contents</u>	<u>Amount of Insurance</u>	<u>Fire Contents</u>	<u>E.C. Contents</u>
1	.35	.17	26	3.60	4.34
2	.48	.33	27	3.73	4.51
3	.61	.50	28	3.86	4.68
4	.74	.67	29	3.99	4.85
5	.87	.83	30	4.12	5.02
6	1.00	1.00	31	4.25	5.19
7	1.13	1.17	32	4.38	5.36
8	1.26	1.34	33	4.51	5.53
9	1.39	1.50	34	4.64	5.70
10	1.52	1.67	35	4.77	5.87
11	1.65	1.84	36	4.90	6.04
12	1.78	2.00	37	5.03	6.21
13	1.91	2.17	38	5.16	6.38
14	2.04	2.33	39	5.29	6.55
15	2.17	2.50	40	5.42	6.72
16	2.30	2.67	41	5.55	6.89
17	2.43	2.84	42	5.68	7.06
18	2.56	3.00	43	5.81	7.23
19	2.69	3.17	44	5.94	7.40
20	2.82	3.34	45	6.07	7.57
21	2.95	3.51	46	6.20	7.74
22	3.08	3.67	47	6.33	7.91
23	3.21	3.84	48	6.46	8.08
24	3.34	4.00	49	6.59	8.25
25	3.47	4.17	50	6.72	8.42

For each Additional \$1,000 .130 .170

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CURRENT RELATIVITIES

Policy Form Relativities

	E.C. Buildings	E.C. Contents
<u>Non-Seasonal Dwellings</u>		
Broad Form	1.50	2.30
Special Form	1.80	2.30
<u>Seasonal Dwellings</u>		
Broad Form	1.75	2.75
Special Form	2.10	2.75

Protection-Construction Relativities

<u>Protection Class</u>	<u>Fire Buildings</u>		<u>Fire Contents</u>	
	<u>Frame</u>	<u>Masonry</u>	<u>Frame</u>	<u>Masonry</u>
<u>Statewide</u>				
1	0.96	0.71	0.96	0.71
2	0.97	0.72	0.97	0.72
3	0.98	0.73	0.98	0.73
4	0.99	0.74	0.99	0.74
5	1.00	0.75	1.00	0.75
6	1.01	0.76	1.01	0.76
7	1.20	0.77	1.20	0.77
8	1.30	0.90	1.30	0.90
8B	1.60	1.11	1.60	1.11
9	1.80	1.25	1.80	1.25
10	2.30	1.60	2.30	1.60

Owner/Non-Owner Relativity

Fire Buildings: 1.25

Number of Family Relativities

	<u>Buildings</u>	<u>Contents</u>
2 Family	1.10	1.00
3 & 4 Family	1.60	1.30

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