

SERFF Tracking Number: LBPM-125715111 State: Arkansas
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: AR HO SR 08
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Home
Project Name/Number: Homeowner State Review/AR HO SR 08

Filing at a Glance

Companies: Liberty Mutual Fire Insurance Company, The First Liberty Insurance Corporation

Product Name: Home	SERFF Tr Num: LBPM-125715111	State: Arkansas
TOI: 04.0 Homeowners	SERFF Status: Closed	State Tr Num: EFT \$100
Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations	Co Tr Num: AR HO SR 08	State Status: Fees verified and received
Filing Type: Rate/Rule	Co Status:	Reviewer(s): Becky Harrington, Betty Montesi
	Author: Jennifer Colby	Disposition Date: 07/09/2008
	Date Submitted: 06/27/2008	Disposition Status: Filed
Effective Date Requested (New): 09/22/2008		Effective Date (New): 09/22/2008
Effective Date Requested (Renewal): 10/27/2008		Effective Date (Renewal): 10/27/2008

State Filing Description:

General Information

Project Name: Homeowner State Review	Status of Filing in Domicile: Not Filed
Project Number: AR HO SR 08	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 07/09/2008	
State Status Changed: 07/02/2008	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	

In accordance with the "file and use" provision, Liberty Mutual Fire Insurance Company (LMFIC) and The First Liberty Insurance Corporation (TFLIC) request the following rate revisions in the state of Arkansas. Revisions include base rate changes and changes to the water back up rate. These revisions are applicable to all policies produced and effective on or after September 22, 2008 and renewal business October 27, 2008. These changes will result in an overall rate impact of 4.1%.

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 Product Name: Home
 Project Name/Number: Homeowner State Review/AR HO SR 08

Company and Contact

Filing Contact Information

Jennifer Colby, Industry Filing Analyst jennifer.colby@libertymutual.com
 175 Berkeley Street (800) 225-8346 [Phone]
 Boston, MA 02116

Filing Company Information

Liberty Mutual Fire Insurance Company CoCode: 23035 State of Domicile: Wisconsin
 175 Berkeley Street Group Code: 111 Company Type:
 Boston, MA 02116 Group Name: State ID Number:
 (800) 225-8346 ext. [Phone] FEIN Number: 04-1924000

The First Liberty Insurance Corporation CoCode: 33588 State of Domicile: Iowa
 175 Berkeley Street Group Code: 111 Company Type:
 Boston, MA 02116 Group Name: State ID Number:
 (800) 225-8346 ext. [Phone] FEIN Number: 04-3058503

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: \$100.00 per filing
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Liberty Mutual Fire Insurance Company	\$100.00	06/27/2008	21129436
The First Liberty Insurance Corporation	\$0.00	06/27/2008	

SERFF Tracking Number: LBPM-125715111 State: Arkansas
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 Product Name: Home
 Project Name/Number: Homeowner State Review/AR HO SR 08

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	07/09/2008	07/09/2008

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	07/09/2008	07/09/2008	Jennifer Colby	07/09/2008	07/09/2008
Pending Industry Response	Becky Harrington	07/02/2008	07/02/2008	Jennifer Colby	07/08/2008	07/08/2008

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Rate Pages and Confidential Info	Note To Filer	Becky Harrington	07/09/2008	07/09/2008
Rate pages	Note To Reviewer	Jennifer Colby	07/09/2008	07/09/2008

SERFF Tracking Number: *LBPM-125715111* State: *Arkansas*
 First Filing Company: *Liberty Mutual Fire Insurance Company, ...* State Tracking Number: *EFT \$100*
 Company Tracking Number: *AR HO SR 08*
 TOI: *04.0 Homeowners* Sub-TOI: *04.0000 Homeowners Sub-TOI Combinations*
 Product Name: *Home*
 Project Name/Number: *Homeowner State Review/AR HO SR 08*

Disposition

Disposition Date: 07/09/2008
 Effective Date (New): 09/22/2008
 Effective Date (Renewal): 10/27/2008
 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:
Liberty Mutual Fire Insurance Company	4.100%	\$119,719	2,988	\$2,893,677	29.200%	2.400%	11.400%
The First Liberty Insurance Corporation	4.100%	\$0	0	\$0	0.000%	0.000%	11.000%

Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	11.400%
Overall Percentage Rate Impact For This Filing	4.100%
Effect of Rate Filing-Written Premium Change For This Program	\$119,719
Effect of Rate Filing - Number of Policyholders Affected	2,988

SERFF Tracking Number: LBPM-125715111 State: Arkansas
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 Company Tracking Number: AR HO SR 08
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 Product Name: Home
 Project Name/Number: Homeowner State Review/AR HO SR 08

Item Type	Item Name	Item Status	Public Access
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	No
Supporting Document	NAIC loss cost data entry document	Filed	No
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	No
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	No
Supporting Document	Cover Letter	Filed	No
Supporting Document	Actuarial Justification	Filed	No
Supporting Document (revised)	Rating Manual Pages	Filed	No
Supporting Document	Rating Manual Pages	Filed	No
Supporting Document	Responses and supporting documents	Filed	No
Supporting Document	RF1 TFLIC and HPCS forms	Filed	No

SERFF Tracking Number: LBPM-125715111 State: Arkansas
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: AR HO SR 08
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Home
Project Name/Number: Homeowner State Review/AR HO SR 08

Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 07/09/2008

Submitted Date 07/09/2008

Respond By Date

Dear Jennifer Colby,

This will acknowledge receipt of the captioned filing.

Objection 1

No Objections

Comment: Confidential documents must be submitted as separate schedule document items in order to be marked appropriately. Please re-submit your response letter and model documents separately.

Objection 2

No Objections

Comment: Please also attach the rate pages under the rate schedule tab.

Objection 3

No Objections

Comment: The HPCS forms are still in pdf format. They must be in Excel xls format.

Objection 4

No Objections

Comment: An RF-1 was not submitted for The First Liberty Ins Corp. Rate information was also not included on the rate schedule tab. Please explain.

Please feel free to contact me if you have questions.

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Sincerely,

Becky Harrington

Response Letter

Response Letter Status Submitted to State

SERFF Tracking Number: *LBPM-125715111* *State:* *Arkansas*
First Filing Company: *Liberty Mutual Fire Insurance Company, ...* *State Tracking Number:* *EFT \$100*
Company Tracking Number: *AR HO SR 08*
TOI: *04.0 Homeowners* *Sub-TOI:* *04.0000 Homeowners Sub-TOI Combinations*
Product Name: *Home*
Project Name/Number: *Homeowner State Review/AR HO SR 08*

Response Letter Date **07/09/2008**
Submitted Date **07/09/2008**

SERFF Tracking Number: LBPM-125715111 State: Arkansas
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: AR HO SR 08
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Home
Project Name/Number: Homeowner State Review/AR HO SR 08

Dear Becky Harrington,

Comments:

Response 1

Comments: Hi Becky,

I apologize for this. I am attaching the rate pages under the correct tab and sending the HPCS in excel format. An RF1 for TFLIC is included with this as well.

We will not be requesting confidentiality on the AIR Model part of this filing.

Thank you,
Jenn

Related Objection 1

Comment:

Confidential documents must be submitted as separate schedule document items in order to be marked appropriately. Please re-submit your response letter and model documents separately.

Related Objection 2

Comment:

Please also attach the rate pages under the rate schedule tab.

Related Objection 3

Comment:

The HPCS forms are still in pdf format. They must be in Excel xls format.

Related Objection 4

Comment:

An RF-1 was not submitted for The First Liberty Ins Corp. Rate information was also not included on the rate schedule tab. Please explain.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: RF1 TFLIC and HPCS forms

Comment:

No Form Schedule items changed.

SERFF Tracking Number: LBPM-125715111 State: Arkansas
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: AR HO SR 08
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Home
Project Name/Number: Homeowner State Review/AR HO SR 08

No Rate/Rule Schedule items changed.

Response 2

Comments: Hi Becky,

I apologize for this. I am attaching the rate pages under the correct tab and sending the HPCS in excel format. An RF1 for TFLIC is included with this as well.

We will not be requesting confidentiality on the AIR Model part of this filing.

Thank you,
Jenn

Related Objection 1

Comment:

Confidential documents must be submitted as separate schedule document items in order to be marked appropriately. Please re-submit your response letter and model documents separately.

Related Objection 2

Comment:

Please also attach the rate pages under the rate schedule tab.

Related Objection 3

Comment:

The HPCS forms are still in pdf format. They must be in Excel xls format.

Related Objection 4

Comment:

An RF-1 was not submitted for The First Liberty Ins Corp. Rate information was also not included on the rate schedule tab. Please explain.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Rating Manual Pages

Comment:

No Form Schedule items changed.

SERFF Tracking Number: *LBPM-125715111* *State:* *Arkansas*
First Filing Company: *Liberty Mutual Fire Insurance Company, ...* *State Tracking Number:* *EFT \$100*
Company Tracking Number: *AR HO SR 08*
TOI: *04.0 Homeowners* *Sub-TOI:* *04.0000 Homeowners Sub-TOI Combinations*
Product Name: *Home*
Project Name/Number: *Homeowner State Review/AR HO SR 08*

No Rate/Rule Schedule items changed.

Sincerely,
Jennifer Colby

SERFF Tracking Number: LBPM-125715111 State: Arkansas
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: AR HO SR 08
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Home
Project Name/Number: Homeowner State Review/AR HO SR 08

Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 07/02/2008

Submitted Date 07/02/2008

Respond By Date

Dear Jennifer Colby,

This will acknowledge receipt of the captioned filing.

Objection 1

- HPCS-Homeowners Premium Comparison Survey (Supporting Document)

Comment: An HPCS must be submitted for each company separately and must be in Excel spreadsheet format.

Objection 2

- NAIC loss cost data entry document (Supporting Document)

Comment: The loss cost data entry document, AR form RF-1 is required with all rate filings.

Objection 3

- Actuarial Justification (Supporting Document)

Comment: Page 17, Provision for Severe Storm Loss - provide the AIR model. Describe in detail or provide the actual data entered into the model. Was the data AR specific?

Objection 4

- Actuarial Justification (Supporting Document)

Comment: Provide evidence of actual hurricane losses in AR or remove the hurricane provision.

Objection 5

- Actuarial Justification (Supporting Document)

Comment: The profit provision has almost doubled from the previous rate filing effective in 2004. Please explain how the profit provision is not in violation of ACA 23-67-208(b).

Objection 6

- Rating Manual Pages (Supporting Document)

Comment: The mock pages and actual pages are identical. Please explain.

Please attach the final pages under the "rate schedule" tab.

SERFF Tracking Number: LBPM-125715111 State: Arkansas
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: AR HO SR 08
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Home
Project Name/Number: Homeowner State Review/AR HO SR 08

Please feel free to contact me if you have questions.

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Sincerely,
Becky Harrington

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07/08/2008
Submitted Date	07/08/2008

Dear Becky Harrington,

Comments:

Response 1

Comments: Hello,

Attached please find the responses and necessary documents for all objections.

We are requesting our information regarding the AIR Model be kept confidential.

Please contact me with any questions.

Thank you,
Jennifer Colby
800-225-8346 x41714

Related Objection 1

Applies To:

- HPCS-Homeowners Premium Comparison Survey (Supporting Document)

Comment:

An HPCS must be submitted for each company separately and must be in Excel spreadsheet format.

Related Objection 2

Applies To:

SERFF Tracking Number: LBPM-125715111 State: Arkansas
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: AR HO SR 08
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Home
Project Name/Number: Homeowner State Review/AR HO SR 08

- NAIC loss cost data entry document (Supporting Document)

Comment:

The loss cost data entry document, AR form RF-1 is required with all rate filings.

Related Objection 3

Applies To:

- Actuarial Justification (Supporting Document)

Comment:

Page 17, Provision for Severe Storm Loss - provide the AIR model. Describe in detail or provide the actual data entered into the model. Was the data AR specific?

Related Objection 4

Applies To:

- Actuarial Justification (Supporting Document)

Comment:

Provide evidence of actual hurricane losses in AR or remove the hurricane provision.

Related Objection 5

Applies To:

- Actuarial Justification (Supporting Document)

Comment:

The profit provision has almost doubled from the previous rate filing effective in 2004. Please explain how the profit provision is not in violation of ACA 23-67-208(b).

Related Objection 6

Applies To:

- Rating Manual Pages (Supporting Document)

Comment:

The mock pages and actual pages are identical. Please explain.

Please attach the final pages under the "rate schedule" tab.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Responses and supporting documents

Comment:

SERFF Tracking Number: *LBPM-125715111* *State:* *Arkansas*
First Filing Company: *Liberty Mutual Fire Insurance Company, ...* *State Tracking Number:* *EFT \$100*
Company Tracking Number: *AR HO SR 08*
TOI: *04.0 Homeowners* *Sub-TOI:* *04.0000 Homeowners Sub-TOI Combinations*
Product Name: *Home*
Project Name/Number: *Homeowner State Review/AR HO SR 08*

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,
Jennifer Colby

SERFF Tracking Number: *LBPM-125715111* *State:* *Arkansas*
First Filing Company: *Liberty Mutual Fire Insurance Company, ...* *State Tracking Number:* *EFT \$100*
Company Tracking Number: *AR HO SR 08*
TOI: *04.0 Homeowners* *Sub-TOI:* *04.0000 Homeowners Sub-TOI Combinations*
Product Name: *Home*
Project Name/Number: *Homeowner State Review/AR HO SR 08*

Note To Filer

Created By:

Becky Harrington on 07/09/2008 01:56 PM

Subject:

Rate Pages and Confidential Info

Comments:

I don't know what to do to correct the manual pages. We will not worry about it on this filing. Please be sure to attach them under the correct tab in the next filing.

You did not separate the confidential information into a separate document. I will try to do a work around this time, but next time you will need to submit it correctly or we will not be able to keep anything confidential.

SERFF Tracking Number: *LBPM-125715111* State: *Arkansas*
First Filing Company: *Liberty Mutual Fire Insurance Company, ...* State Tracking Number: *EFT \$100*
Company Tracking Number: *AR HO SR 08*
TOI: *04.0 Homeowners* Sub-TOI: *04.0000 Homeowners Sub-TOI Combinations*
Product Name: *Home*
Project Name/Number: *Homeowner State Review/AR HO SR 08*

Note To Reviewer

Created By:

Jennifer Colby on 07/09/2008 12:27 PM

Subject:

Rate pages

Comments:

Hi Becky,

I tried twice to get the rate pages under the correct tab and they are not showing up there. Is there anything I can do on this side to fix that for you?

Sorry about this.

Jenn

SERFF Tracking Number: *LBPM-125715111* State: *Arkansas*
 First Filing Company: *Liberty Mutual Fire Insurance Company, ...* State Tracking Number: *EFT \$100*
 Company Tracking Number: *AR HO SR 08*
 TOI: *04.0 Homeowners* Sub-TOI: *04.0000 Homeowners Sub-TOI Combinations*
 Product Name: *Home*
 Project Name/Number: *Homeowner State Review/AR HO SR 08*

Rate Information

Rate data applies to filing.

Filing Method: File & Use
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 8.000%
Effective Date of Last Rate Revision: 05/12/2004
Filing Method of Last Filing: File & Use

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):
Liberty Mutual Fire Insurance Company	11.400%	4.100%	\$119,719	2,988	\$2,893,677	29.200%	2.400%
The First Liberty Insurance Corporation	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

Overall Rate Information for Multiple Company Filings

Overall % Rate Indicated: 11.400%
Overall Percentage Rate Impact For This Filing: 4.100%
Effect of Rate Filing - Written Premium Change For This Program: \$119,719

SERFF Tracking Number: LBPM-125715111 State: Arkansas
 First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100
 Company Tracking Number: AR HO SR 08
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
 Product Name: Home
 Project Name/Number: Homeowner State Review/AR HO SR 08

Supporting Document Schedules

<p>Satisfied -Name: HPCS-Homeowners Premium Comparison Survey</p> <p>Comments:</p> <p>Attachments: 2008 AR HO Survey FORM HPCS R1.pdf AR Form H1.pdf</p>	<p>Review Status: Filed 07/09/2008</p>
<p>Bypassed -Name: NAIC loss cost data entry document</p> <p>Bypass Reason: N/A</p> <p>Comments:</p>	<p>Review Status: Filed 07/09/2008</p>
<p>Bypassed -Name: NAIC Loss Cost Filing Document for OTHER than Workers' Comp</p> <p>Bypass Reason: N/A</p> <p>Comments:</p>	<p>Review Status: Filed 07/09/2008</p>
<p>Satisfied -Name: Uniform Transmittal Document-Property & Casualty</p> <p>Comments:</p> <p>Attachments: AR RateRule.pdf P&C Transmittal.pdf</p>	<p>Review Status: Filed 07/09/2008</p>
<p>Satisfied -Name: Cover Letter</p> <p>Comments:</p> <p>Attachment: AR HO SR 08 Cover Letter.pdf</p>	<p>Review Status: Filed 07/09/2008</p>

SERFF Tracking Number: LBPM-125715111 State: Arkansas
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: AR HO SR 08
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Home
Project Name/Number: Homeowner State Review/AR HO SR 08

Review Status:
Satisfied -Name: Actuarial Justification Filed 07/09/2008
Comments:
Attachment:
AR HO Rate Filing Actuarial Justification 9.22.08.pdf

Review Status:
Satisfied -Name: Rating Manual Pages Filed 07/09/2008
Comments:
Attachments:
Section R Page 1 9-22-08 Mock.pdf
AR Home R1 proof.pdf
Section R Page 11 9-22-08 Mock.pdf
AR Home R11 proof.pdf

Review Status:
Satisfied -Name: Responses and supporting documents Filed 07/09/2008
Comments:
Attachments:
AR HO response to DOI.pdf
2008 AR HO Fire Survey FORM HPCS R1.pdf
2008 AR HO TFLIC Survey FORM HPCS R1.pdf
AR Home R1 proof.pdf
Section R Page 1 9-22-08 Mock.pdf
AR Home R11 proof.pdf
Section R Page 11 9-22-08 Mock.pdf
Loss Cost.pdf

Review Status:
Satisfied -Name: RF1 TFLIC and HPCS forms Filed 07/09/2008
Comments:
Attachments:
Loss Cost_TFLIC.pdf
2008 AR HO Fire Survey FORM HPCS R1.xls

SERFF Tracking Number: *LBPM-125715111* *State:* *Arkansas*
First Filing Company: *Liberty Mutual Fire Insurance Company, ...* *State Tracking Number:* *EFT \$100*
Company Tracking Number: *AR HO SR 08*
TOI: *04.0 Homeowners* *Sub-TOI:* *04.0000 Homeowners Sub-TOI Combinations*
Product Name: *Home*
Project Name/Number: *Homeowner State Review/AR HO SR 08*
2008 AR HO TFLIC Survey FORM HPCS R1.xls

NAIC Number: Group number 111 23035 & 33588
 Company Name: Liberty Mutual Fire Ins. Co. & The First Liberty Ins. Corp.
 Contact Person: Jennifer Colby
 Telephone No.: 800-225-8346 x41714
 Email Address: jennifer.colby@libertymutual.com
 Effective Date: 9/22/2008

**Homeowners Premium Comparison Survey Form
 FORM HPCS - last modified August, 2005**

Submit to: Arkansas Insurance Department
 1200 West Third Street
 Little Rock, AR 72201-1904
 Telephone: 501-371-2800
 Email as an attachment to insurance.pnc@arkansas.gov
 You may also attach to a SERFF filing or submit on a cdr disk

**USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE
 BLANK**

Survey Form for HO3 (Homeowners) - Use \$500 Flat Deductible (Covers risk of direct physical loss for dwelling and other structures; named perils for personal property, replacement cost on dwelling, actual cash value on personal property)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$427	\$473	\$427	\$473	\$643	\$712	\$613	\$679	\$613	\$679	\$591	\$654	\$679	\$751	\$475	\$525	\$614	\$679
	\$120,000	\$611	\$675	\$611	\$675	\$917	\$1,015	\$874	\$968	\$874	\$968	\$845	\$933	\$969	\$1,070	\$678	\$749	\$876	\$969
	\$160,000	\$816	\$903	\$816	\$903	\$1,241	\$1,384	\$1,177	\$1,313	\$1,177	\$1,313	\$1,131	\$1,263	\$1,315	\$1,467	\$904	\$1,000	\$1,178	\$1,317
6	\$80,000	\$503	\$565	\$503	\$565	\$758	\$847	\$721	\$809	\$721	\$809	\$695	\$779	\$799	\$893	\$558	\$625	\$722	\$811
	\$120,000	\$717	\$805	\$717	\$805	\$1,080	\$1,221	\$1,030	\$1,159	\$1,030	\$1,159	\$992	\$1,113	\$1,143	\$1,294	\$798	\$892	\$1,032	\$1,161
	\$160,000	\$961	\$1,075	\$961	\$1,075	\$1,482	\$1,673	\$1,407	\$1,589	\$1,407	\$1,589	\$1,350	\$1,529	\$1,570	\$1,771	\$1,065	\$1,202	\$1,408	\$1,593
9	\$80,000	\$937	\$1,082	\$937	\$1,082	\$1,441	\$1,687	\$1,369	\$1,601	\$1,369	\$1,601	\$1,315	\$1,540	\$1,528	\$1,784	\$1,038	\$1,211	\$1,370	\$1,604
	\$120,000	\$1,362	\$1,593	\$1,362	\$1,593	\$2,110	\$2,457	\$2,005	\$2,338	\$2,005	\$2,338	\$1,930	\$2,249	\$2,233	\$2,599	\$1,524	\$1,781	\$2,009	\$2,341
	\$160,000	\$1,860	\$2,171	\$1,860	\$2,171	\$2,859	\$3,324	\$2,720	\$3,163	\$2,720	\$3,163	\$2,620	\$3,046	\$3,023	\$3,513	\$2,079	\$2,420	\$2,724	\$3,168

Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000	\$81	\$81	\$81	\$81	\$85	\$85	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94
	\$15,000	\$134	\$134	\$134	\$134	\$141	\$141	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158
	\$25,000	\$181	\$181	\$181	\$181	\$189	\$189	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209
6	\$5,000	\$89	\$89	\$89	\$89	\$93	\$93	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102
	\$15,000	\$147	\$147	\$147	\$147	\$155	\$155	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170
	\$25,000	\$195	\$195	\$195	\$195	\$206	\$206	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228
9	\$5,000	\$123	\$123	\$123	\$123	\$129	\$129	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144
	\$15,000	\$206	\$206	\$206	\$206	\$215	\$215	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240
	\$25,000	\$273	\$273	\$273	\$273	\$286	\$286	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319

Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:

HO3 and HO4 only

Fire Extinguisher	6 %	Deadbolt Lock	6 %
Burglar Alarm	5-10 %	Window Locks	0 %
Smoke Alarm	1-2 %	\$1,000 Deductible	26-30 %
		Other (specify)	

EARTHQUAKE INSURANCE

IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this co

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	Yes (yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	5-25 %

Zone Brick Frame

	<i>Sprinkler System</i>	8-13	%	<i>WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?</i>	Highest Risk	\$	0.71	\$	0.58
	<i>Maximum Credit Allowed</i>		%		Lowest Risk	\$	0.21	\$	0.18

I

7. Specify the form(s) utilized in writing homeowner insurance. Indicate the Arkansas premium volume for each form.

<u>FORM</u>	<u>PREMIUM VOLUME</u>
H2, H3	\$2,721,572 (12 months premium ending March, 2008)
H4	\$98,931
H6	\$12,226

8. Do you write homeowner risks which have aluminum, steel or vinyl siding? Yes

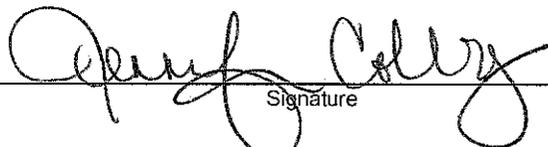
9. Is there a surcharge on risks with wood heat? No

If yes, state surcharge Not applicable

Does the surcharge apply to conventional fire places? Not applicable

If yes, state surcharge Not applicable

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



Signature

Jennifer Colby

Printed Name

Industry Filings Analyst

Title

800-225-8346

Telephone Number

jennifer.colby@libertymutual.com

Email Address

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 #		AR HO SR 08				
2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)						
	<input checked="" type="checkbox"/> Rate Increase		<input type="checkbox"/> Rate Decrease		<input type="checkbox"/> 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)
LMFIC	11.4%	4.1%	119,719	2,988	2,893,677	29.2%	2.4%
TFLIC	0%	0%	0	0	0	0%	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 (where required)	Minimum % Change (where required)
Overall Rate Information (Complete for Multiple Company Filings only)							
					COMPANY USE	STATE USE	
5a.	Overall percentage rate indication (when applicable)			11.4%			
5b.	Overall percentage rate impact for this filing			4.1%			
5c.	Effect of Rate Filing – Written premium change for this program			\$119,719			
5d.	Effect of Rate Filing – Number of policyholders affected			2988			
6.	Overall percentage of last rate revision			+8.0%			
7.	Effective Date of last rate revision			5/12/2004			
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	R1	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn			AR-PC-05-016293		
02	R11	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn			9/15/2003		
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn					

16. Reference Organization (if applicable)	
17. Reference Organization # & Title	
18. Company's Date of Filing	
19. Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document—

20. This filing transmittal is part of Company Tracking #	AR HO SR 08
--	-------------

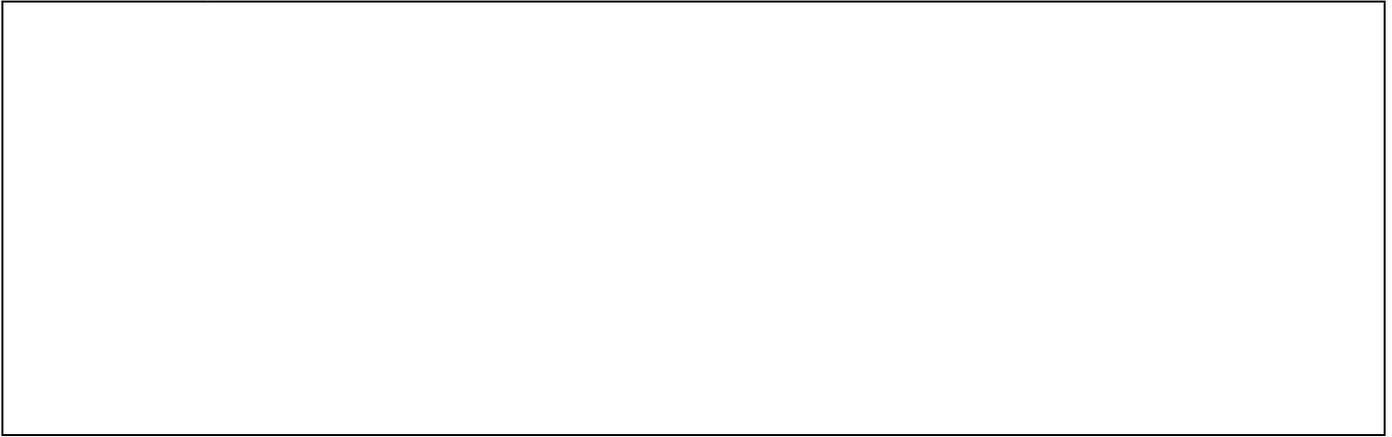
21. Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
--

In accordance with the "file and use" provision, Liberty Mutual Fire Insurance Company (LMFIC) and The First Liberty Insurance Corporation (TFLIC) request the following rate revisions in the state of Arkansas. Revisions include base rate changes and changes to the water back up rate. These revisions are applicable to all policies produced and effective on or after September 22, 2008 and renewal business October 27, 2008. These changes will result in an overall rate impact of 4.1%.

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 #: EFT
Amount: \$100.00

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



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



175 Berkeley Street
Maildrop O3-J
Boston, MA 02117
Telephone: (800) 225-8346
Facsimile: (617) 574-6699

Submitted Via SERFF

June 27, 2008

Honorable Julie Benafield Bowman
Arkansas Insurance Department
Property & Casualty Division
1200 W 3rd Street
Little Rock, AR 72201-1904

RE: **Homeowner Policy Program**
Co. # AR HO SR 08
Liberty Mutual Fire Insurance Company 111-23035
The First Liberty Insurance Corporation 111-33588

Dear Commissioner:

In accordance with the "file and use" provision, Liberty Mutual Fire Insurance Company (LMFIC) and The First Liberty Insurance Corporation (TFLIC) request the following rate revisions in the state of Arkansas. Revisions include base rate changes and changes to the water back up rate. These revisions are applicable to all policies produced and effective on or after **September 22, 2008** and renewal business **October 27, 2008**. These changes will result in an overall rate impact of 4.1%.

Summary of Changes:
Dwelling Forms

1. Revise H3 Base Rates as follows:

Dwelling Territory	Current	Proposed
031	2311	2387
032	2224	2298
033	1839	1900
034	2420	2500
035	1985	2050
036	1787	1845
081	1611	1663
084	2253	2327
086	2307	2383
097	2553	2637
098	2307	2383

Contents Forms

2. Revise H4 Base Rates as follows:

Dwelling Territory	Current	Proposed
031	289	318
032	301	331
033	280	308
034	271	298
035	285	314
036	271	298
081	258	284
084	301	331
086	301	331
097	301	331
098	301	331

3. Revise H6 Base Rates as follows:

Dwelling Territory	Current	Proposed
031	405	417
032	405	417
033	405	417
034	405	417
035	405	417
036	405	417
081	405	417
084	405	417
086	405	417
097	405	417
098	405	417

All Forms

4. Revise Water Back Up charge for H3, H4, and H6 policies as follows:

Water Back Up	
Current	Proposed
10	40

Rating Manual Changes:

The following manual pages have been revised:

<u>Page</u>	<u>Revision</u>
Section R, Page 1	Revise H3, H4, and H6 Base Rates
Section R, Page 11	Revise Water Back Up charge

Rate Effect:

The overall rate effect associated with this change is +4.1%, and the overall premium impact is +\$119,719.

If you have any questions, please contact me at (800) 225-8346, ext. 41714, fax me at (617) 574-6692 or e-mail me at Jennifer.Colby@libertymutual.com. Thank you.

Sincerely,



Jennifer Colby
Industry Filings Analyst
Industry & Regulatory Relations

**Liberty Mutual Group
Arkansas Homeowners Filing- Actuarial Justification**

Table of Contents

Section I	Summary of Filing
Section II	Homeowners Calendar/Accident Year Rate Level Indications
Section III	Profit Provision and Investment Income Analysis
Appendix	Capped Loss Factors

I. Summary of Rate Filing

The overall premium change proposed in the filing is +4.1% (+3.9% for Form 2 and Form 3, and +10.4% for Form 4 and +5.8% for Form 6). The proposed effective date for these changes is September 22, 2008. The premium effect of the proposed change is estimated to be +\$119,719.

Past and Prospective Experience

Arkansas Homeowners Calendar/Accident Year data for the five-year period ending September 30, 2007 is used in determining our overall rate level needed. The dwelling rate level indication is +11.4%. The indication for Dwelling Forms serves as justification for all forms, as our experience for Contents Forms does not have significant credibility and, hence, is not reliable as an indicator of the adequacy of the company's current rates. The data used to develop the indication is 50% credible. The calculation of the indication is explained, and supporting data provided, in Section II.

Expenses

The expense provision used in the indication is based on the 2008 planned expense numbers for Liberty Mutual's Southwest Region.

Reasonable Profit Margin

Our margin of 10.3% for profit and contingencies is calculated and explained in Section III. This margin is calculated to allow a return on surplus of 15.2%, with a 1.75:1 premium-to-surplus model.

II. Rate Indication and Supporting Data

Liberty Mutual's rate level indication for Arkansas is calculated from five years of historical premium and loss experience, with adjustments made for loss and premium, including adjustments to smooth the effects of catastrophe and severe storm losses. The attached exhibits explain how the historical data is developed and adjusted to project premium and loss levels for the proposed effective period and to determine the indicated rate change. Exhibit II-A summarizes the calculation of the rate-level indication and displays each item incorporated into the calculation. Exhibits II-B through II-H provides further detail on specific calculations and projections.

Below is a description of each item contributing to the rate level indication (as summarized in Exhibit II-A), including an explanation of the modifications made to the reported data to project future experience:

1. Reported Earned Premiums - The direct earned premiums for the latest five calendar years are listed.
2. Earned House Years- The earned exposures for the latest five calendar years are listed.
3. Premium Trend Factors - These factors are developed to reflect changes in the amount of coverage selected by the insured. The calculation of the actual factors involves regression analysis on a state-specific basis of the latest five calendar years of average earned premium at current rate level. The supporting data for this projection is presented in Exhibit II-B.
4. Current Rate Factors - These “on-level” factors represent the adjustment to Reported Earned Premium to place the experience on the current rate level. They are determined using the parallelogram method and the state's rate change history. The rate changes incorporated in this calculation, and the factors developed, are presented in Exhibit II-C.
5. Premium Adjustment Factor - The Premium Trend and Current Rate Factors are combined to produce a single factor applicable to Reported Earned Premium.
6. Premium at Current Level - These result from the application of the Premium Adjustment Factors to the Reported Earned Premium.
7. Capped Incurred Losses Excluding Catastrophe and Severe Storms - Capped Incurred Catastrophic Losses Excluding Severe Storms are subtracted from Capped Incurred Losses Excluding Severe Storms to produce “Capped Incurred Losses X-Cat, X-Severe Storm.” Capped Incurred Losses Excluding Severe Storms are the statewide total reported losses (excluding tornado/hail/severe storm wind losses) capped at \$250,000 per occurrence for the five accident years ending September 30, 2007, evaluated as of September 30, 2007. Capped Incurred Catastrophic Losses Excluding Severe Storms are the losses that arise from singular events (excluding tornado/hail/severe storm wind losses) that are deemed catastrophic by Liberty Mutual.
8. Capped Loss Factors excluding Severe Storms - These factors represent the estimated relativity of total losses (excluding catastrophes and severe storms) to losses capped at \$250,000 per occurrence. These factors are applied to the Capped Incurred Losses Excluding Catastrophe and Severe Storms to gross them up to their expected, uncapped level. (The calculation of capped loss factors is explained in further detail in the Capped Loss Factor Appendix).

9. Loss Development Factor - Capped Incurred Losses Excluding Catastrophe and Severe Storms are developed to their ultimate value by use of loss development factors. Our selected factors are based on an analysis of accident year losses (excluding catastrophes and severe storms) evaluated at common ages and the patterns exhibited as these losses change from their initial valuation to final settlement. The factors selected and the supporting data are presented in Exhibit II-D.
10. Loss Trend Factors - Using Industry's "Fast Track" loss data for both Arkansas and Southwest Region, an annual rate of change (trend) in expected loss costs is determined. The Loss Trend Factors measure the effect of inflation on past claim costs. The factors are indexed from the average date of loss in the accident year to the average accident date of last experience period (4/1/2007). The factors selected and the supporting data and calculations are presented in Exhibit II-E.
11. Adjusted Normal Incurred Losses - Capped Incurred Losses Excluding Catastrophe and Severe Storms are brought to their final expected, uncapped level by multiplying these losses by (1) the appropriate loss development factor, (2) the appropriate capped loss factor, and (3) the appropriate loss trend factor.

Note: At this point in the rate indication process, the non-catastrophe, non-severe storm losses and the earned premium are trended to the end of the experience period and developed to ultimate level. The remaining adjustments described below are intended to (1) account for the excluded catastrophe and severe storm losses and (2) project premiums and losses forward to the period during which the proposed rates will become effective.

- 12a. Loss Complement – The product of the Southwest regional pure premium and the number of Liberty's earned exposures in the state of Arkansas is used as the Loss Complement. The regional pure premium is determined based on Liberty's average pure premium in the Southwest region.
- 12b. Credibility Adjusted Normal Losses – The credibility adjusted normal losses is a weighted average of the adjusted normal incurred losses and the loss complement.
13. Loss Ratio Weights - These weights are used to combine the adjusted loss ratios of each year in the experience period into a single representative loss ratio. Equal weights are selected for each year.
14. Normal Loss Ratio - This is the Adjusted Normal Incurred Loss divided by the Premium at Current Level for each calendar/accident year separately.
15. Weighted Normal Loss Ratio - This is the result of multiplying each year's Normal Loss Ratio by its respective weight and adding the products.
16. Provision for Non-Hurricane, Non-Severe Storm Catastrophes - This provision is for any expected catastrophic activity excluding hurricanes and severe storms. The factor is selected based upon a 15-year average of Liberty Mutual historical non-hurricane, non-severe storm catastrophe losses to amount of insurance in the state of Arkansas. The calculation of this provision, along with supporting data, is presented in Exhibit II-F.
- 16a. Provision for Hurricane Wind Losses – Hurricane is not a significant loss exposure in Arkansas.

- 16b. Provision for Tornado/Hail/Severe Thunderstorm Wind Losses – This provision is based on average annual severe storm losses for Arkansas modeled from the AIR CLASIC/2 v9.0 model. These models are based on scientific data and mathematical and empirical models. Liberty Mutual’s policyholder exposure information is used with the model to estimate the average annual loss. The provision is the ratio of Liberty Mutual’s expected annual severe storm loss to the most recent year’s earned premium at current level. The calculation of this provision is presented in Exhibit II-F.
17. Premium Projection Factor - This factor adjusts premium to the coverage levels expected to be purchased by our customers in the time periods when the proposed rates will be in effect. The calculation of this factor is presented with the calculation of the historical premium trend factors in Exhibit II-B.
18. Loss Projection Factor - The Loss Projection Factor is used to project losses from April 1, 2007 to an average accident date of one year beyond the proposed effective date of the rate revision (September 22, 2008). The calculation of this factor is presented with the calculation of the historical loss trend factors in Exhibit II-E.
19. Loss Ratio Projection Factor - This factor is the ratio of the Loss Projection Factor and the Premium Projection Factor calculated above.
20. Loss Adjustment Expense Factor - To include Loss Adjustment Expense (LAE), a factor is calculated based upon the 3-year average of regional experience. The supporting expense data is presented in Exhibit II-G.
21. House-Years in Experience Period - This is the total number of earned house-years where one house-year is defined to be one house insured for 12 months.
22. Credibility - Credibility is a measure of the credence assigned to a particular body of data for ratemaking purposes. In this rate indication, full credibility is defined to be 50,000 earned house-years. In this step, credibility to be assigned to the company loss ratio is calculated. The calculation of this credibility standard is presented in Exhibit II-H.
23. Projected X-cat Loss and LAE Ratio - In this step, the experience period Normal Loss Ratio is adjusted for LAE. Then, this ratio is projected to its future level by applying the Loss Ratio Projection Factor.
24. Projected Total Loss and LAE Ratio - The Provisions for Non-Hurricane, Non-Severe Storm Cat, Hurricane, and Severe Storm Losses are projected to the future level and adjusted for LAE. This ratio is added to the Projected X-cat Loss and LAE Ratio to obtain the Projected Total Loss and LAE Ratio.
25. Provision for Fixed Acquisition and General Expense - These expenses cover policy issuance, sales staffing, and other administrative functions. Based on an internal expense analysis, 80% of Acquisition and General Expenses are fixed. The supporting expense data is presented in Exhibit II-G.
26. Provision for Reinsurance Expense – As hurricane is not a significant loss exposure, no reinsurance cost is allocated to Arkansas.

27. Provision for Variable Expense (Taxes, Licenses, Fees, Profit & Contingency, Variable Acquisition and General) - These items vary directly with premium. The supporting expense data is presented in Exhibit II-G.
28. Permissible Loss and LAE, Fixed and Reinsurance Expense Ratio - From unity, item (27) is subtracted.
29. Indicated Rate Change - The Projected Total Loss & LAE, Fixed Expense Ratio and Provision for Reinsurance Expense are added together and divided by the Permissible Loss and LAE, Fixed and Reinsurance Expense Ratio.
30. Selected Rate Change

Exhibit II-A: Arkansas Homeowners' Rate Level Indication – Dwellings Forms

Liberty Mutual Group

Effective Date:

Homeowners

09/22/08

Arkansas

Dwelling Forms

Statewide Indicated Rate Level Change

	(1)	(2)	(3)	(4)	(5)	(6)
Accident Year Ending	Reported Earned Premium	Earned House Years	Premium Trend Factor	Current Rate Factor	Premium Adjustment Factor (3)*(4)	Premium at Current Level (1)*(5)
9/30/2003	\$1,436,088	1,909	1.080	1.271	1.372	\$1,970,863
9/30/2004	\$1,833,930	2,093	1.065	1.107	1.179	\$2,161,412
9/30/2005	\$2,460,230	2,549	1.047	1.021	1.069	\$2,630,871
9/30/2006	\$2,628,419	2,603	1.022	1.000	1.022	\$2,686,244
9/30/2007	<u>\$2,709,398</u> \$11,068,065	<u>2,613</u> 11,767	0.995	1.000	0.995	<u>\$2,695,851</u> \$12,145,240

Accident Year Ending	(7) Xcat xSevere Storm Capped Loss	(8) 1/Capped Loss Factor xSevere Storms	(9) Loss Dev. Factor xSevere Storms	(10) Loss Trend Factor	(11) Adjusted Normal Losses (7)*(8)*(9)*(10)	(12a) Loss Complement (Regional PP = \$275) *Exposures	(12b) Cred. Adjusted Normal Losses Cred. * (11) + (1 - Cred.) * (12a)	(13) Loss Ratio Weights	(14) Normal Loss Ratio
9/30/2003	\$495,571	1.044	0.996	1.170	\$603,027	\$524,964	\$563,996	0.20	0.286
9/30/2004	\$453,642	1.047	0.999	1.125	\$533,480	\$575,594	\$554,537	0.20	0.257
9/30/2005	\$866,208	1.056	1.001	1.082	\$989,591	\$700,994	\$845,293	0.20	0.321
9/30/2006	\$1,319,827	1.062	1.009	1.040	\$1,470,068	\$715,831	\$1,092,949	0.20	0.407
9/30/2007	\$1,054,797	1.071	1.080	1.000	\$1,219,015	\$718,462	<u>\$968,739</u> \$4,025,513	0.20	0.359

(15)	Weighted Normal Loss Ratio	0.326
(16)	Provision for Non-modeled Catastrophes	0.002
(16a)	Provision for Hurricane Wind Losses	0.002
(16b)	Provision for Tornado/Hail/Severe Thunderstorm Losses	0.238
(17)	Premium Projection Factor	1.050
(18)	Loss Projection Factor	1.139
(19)	Loss Ratio Projection Factor: (18)/(17)	1.085
(20)	Loss Adjustment Expense Factor	1.239
(21)	House Years in Experience Period	11,767
(22)	Credibility = Square root of [(21)/50,000] (max = 1.0)	0.50
(23)	Projected Xcat Loss & LAE Ratio: (15)*(19)*(20)	0.438
(24)	Projected Total Loss & LAE Ratio: (23) + [(16)+(16a)+(16b)]*(20)/(17)	0.724
(25)	Provision Fixed Expense	0.184
(26)	Provision for Reinsurance Cost	0.000
(27)	Provision for Variable Expense	0.184
(28)	Permissible Loss, LAE, Fixed Expense, and Reinsurance [1.0 - (27)]	0.816
(29)	Indicated Rate Change $\{[(24)+(25)+(26)]/(28)\} - 1.0$	11.4%
(30)	Selected Rate Change	4.1%

Exhibit II-B: Determination of Premium Trend and Premium Projection Factor

To reflect changes in the amounts of coverage purchased by our policyholders over time, the premium trend factors have been developed. These factors reflect any changes in the average on-leveled earned premium including the increasing amounts of insurance purchased due to inflation, shifts towards higher deductibles, changes in territory mix, etc. The premium trend factor for each year is the ratio of the projected average on-leveled premium at the average earned date of the most recent experience year, in this case April 1, 2007, to the average on-leveled premium in that year.

To project premium to the average earned day after the proposed effective date, the premium projection factor is applied. This factor is developed based upon a review of Liberty Mutual regional historical data and is equal to 1.050 for Dwelling Forms.

Development of Premium Trend Factors

(1) Year Ending	(2) Average Earned Date	(3) On-Level Average Earned Prem	(4) Relativity To Latest Point [Latest Point/(3)]
9/30/2003	4/1/2003	956.0	1.080
9/30/2004	4/1/2004	969.6	1.065
9/30/2005	4/1/2005	985.8	1.047
9/30/2006	4/1/2006	1009.8	1.022
9/30/2007	4/1/2007	1037.1	0.995
Date Trended To:	4/1/2007	1032.4	

Calculation of Premium Projection Factor

1) Annual Premium Trend	1.020
2) Average Earned Date of Last Year of Experience Period	4/1/2007
3) Effective Date for Proposed Rates	9/22/2008
4) Average Earned Date Under Proposed Rates	9/22/2009
5) Number of Years Between (2) And (4)	2.5
6) Premium Projection Factor	

$$(1)^{(5)} = 1.050$$

Exhibit II-C: Development of Current Rate Factor

Current Rate Factors have been calculated based upon Liberty Mutual's historical rate changes in Arkansas. They are applied to Reported Earned Premiums to bring the earned premiums to what they would have been had they been written at today's rate. The Current Rate Factors are determined using the parallelogram method.

Rate Changes Not Fully Reflected In Earned Premium

<u>Date</u>	<u>Rate Change</u>
06/19/02	+25.0%
07/01/02	+3.9%
10/01/02	+1.2%
07/02/03	+10.4%
07/02/04	+8.0%

On Level Factors Calculated Based On Rate Changes Above

Using the parallelogram method, the following current rate factors were calculated for each period:

<u>Period Ending</u>	<u>Current Rate Factor</u>
09/30/03	1.271
09/30/04	1.107
09/30/05	1.021
09/30/06	1.000
09/30/07	1.000

Exhibit II-D: Loss Development

We have calculated loss development factors based upon Liberty Mutual's countrywide experience for Dwelling Forms. Catastrophe and Severe Storm losses are excluded. These losses have been capped at \$250,000 per occurrence. We have selected the following ultimate factors based on this experience.

<u>Age as of September 30, 2007</u>	<u>Loss Development Factor</u>
12 months	1.080
24 months	1.009
36 months	1.001
48 months	0.999
60 months	0.996

The Countrywide loss development triangle from which the above factors were selected is provided on the following page.

Liberty Mutual Group
Dwelling Forms
Countrywide Loss Development Excluding Catastrophes and Severe Storms
(Losses capped at \$250,000 per occurrence, in thousands)

Liberty Mutual Group
 Homeowners
 All US States
 Dwelling Forms

Capped Incurred Loss Development Excluding Catastrophes Excluding Severe Storm (Losses in thousands)

Accident Year Ending	12 mos	24 mos	36 mos	48 mos	60 mos	72 mos	84 mos	96 mos	108 mos	120 mos	132 mos
9/30/1997	161,307	167,405	169,259	168,662	168,339	167,949	167,518	167,411	167,411	167,454	167,483
9/30/1998	166,995	173,626	175,085	174,642	174,128	174,003	173,902	173,474	173,431	173,771	
9/30/1999	177,617	188,522	193,030	193,658	193,593	193,000	191,661	191,617	191,556		
9/30/2000	211,393	224,445	229,078	229,814	228,993	229,339	229,022	228,814			
9/30/2001	256,727	275,096	275,923	277,751	278,730	278,862	278,547				
9/30/2002	240,549	258,112	260,628	260,911	261,008	261,032					
9/30/2003	245,659	264,676	266,461	265,964	266,961						
9/30/2004	255,864	274,817	277,662	279,437							
9/30/2005	363,857	389,498	392,217								
9/30/2006	411,048	438,234									
9/30/2007	446,255										

Accident Year Ending	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120
9/30/1997	1.038	1.011	0.996	0.998	0.998	0.997	0.999	1.000	1.000	1.000
9/30/1998	1.040	1.008	0.997	0.997	0.999	0.999	0.998	1.000	1.000	
9/30/1999	1.061	1.024	1.003	1.000	0.997	0.993	1.000	1.000		
9/30/2000	1.062	1.021	1.003	0.996	1.002	0.999	0.999			
9/30/2001	1.072	1.003	1.007	1.004	1.000	0.999				
9/30/2002	1.073	1.010	1.001	1.000	1.000					
9/30/2003	1.077	1.007	0.998	1.004						
9/30/2004	1.074	1.010	1.006							
9/30/2005	1.070	1.007								
9/30/2006	1.066									

Selected	1.070	1.008	1.002	1.003	1.001	0.997	0.999	1.000	1.000	1.000
Cumulative	1.080	1.009	1.001	0.999	0.996	0.996	0.999	1.000	1.000	1.000

Exhibit II-E: Development of Loss Trend Factors

Loss trend factors reflect the effects of inflation on past claim costs. Liberty Mutual uses an annual loss trend of +4.0% to trend losses from the average date of loss in the accident year to the average day of the last experience period (4/1/2007). This trend is based upon a review of least squares fitted trend lines to the last five years of Liberty's Fast Track loss data for both Arkansas and Southwest Region. A loss trend of +5.4% was used to project losses from the average accident date of the last experience year to the average accident date of one year beyond the proposed effective date.

Calculation of Loss Trend Factors

Annual Loss Trend = +4.0%
Average Accident Date of Last Experience Period = 4/1/2007

		<hr/>		
			4.0	
09/30/03	4/1/2003	1.040	=	1.170
			3.0	
09/30/04	4/1/2004	1.040	=	1.125
			2.0	
09/30/05	4/1/2005	1.040	=	1.082
			1.0	
09/30/06	4/1/2006	1.040	=	1.040
			0.0	
09/30/07	4/1/2007	1.040	=	1.000

Calculation of Loss Projection Factor

1) Projected Annual Loss Trend	1.054
2) Average Accident Date of Latest Experience Period	4/1/2007
3) Effective Date for Proposed Rates	09/22/08
4) Average Accident Date Under Proposed Rates	09/22/09
5) Number of Months Between (2) And (4)	29.8
6) Loss Projection Factor	

$$\frac{\{5\}}{\{1\}} \times \frac{1}{12} = 1.139$$

The fast track data used in selecting the historical loss trends is provided on the following page.

INDUSTRY

HOMEOWNERS FAST TRACK TREND DATA (xCat)

Arkansas Dwelling Forms

Southwest Dwelling Forms

Arkansas

Regional

Prior 4 Qtrs.		Dwelling (Forms 1-3 & 5)		
Ending Year	Qtr.	Paid Severity	Paid Freq.	Paid Pure Premium
2003	2	4,234	7.14	302.30
2003	3	4,536	7.00	317.33
2003	4	4,506	6.60	297.58
2004	1	4,541	6.14	278.70
2004	2	4,661	5.84	272.35
2004	3	4,671	5.42	253.08
2004	4	4,811	5.31	255.68
2005	1	5,077	5.26	267.16
2005	2	5,192	5.23	271.42
2005	3	5,352	5.16	276.18
2005	4	5,677	5.16	293.11
2006	1	5,756	5.25	302.01
2006	2	5,851	5.47	320.31
2006	3	5,841	5.54	323.52
2006	4	5,971	5.39	321.97
2007	1	6,034	5.41	326.63
2007	2	6,180	5.10	314.99

Dwelling (Forms 1-3 & 5)		
Paid Severity	Paid Freq.	Paid Pure Premium
6,017	8.25	496.49
5,710	6.99	399.16
5,509	5.96	328.61
5,406	5.39	291.60
5,380	5.01	269.45
5,360	4.77	255.60
5,273	4.63	244.03
5,259	4.58	240.95
5,253	4.55	238.87
5,284	4.51	238.17
5,374	4.48	240.86
5,527	4.47	246.92
5,655	4.45	251.74
5,751	4.42	254.39
5,776	4.42	255.34
5,658	4.51	255.10
5,646	4.72	266.30

FITTED TREND

2-Yr (5 pts)	5.84	-6.42	-0.96
3-Yr (9 pts)	8.13	1.23	9.46
4-Yr (13 pts)	10.56	-1.10	9.35
5-Yr (17 pts)	10.19	-6.32	3.22

-0.77	5.53	4.72
4.62	0.74	5.39
3.09	-2.13	0.89
0.35	-10.29	-9.98

Selected Loss Trend: +4.0%

Exhibit II-F: Catastrophe Analysis

Because of the low frequency and high severity nature of catastrophes, catastrophe losses could significantly impact the financial results of an insurer from one year to another. To properly reflect the catastrophe hazard, it is appropriate to eliminate actual catastrophe losses from the experience period and to include a catastrophe provision in the rates which represents expected catastrophic loss.

The following summarized the analysis incorporated in Liberty Mutual's catastrophe provision for Arkansas. The projected loss costs below are all based on Arkansas's specific catastrophe loss experience.

Provision for Non Hurricane, Non Severe Storm Catastrophes

1) Annual AOI Trend	1.050
2) Average Earned Date of Last Year of Experience Period	04/01/07
3) Effective Date for Proposed Rates	09/22/08
4) Average Earned Date Under Proposed Rates	09/22/09
5) Number of Months Between (2) And (4)	29.8
6) AOI Projection Factor = (1) ^{(5)/12}	1.129
7) 12 Months Ending 09/30/2007 Earned AOI (000s)	444,667
8) Projected Earned AOI = (6) * (7)	501,849
9) Expected Loss Per \$1000 AOI	0.013
10) Projected Expected Ex. Hurr, Ex. Sev. Storm Cat Losses = (8) * (9)	6,565
11) 12 Months Ending 09/30/2007 On-level Earned Premium	2,695,851
12) Provision for Ex. Hurr, Ex. Sev. Storm Cat Losses = (10) / (11)	0.2%

The table below displays the supporting data for item 9, Liberty Mutual's loss costs per \$1000 Amount of Insurance. This loss cost is calculated from Liberty Mutual's historical losses due to catastrophes other than hurricanes and severe storms for Arkansas over the 15-year period ending 12/31/2006.

Arkansas Historical Catastrophe Losses per \$1000 AOI
(Excluding Hurricanes and Severe Storms)

Accident Year	Inc CAT Loss Ex Hurr, Ex Severe Storm	CY AOI ('000s)	Cat IL Ex Hurr, Ex Sev Storm/ AOI
(1)	(2)	(3)	(4) = (2)/(3)
Dec-92	0	47,371	0.0%
Dec-93	0	56,442	0.0%
Dec-94	0	67,973	0.0%
Dec-95	0	76,112	0.0%
Dec-96	0	84,122	0.0%
Dec-97	0	99,138	0.0%
Dec-98	0	121,171	0.0%
Dec-99	0	148,498	0.0%
Dec-00	0	179,640	0.0%
Dec-01	0	212,877	0.0%
Dec-02	0	236,705	0.0%
Dec-03	0	269,593	0.0%
Dec-04	0	323,572	0.0%
Dec-05	0	397,155	0.0%
Dec-06	0	429,703	0.0%

(5) Average Cat IL ex Hurr, ex Severe Storm/AOI [Average of (4)]	0.0%
(6) Expected Value of the Process Variance	0.042
(7) Variance of the Hypothetical Means	0.001
(8) Credibility	33.5%
(9) Regional Average Cat IL ex Hurr, ex Severe Storm/AOI	0.029
(10) Credibility Weighted Factor	1.9%
(11) Off Balance Factor*	0.676
(12) Balanced Factor [(9)*(10)]	1.3%

* The Off Balance Factor is calculated as the ratio of the countrywide credibility weighted damage ratio to the countrywide actual damage ratio.

Provision for Severe Storm Loss

1) Annual AOI Trend	1.050
2) Average Earned Date of Last Year of Experience Period	04/01/07
3) Effective Date for Proposed Rates	09/22/08
4) Average Earned Date Under Proposed Rates	09/22/09
5) Number of Months Between (2) And (4)	29.8
6) AOI Projection Factor = $(1)^{(5)/12}$	1.129
7) 12 Months Ending 09/30/2007 Earned AOI (000s)	444,667
8) Projected Earned AOI = (6) * (7)	501,849
9) Expected Severe Storm Loss Per \$1000 AOI	1.276
10) Projected Expected Severe Storm Losses = (8) * (9)	640,407
11) 12 Months Ending 09/30/2007 On-level Earned Premium	2,695,851
12) Provision for Severe Storm Losses = (10) / (11)	23.8%

* Item 9, loss costs per \$1000 Amount of Insurance, are derived from the AIR CLASIC/2 v9.0 catastrophe model. As previously discussed, this model is based on scientific data regarding severe storm frequency and severity and mathematical and empirical models regarding property losses from severe storms. Liberty Mutual's policyholder exposure information is used with the model to estimate the average annual severe loss per \$1,000 AOI.

Exhibit II-G: Expense Data

The table below summarizes Liberty Mutual's expense data for its Southwest Region. The expense data below serves as the basis for all of the expense provisions in the rate-level indication.

Expense Provision -- Regional Data						
Item	Historical				Planned 2008	Selected
	2004	2005	2006	Average		
Expenses Based on Losses						3 Yr. Avg.:
ALAE	\$4,523,464	\$2,431,124	\$3,092,316	\$3,348,968	\$1,847,438	\$3,348,968
ULAE	\$9,828,985	\$35,936,125	\$15,559,766	\$20,441,625	\$14,859,136	\$20,441,625
Incurred Loss	\$60,735,741	\$446,188,665	\$47,249,498	\$184,724,634	N/A	\$184,724,634
LAE / Loss	23.6%	8.6%	39.5%	23.9%	N/A	23.9%
LAE / Earned Premium	11.0%	24.8%	11.4%	15.7%	9.7%	15.7%
Expenses Based on Earned Premium						Planned:
General Expense	\$30,376,400	-\$12,653	\$38,732,841	\$23,032,196	\$39,226,659	\$39,226,659
Earned Premium	\$130,857,046	\$154,743,504	\$162,916,863	\$149,505,804	\$172,592,226	\$172,592,226
Total General	23.2%	0.0%	23.8%	15.7%	23.7%	23.7%
Dwelling					23.0%	
Renters					60.2%	
Condo					37.1%	
Fixed General						19.0%
Dwelling					18.4%	
Renters					55.7%	
Condo					30.3%	
Variable General						4.7%
Dwelling					4.6%	
Renters					4.5%	
Condo					6.8%	
Expenses Based on Written Premium						
FAIR Plan Assessment					0.0%	
Premium Tax (State Specific, Latest Year)					3.5%	3.5%
Contingency					1.0%	1.0%
Profit					9.3%	9.3%
(General + LAE) / Earned Premium	34.2%	24.8%	35.2%	31.4%	33.3%	37.4%
Total Expense Ratio (excl. LAE)					37.5%	37.5%
Permissible Loss + LAE Ratio					62.5%	62.5%

Exhibit II-H: Credibility Standard

The company endorses a conservative approach to Homeowners marketing, including pricing. To this end, we use a full credibility standard of 50,000 earned house-years in the experience period.

This standard is based upon the intent to have 99.5% confidence that the calculated value is within 5.0% of the true value of the statistic. According to Longley-Cook's 1962 PCAS paper, 3,163 claims are needed.

To translate this into an exposure standard, we reviewed our countrywide claim frequency figures excluding catastrophic claims. For the last five years, they show:

2001	7.1 claims/100 house-years
2002	6.5 claims/100 house-years
2003	5.6 claims/100 house-years
2004	4.7 claims/100 house-years
2005	4.5 claims/100 house-years

5 year mean of frequencies:
5.7 claims/100 house-years

Dividing the claims necessary for full credibility by the experience claim frequency produces the house-years full standard.

$$\frac{3,163}{0.057} = 55,491$$

For convenience sake, a full credibility standard of 50,000 house-years was used.

III. Profit Provision

A mutual insurance company, unlike a stock company, has no recourse to stock market capitalization to generate needed surplus funds. Any increase in surplus for a mutual company must come from (1) underwriting profit, (2) investment income, (3) realized capital gains or (4) unrealized capital gains. In the following analysis, Liberty Mutual selects a provision for underwriting profit which will ensure that anticipated income from all sources produces net income after taxes that is commensurate with the risk assumed in the business of property/casualty insurance. Furthermore, this provision ensures that projected changes in policyholder surplus are sufficiently similar (in direction and magnitude) to changes in premium accounts so that confidence in the Companies' financial integrity can be maintained.

Exhibit III-A, Table 1 shows a history of calendar year rates of return for investment income expressed as a percentage of mean invested assets. The primary source is interest, dividends, and real estate income shown in Column (3). Based on the current market yield, it is reasonable to anticipate before tax rates of 3.50% from interest, dividends, and real estate income during the time rates are effective, based on the new money rate. Historically, realized capital gains have contributed very little to earnings. They were larger than usual in 1986, 1992 and 1999, but they vary significantly throughout the last eighteen years and we have seen declining gains since 1999. For the prospective period, we have selected 1.0%, which is the average return of the last six years. After federal income taxes, the total anticipated rate of return is 3.10% of invested assets.

Exhibit III-B, Table 1 presents the investment income derived from unearned premium reserves. The model uses historical information, modified for the current tax rate. This income is separated into two categories. First, there are premium finance charges (Table 1, Line 10) collected by allowing policyholders to pay their premiums in installments over the 12-month policy term. Line 3 is the corresponding portion of the unearned premium reserve representing the premium which is being financed by the company. Second, there is the remaining reserve, after prepaid expense and taxes, (Line 7) which develops income based on the anticipated rate of return.

Exhibit III-C, Table 1 applies the rate of return to mean loss and loss adjustment expense reserves. These exhibits relate investment income to premium earned. Exhibit III-D provides pertinent expense data. Exhibit III-E deals with the calculation of federal income taxes applicable to unearned premium and loss reserves.

An economic analysis of market rates and available returns shows that the appropriate and fair rate of return for property-casualty insurers writing lines of above-average risk, such as Homeowners, falls within the range of 17.5% to 21.2%. For average risk lines, the appropriate percentage is 13.7%

to 17.5%. The selected profit and contingency provision of 10.3% used in this filing would generate a 15.2% return on surplus (GAAP).

Income from all of the above sources is combined with our selected underwriting profit provisions in the following 1.75:1 premium-to-surplus model:

Let Premium = \$100; Surplus = \$57

1)	Investment Income on Unearned Premium Reserves \$100 x (Exhibit 2, Page 1, Item 12)	\$1.16
2)	Investment Income on Loss Reserves \$100 x (Exhibit 3, Page 1, Item 5)	\$0.73
3)	Investment Income on Surplus \$57 x (Exhibit 1, Page 1, Column 7)	\$1.77
4)	Underwriting Income After Tax \$100 x (1-.35) x Profit Provision (Exhibit 4)	\$6.70
5)	Total Expected Return [1]+[2]+[3]+[4]	\$10.36
6)	Expected Return on Surplus [5]/\$57 x 100%	18.13%
7)	GAAP Adjusted Return [6]/GAAP Adj. Factor (Exhibit 6)	15.2%

The end product is an anticipated return of 10.36% on earned premium, after tax. Related to surplus, this underwriting profit provision generates an anticipated 15.2% adjusted rate of return on GAAP basis.

Exhibit III-A: Effective Rate of Return on Investable Assets

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Calendar	Mean	Net	Net	Net Realized	Net	
<u>Year</u>	<u>Invested</u>	<u>Investment</u>	<u>Inv. Inc.</u>	<u>Capital</u>	<u>Realized</u>	
	<u>Assets (a)</u>	<u>Income (b)</u>	<u>% of (2)</u>	<u>Gains (c)</u>	<u>Cap. Gains</u>	<u>% of (2)</u>
1986	8,118,335,491	638,231,286	7.9	306,142,812	3.8	
1987	9,808,729,009	733,126,525	7.5	117,222,704	1.2	
1988	11,272,895,755	868,278,838	7.7	34,851,447	0.3	
1989	12,415,308,080	965,013,926	7.8	45,991,686	0.4	
1990	13,727,246,565	1,040,182,466	7.6	43,141,539	0.3	
1991	14,085,608,244	1,084,863,706	7.7	16,195,685	0.1	
1992	14,872,603,927	1,078,372,300	7.3	356,556,819	2.4	
1993	15,380,644,905	1,019,000,685	6.6	192,575,284	1.3	
1994	15,728,080,374	1,000,703,107	6.4	42,091,361	0.3	
1995	16,644,320,729	1,004,243,423	6.4	58,061,803	0.3	
1996	17,754,458,149	1,024,976,627	5.8	80,172,253	0.5	
1997	19,051,878,513	1,049,458,975	5.5	112,763,515	0.6	
1998	20,008,196,638	1,114,613,916	5.6	199,016,656	1.0	
1999	21,692,869,206	1,259,013,722	5.8	559,579,315	2.6	
2000	23,097,086,037	1,249,282,280	5.4	336,548,991	1.5	
2001	22,316,155,306	1,180,115,309	5.3	295,996,921	1.3	
2002	22,117,700,188	1,149,160,133	5.2	236,186,278	1.1	
2003	24,593,328,553	1,213,180,583	4.9	186,183,583	0.8	
2004	28,362,100,873	1,278,067,945	4.5	411,926,118	1.5	
2005	31,616,013,191	1,277,698,305	4.0	273,728,472	0.9	
2006	35,560,878,142	1,370,600,938	3.9	106,166,957	0.3	
Latest 12 Years	282,814,985,523	14,170,412,156	5.2	2,856,330,862	1.0	
Latest 6 Years	164,566,176,253	7,468,823,213	4.6	1,510,188,329	1.0	
Anticipated Returns (Before Tax)			3.5		1.0	
2006 Federal Tax Rate (Exhibit 1, Page 2)			0.2969		0.3500	
Anticipated Returns (After Tax)			2.50		0.60	3.10

(a) Mean of current and prior year Annual Statements: Page 2, Line 10, 2005 and later. Line 9, 2004 and prior.

Less Page 22, Column (2), Lines 25, 39 and 53, 2005 and later. Page 28, Column (2), Lines 25, 39 and 53, 2003 – 2004. Page 30, Column (2), 1998 - 2000. Page 31, Column (3), 1997 and prior.

(b) Annual Statement: Page 4, Line 9 less Page 12, Part 1, Column (2), Lines 1.3, 2.11, 2.21, and 8, 2005 and later.

Page 4, Line 8 less Page 6, Part 1, Column (6), Lines 1.3, 2.11, 2.21, and 8, 2001. Column (8) 2000 and prior.

(c) Annual Statement: Page 4, Line 10, 2005 and later. Line 9, 2001 and prior.

Table 2: Effective Federal Tax Rate

		Earned Income	Distributio <u>n</u>	Federal Tax Rate	
BONDS (Ex Tax Exempt)	(a)	\$1,214,994,487	0.886	0.3500	
BONDS (Tax Exempt)					
Acquired Before 8/7/86		\$5,102,207	0.004	0.0000	
Acquired After 8/7/86		194,238,202	0.142	0.0525	
STOCKS - Common					
Acquired Before 8/7/86					
Non-Affiliated		\$2,264,218	0.002	0.1050	
		<u>35,600</u>	0.000	0.3500	
Foreign Total		\$2,299,818			
Acquired After 8/7/86					
Non-Affiliated		\$43,318,452	0.032	0.1418	
		<u>8,868,316</u>	0.006	0.3500	
Foreign Total		52,166,768			
STOCKS - Preferred					
Acquired Before 8/7/86					
Non-Affiliated		\$145,333	0.000	0.1050	
		<u>0</u>	0.000	0.3500	
Foreign Total		\$145,333			
Acquired After 8/7/86					
Non-Affiliated		\$15,365,825	0.011	0.1418	
		<u>0</u>	0.000	0.3500	
Foreign Total		15,365,825			
All Other Investment Income (b)		(\$113,731,702)	(c)	-0.083	0.3500
Net Investment Income Gain/(Loss)		\$1,370,600,938	(d)	1.000	0.2969 (e)

(a) 2006 Annual Statement: Page 12, Column (2), Lines 1 + 1.2
(Excludes bonds of affiliates)

(b) Reduced by investment expenses and depreciation on real estate

- (c) 2006 Annual Statement: Page 12, Part 1, Column (2), lines 3, 4, 6, and 9 less lines 11, 13, and 14
- (d) Exhibit I, Page 1, Column 3
- (e) Weighted average rate using "Distribution" column

Exhibit III-B: Investment Income from Unearned Premium ReservesTable 1: Investment Income from Unearned Premium Reserves as Factor of Earned Premium
(Homeowner's Insurance)

1)	Earned Premium	\$100.00
2)	Mean Unearned Premium Reserve 0.516 x [1]	\$51.60
3)	Mean Premium Subject to Installment Payment Finance Plan 0.197 x [2]	\$10.17
4)	Funds Available for Prepaid Expense, Tax, and Investment [2] - [3]	\$41.43
5)	Prepaid Expense 0.253 x (2)	\$13.05
6)	Federal Tax - 1986 Reform Act 0.012 x [2]	\$0.62
7)	Funds Available for Investment [4] - [5] - [6]	\$27.76
8)	Rate of Return, After Tax	3.1%
9)	Income on Invested Reserve [7] x [8]	\$0.86
10)	Income from Installment Payment Premium Finance Plan 0.029 x (3)	\$0.29
11)	Total Investment Income [9] + [10]	\$1.16
12)	Investment Income as a Factor of Earned Premium [11] / [1]	0.0116

Notes

Lines [2], [3], and [10]: Exhibit 2, Page 2, Columns [9], [10] and [6], 'Selected'

Line [5]: Exhibit 4 - Acquisition (20.6%), Taxes (2.7%) and 50% of General (2%)

Line [6]: Exhibit 5, Section A, Item 5.

Line [8]: Exhibit 1, Page 1

Table 2: Investment Income from Installment Payment Premium Finance Plan (\$000)
(Homeowner’s Insurance)

<u>Year</u>	[1] Premium Finance Charges	[2] Premium Charged-Off	[3]=[1]-[2] Net Investment Income
1998	4,999	252	4,747
1999	1,567	260	1,307
2000	2,238	365	1,872
2001	5,398	449	4,949
2002	6,970	790	6,180
2003	8,919	726	8,193
2004	9,778	1,040	8,738
2005	11,506	2,111	9,396
2006	12,392	2,334	10,059
Total	63,767	8,326	55,442

<u>Year</u>	[4]=[3]*0.65 After-Tax Investment Income	[5] Mean Premium Financed	[6]=[4]/[5] Ratio of Investment Income to Mean Premium Financed
1998	3,086	52,073	0.059
1999	850	54,620	0.016
2000	1,217	60,213	0.020
2001	3,217	67,910	0.047
2002	4,017	82,183	0.049
2003	5,326	108,101	0.049
2004	5,680	138,091	0.041
2005	6,107	180,942	0.034
2006	6,538	228,417	0.029
Total	36,037	972,550	0.037

Selected 0.029

<u>Year</u>	[7] Direct Earned Premium	[8] Mean Direct Unearned Premium Reserve	[9]=[8]/[7] Ratio	[10]=[5]/[8] Ratio
1998	499,120	261,512	0.524	0.199
1999	660,717	312,567	0.473	0.175
2000	689,933	362,752	0.526	0.166
2001	739,462	389,198	0.526	0.174
2002	826,871	444,125	0.537	0.185
2003	1,358,063	625,902	0.461	0.173
2004	1,508,424	809,142	0.536	0.171
2005	1,655,694	880,583	0.532	0.205
2006	1,794,027	958,478	0.534	0.238
Total	9,732,311	5,044,259	0.517	0.187

Selected 0.516

0.197

Notes

The Column (6) selection is the 2006 ratio.
 The Column (9) selection is the 2003-2006 average.
 The Column (10) selection is the 2003-2006 average

Exhibit III-C: Investment Income from Loss Reserves

Table 1: Investment Income from Loss Reserves as a Factor of Premium

1)	Ratio of Loss & LAE Reserves to Incurred Loss & LAE	0.428
2)	Ratio of Federal Tax Payable to Incurred Loss & LAE	0.000
3)	Permissible Loss & LAE Ratio	0.550
4)	Net Effective Rate of Return After Tax	0.031
5)	Investment Income as a Factor of Premium {[(1)-(2)] * (3) * (4)}	0.007

Notes

Line [1]: Exhibit 3, Page 2, Column 9

Line [2]: Exhibit 5, Section B, Line 10

Line [3]: Exhibit 4, Line 6

Line [4]: Exhibit 1, Page 1

Table 2: Ratio of Loss and LAE Reserves to Loss and LAE Incurred

	[1]	[2]	[3]
	Year-End Net	Prior Year Net	Mean Net
<u>Year</u>	<u>Loss Reserve</u>	<u>Loss Reserve</u>	<u>Loss Reserve</u>
1989	102,290		
1990	110,738	102,290	106,514
1991	128,892	110,738	119,815
1992	155,893	128,892	142,393
1993	133,130	155,893	144,512
1994	124,714	133,130	128,922
1995	141,072	124,714	132,893
1996	126,266	141,072	133,669
1997	128,921	126,266	127,594
1998	139,385	128,921	134,153
1999	171,405	139,385	155,395
2000	183,292	171,405	177,349
2001	194,335	183,292	188,814
2002	232,327	194,335	213,331
2003	348,145	232,327	290,236
2004	379,136	348,145	363,641
2005	322,796	379,136	350,966
2006	395,561	322,796	359,179

	[4]	[5]	[6]
	Year End Net	Prior Year Net	Mean Net
<u>Year</u>	<u>LAE Reserve</u>	<u>LAE Reserve</u>	<u>LAE Reserve</u>
1989	8666		
1990	9,449	8,666	9,058
1991	12,186	9,449	10,818
1992	13,245	12,186	12,716
1993	12,982	13,245	13,114
1994	29,477	12,982	21,230
1995	32,972	29,477	31,225
1996	36,214	32,972	34,593
1997	38,552	36,214	37,383
1998	43,575	38,552	41,064
1999	50,000	43,575	46,788
2000	49,226	50,000	49,613
2001	40,363	49,226	44,795
2002	48,392	40,363	44,378
2003	82,322	48,392	65,357
2004	94,668	82,322	88,495
2005	94,365	94,668	94,517
2006	93,546	94,365	93,956

	[7]	[8]	[9]
	Net	Net	Ratio of
<u>Year</u>	<u>Incurred</u>	<u>Incurred</u>	<u>Reserves</u>
	<u>Losses</u>	<u>LAE</u>	<u>to Incurred</u>
1989	190,002	23,569	
1990	183,806	26,164	0.550
1991	202,723	34,185	0.551
1992	283,072	32,364	0.492
1993	205,854	33,980	0.657
1994	243,752	53,801	0.505
1995	230,594	34,643	0.619
1996	293,337	44,848	0.498
1997	248,025	43,546	0.566
1998	360,457	60,203	0.417
1999	404,869	67,106	0.428
2000	465,672	69,629	0.424
2001	553,844	74,962	0.372
2002	509,392	93,398	0.428
2003	766,082	160,409	0.384
2004	818,434	163,904	0.460
2005	878,866	162,485	0.428
2006	885,181	148,526	0.438

Selected (Average of Latest 5 Years)	0.428
Average 5 Years	0.428
Average 4 Years	0.428
Average 3 Years	0.442

Exhibit III-D: Expense Ratios for Homeowners' Insurance

1) Acquisition	20.6%
2) General	5.4%
3) Taxes	2.0%
4) Reinsurance	6.8%
5) Profit	9.3%
6) Contingency	1.0%
7) Total	45.0%
8) Permissible Loss and LAE Ratio	55.0%

Data from 2006 Insurance Expense Exhibit (Direct)

Exhibit III-E: Federal Income Tax Payable Due to Tax Reform Act of 1986**A. Tax on Unearned Premium Reserves (\$000)**

1) Net Unearned Premium Reserve 12/31/05	\$881,175
2) Net Unearned Premium Reserve 12/31/06	\$1,049,680
3) Mean Net Unearned Premium Reserve {[1] + [2]} / 2	\$965,428
4) Federal Tax Payable on Change in Net Unearned Premium Reserve {[2]-[1]} x 20% x 0.35	\$11,795
5) Ratio of Tax Payable to Mean Net Unearned Premium Reserve [4] / [3]	0.012

B. Loss & LAE Reserve Discounting (\$000,000)

1) Net Reserve at 12/31/05	\$417.16
2) Net Reserve at 12/31/06	\$489.11
3) Discounted Net Reserve at 12/31/05	\$382.43
4) Discounted Net Reserve at 12/31/06	\$456.43
5) Change in Net Reserve [2]-[1]	\$71.95
6) Change in Discounted Net Reserve [4]-[3]	\$74.00
7) Additional Taxable Income [5]-[6]	(\$2.06)
8) Federal Tax Payable [7] x 0.35	(\$0.72)
9) 2006 Incurred Loss & LAE (Insurance Expense Exhibit)	\$1,033.71
10) Ratio of Federal Tax Payable to Incurred Loss & LAE [8] / [9]	-0.001
11) Selected	0.000

Exhibit III-F: Expected Total Return - Adjustment to GAAP**Expected Total Return - Adjustment to GAAP**

Item	Amount in Millions	Source
(1) 12/31/06 Policyholders Surplus (Based on Prem to Surplus Ratio) 2006 DWP	12131	2006 Annual Statement: Page 3, Column (1), line 35
(2) Non-Admitted Assests	919	2006 Annual Statement: Page 2, Column (2), line 26
(3) Equity in the UPR [= (h) calculated below]	1419	calculated field
(4) Total Adjustments (2)+(3)	2338	calculated field
(5) GAAP Surplus Adjustment Factor [(4)+(1)]/(1)	1.193	calculated field

Calculation of Equity in UPR

Item	Amount In Millions	Source
(a) Commissions and Brokerage Expense Incd	1323	2006 Insurance Expense Exhibit: Page 7, Part 3, Column (23), line 34
(b) Taxes, License & Fees	590	2006 Insurance Expense Exhibit: Page 7, Part 3, Column (25), line 34
(c) Other Acquisition Expenses Incd	1486	2006 Insurance Expense Exhibit: Page 7, Part 3, Column (27), line 34
(d) General Expense Incd	1375	2006 Insurance Expense Exhibit: Page 7, Part 3, Column (29), line 34
(e) Total of (a) + (b) + (c) + 0.5(d)	4087	calculated field
(f) 2006 Written Premium	18122	2006 Insurance Expense Exhibit: Page 6, Part 3, Column (1), line 34
(g) 2006 Ending UPR	6292	2006 Insurance Expense Exhibit: Page 6, Part 3, Column (19), line 34
(h) Equity in UPR (g)*(e)/(f)	1419	calculated field

APPENDIX
Capped Loss Factors

Appendix: Capped Loss Factors

To improve the stability of the indication, the losses were capped at \$250,000. The capped loss factors are calculated so the premiums match the losses in the calculation of the actuarial indication. Otherwise, total premiums would be used with capped losses and the historical and projected loss ratios would be understated.

The method used to calculate the capped loss factors is based on the article “An Exposure Rating Approach to Pricing Property Excess-of-Loss Reinsurance” by Stephen J. Ludwig.

First, countrywide loss distributions are compiled by cause of loss on pages 40-44. Then, the excess premium tables on pages 35-39 are calculated based upon these loss distributions and on Arkansas’s Coverage A distributions over the past five years. The percentage allocation of limited losses is the interpolated countrywide incurred loss percentage for the limit divided by Coverage A. This represents the percentage of losses that remain when the losses are capped at that limit. The excess factor is 100% minus the percentage allocation of limited losses.

Next, an overall excess premium factor is calculated for each year on pages 33 and 34. The excess premium factor for each cause of loss is shown on pages 35 to 39 for all causes of losses except liability. The excess premium factor for liability is based upon the countrywide size of loss distribution shown on page 44. The factors are weighted by Arkansas’s cause of loss distribution as published by ISO. The overall excess premium percentage is the percentage of premium that covers the excess losses. Therefore, the capped loss factor shown in the actuarial indication is 1 minus the excess premium factors.

EXCESS PREMIUM EXCLUDING LIABILITY

Arkansas

LIMIT: \$250,000

10/1/02-9/30/03

	X Severe Storm	X Severe Storm	X Severe Storm
	Incurred	Loss	Excess
<u>Cause of Loss</u>	<u>Losses¹</u>	<u>Weights</u>	<u>Premium</u>
Fire/Lightning	71,904,139	60.81%	6.2%
Water	26,678,299	22.56%	0.3%
Wind/Storm	-	0.00%	0.5%
Other excl. liab.	14,572,391	12.32%	2.0%
Liability	5,085,383	4.30%	3.6%
Total	118,240,212	100.00%	4.2%

10/1/03-9/30/04

	X Severe Storm	X Severe Storm	X Severe Storm
	Incurred	Loss	Excess
<u>Cause of Loss</u>	<u>Losses¹</u>	<u>Weights</u>	<u>Premium</u>
Fire/Lightning	71,904,139	60.81%	6.5%
Water	26,678,299	22.56%	0.3%
Wind/Storm	-	0.00%	0.6%
Other excl. liab.	14,572,391	12.32%	2.1%
Liability	5,085,383	4.30%	3.6%
Total	118,240,212	100.00%	4.5%

10/1/04-9/30/05

	X Severe Storm	X Severe Storm	X Severe Storm
	Incurred	Loss	Excess
<u>Cause of Loss</u>	<u>Losses¹</u>	<u>Weights</u>	<u>Premium</u>
Fire/Lightning	71,904,139	60.81%	7.7%
Water	26,678,299	22.56%	0.4%
Wind/Storm	-	0.00%	0.7%
Other excl. liab.	14,572,391	12.32%	2.5%
Liability	5,085,383	4.30%	3.6%
Total	118,240,212	100.00%	5.3%

EXCESS PREMIUM EXCLUDING LIABILITY

Arkansas

LIMIT: \$250,000

	10/1/05-9/30/06		
	X Severe Storm	X Severe Storm	X Severe Storm
	Incurred	Loss	Excess
<u>Cause of Loss</u>	<u>Losses¹</u>	<u>Weights</u>	<u>Premium</u>
Fire/Lightning	71,904,139	60.81%	8.6%
Water	26,678,299	22.56%	0.4%
Wind/Storm	-	0.00%	0.7%
Other excl. liab.	14,572,391	12.32%	2.8%
Liability	5,085,383	4.30%	3.6%
Total	118,240,212	100.00%	5.8%

	10/1/06-9/30/07		
	X Severe Storm	X Severe Storm	X Severe Storm
	Incurred	Loss	Excess
<u>Cause of Loss</u>	<u>Losses¹</u>	<u>Weights</u>	<u>Premium</u>
Fire/Lightning	71,904,139	60.81%	9.8%
Water	26,678,299	22.56%	0.4%
Wind/Storm	-	0.00%	0.8%
Other excl. liab.	14,572,391	12.32%	3.2%
Liability	5,085,383	4.30%	3.6%
Total	118,240,212	100.00%	6.6%

¹ Sum of (HO-1, HO-2, HO-3, & HO-3 with HO-15 data) incurred losses for Accident Years 2001 through 2005 in ISO Circular AS-HO-2006-014 for the state

EXCESS PREMIUM
 Arkansas
 FIRE, WATER, WIND, OTHER
 LIMIT: \$250,000

Coverage A	10/1/06-9/30/0 Earned Premium	1000% Allocation of \$250,000/ Covg A	Fire		Water		Wind		Other		Other Excess Premium	Other Excess Premium		
			Percentage Allocation of \$250,000 Limit Losses	Fire Excess Factor	Fire Excess Premium	Percentage Allocation of \$250,000 Limit Losses	Water Excess Factor	Water Excess Premium	Percentage Allocation of \$250,000 Limit Losses	Wind Excess Factor			Wind Excess Premium	Percentage Allocation of \$250,000 Limit Losses
Limit	Distribution													
25,000	-0.2%	1000%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
75,000	3.6%	333%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
100,000	13.7%	250%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
125,000	17.5%	200%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
150,000	16.1%	167%	99.5%	0.5%	0.1%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	99.8%	0.2%	0.0%
175,000	10.4%	143%	98.1%	1.9%	0.2%	99.9%	0.1%	0.0%	99.9%	0.1%	0.0%	99.7%	0.3%	0.0%
200,000	8.5%	125%	93.8%	6.2%	0.5%	99.9%	0.1%	0.0%	99.2%	0.8%	0.1%	99.1%	0.9%	0.1%
225,000	5.9%	111%	88.9%	11.1%	0.7%	99.8%	0.2%	0.0%	98.8%	1.2%	0.1%	98.2%	1.8%	0.1%
250,000	5.1%	100%	81.4%	18.6%	0.9%	99.8%	0.2%	0.0%	98.3%	1.7%	0.1%	94.2%	5.8%	0.3%
275,000	4.0%	91%	76.5%	23.5%	0.9%	99.0%	1.0%	0.0%	97.9%	2.1%	0.1%	90.8%	9.2%	0.4%
300,000	2.9%	83%	72.2%	27.8%	0.8%	98.7%	1.3%	0.0%	97.5%	2.5%	0.1%	89.4%	10.6%	0.3%
325,000	2.7%	77%	67.6%	32.4%	0.9%	98.5%	1.5%	0.0%	97.2%	2.8%	0.1%	88.3%	11.7%	0.3%
375,000	3.3%	67%	58.8%	41.2%	1.4%	97.9%	2.1%	0.1%	96.8%	3.2%	0.1%	85.5%	14.5%	0.5%
425,000	1.4%	59%	53.4%	46.6%	0.7%	97.4%	2.6%	0.0%	96.4%	3.6%	0.1%	83.1%	16.9%	0.2%
475,000	1.4%	53%	48.9%	51.1%	0.7%	96.9%	3.1%	0.0%	96.0%	4.0%	0.1%	81.7%	18.3%	0.3%
500,000	3.7%	50%	46.7%	53.3%	2.0%	96.7%	3.3%	0.1%	95.7%	4.3%	0.2%	81.0%	19.0%	0.7%
Total	100.0%				9.8%			0.4%			0.8%			3.2%

Notes: The earned premium distribution is for the state. However, the excess factor at each Coverage A Limit is based on countrywide xcat loss data for Dwelling policies.

EXCESS PREMIUM
Arkansas
FIRE, WATER, WIND, OTHER
LIMIT: \$250,000

Coverage	10/1/05-9/30/0 A Limit	Earned Premium Distribution	1000% Covg A	Fire		Water			Wind			Other			
				Percentage Allocation Limit											
				Fire Excess Factor	Fire Excess Premium	Water Excess Factor	Water Excess Premium	Wind Excess Factor	Wind Excess Premium	Other Excess Factor	Other Excess Premium	Other Excess Factor	Other Excess Premium		
	25,000	-0.9%	1000%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
	75,000	4.5%	333%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
	100,000	17.1%	250%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
	125,000	18.2%	200%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
	150,000	15.2%	167%	99.5%	0.5%	0.1%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	99.8%	0.2%	0.0%
	175,000	11.2%	143%	98.1%	1.9%	0.2%	99.9%	0.1%	0.0%	99.9%	0.1%	0.0%	99.7%	0.3%	0.0%
	200,000	8.0%	125%	93.8%	6.2%	0.5%	99.9%	0.1%	0.0%	99.2%	0.8%	0.1%	99.1%	0.9%	0.1%
	225,000	5.3%	111%	88.9%	11.1%	0.6%	99.8%	0.2%	0.0%	98.8%	1.2%	0.1%	98.2%	1.8%	0.1%
	250,000	4.5%	100%	81.4%	18.6%	0.8%	99.8%	0.2%	0.0%	98.3%	1.7%	0.1%	94.2%	5.8%	0.3%
	275,000	3.2%	91%	76.5%	23.5%	0.7%	99.0%	1.0%	0.0%	97.9%	2.1%	0.1%	90.8%	9.2%	0.3%
	300,000	2.6%	83%	72.2%	27.8%	0.7%	98.7%	1.3%	0.0%	97.5%	2.5%	0.1%	89.4%	10.6%	0.3%
	325,000	2.4%	77%	67.6%	32.4%	0.8%	98.5%	1.5%	0.0%	97.2%	2.8%	0.1%	88.3%	11.7%	0.3%
	375,000	3.4%	67%	58.8%	41.2%	1.4%	97.9%	2.1%	0.1%	96.8%	3.2%	0.1%	85.5%	14.5%	0.5%
	425,000	1.1%	59%	53.4%	46.6%	0.5%	97.4%	2.6%	0.0%	96.4%	3.6%	0.0%	83.1%	16.9%	0.2%
	475,000	1.3%	53%	48.9%	51.1%	0.6%	96.9%	3.1%	0.0%	96.0%	4.0%	0.1%	81.7%	18.3%	0.2%
	500,000	3.0%	50%	46.7%	53.3%	1.6%	96.7%	3.3%	0.1%	95.7%	4.3%	0.1%	81.0%	19.0%	0.6%
	Total	100.0%				8.6%		0.4%		0.7%				2.8%	

Notes: The earned premium distribution is for the state. However, the excess factor at each Coverage A Limit is based on countrywide xcat loss data for Dwelling policies.

EXCESS PREMIUM
Arkansas
FIRE, WATER, WIND, OTHER
LIMIT: \$250,000

Coverage A Limit	10/1/04-9/30/0 Earned Premium Distribution	1000% \$250,000/ Covg A	Fire		Water			Wind			Other			
			Percentage Allocation Limit											
			Fire Excess Factor	Fire Excess Premium	Water Excess Factor	Water Excess Premium	Wind Excess Factor	Wind Excess Premium	Other Excess Factor	Other Excess Premium				
25,000	-0.6%	1000%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
75,000	7.0%	333%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
100,000	20.2%	250%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
125,000	18.6%	200%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
150,000	14.0%	167%	99.5%	0.5%	0.1%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	99.8%	0.2%	0.0%
175,000	10.6%	143%	98.1%	1.9%	0.2%	99.9%	0.1%	0.0%	99.9%	0.1%	0.0%	99.7%	0.3%	0.0%
200,000	5.8%	125%	93.8%	6.2%	0.4%	99.9%	0.1%	0.0%	99.2%	0.8%	0.0%	99.1%	0.9%	0.1%
225,000	4.9%	111%	88.9%	11.1%	0.6%	99.8%	0.2%	0.0%	98.8%	1.2%	0.1%	98.2%	1.8%	0.1%
250,000	4.1%	100%	81.4%	18.6%	0.8%	99.8%	0.2%	0.0%	98.3%	1.7%	0.1%	94.2%	5.8%	0.2%
275,000	2.9%	91%	76.5%	23.5%	0.7%	99.0%	1.0%	0.0%	97.9%	2.1%	0.1%	90.8%	9.2%	0.3%
300,000	2.0%	83%	72.2%	27.8%	0.6%	98.7%	1.3%	0.0%	97.5%	2.5%	0.0%	89.4%	10.6%	0.2%
325,000	2.2%	77%	67.6%	32.4%	0.7%	98.5%	1.5%	0.0%	97.2%	2.8%	0.1%	88.3%	11.7%	0.3%
375,000	2.6%	67%	58.8%	41.2%	1.1%	97.9%	2.1%	0.1%	96.8%	3.2%	0.1%	85.5%	14.5%	0.4%
425,000	1.4%	59%	53.4%	46.6%	0.6%	97.4%	2.6%	0.0%	96.4%	3.6%	0.0%	83.1%	16.9%	0.2%
475,000	1.3%	53%	48.9%	51.1%	0.7%	96.9%	3.1%	0.0%	96.0%	4.0%	0.1%	81.7%	18.3%	0.2%
500,000	2.8%	50%	46.7%	53.3%	1.5%	96.7%	3.3%	0.1%	95.7%	4.3%	0.1%	81.0%	19.0%	0.5%
Total	100.0%				7.7%			0.4%			0.7%			2.5%

Notes: The earned premium distribution is for the state. However, the excess factor at each Coverage A Limit is based on countrywide xcat loss data for Dwelling policies.

EXCESS PREMIUM
Arkansas
FIRE, WATER, WIND, OTHER
LIMIT: \$250,000

Coverage	10/1/03-9/30/0 A Limit	Earned Premium Distribution	Covg A \$250,000/ of \$250,000	Fire		Water			Wind			Other			
				Percentage Allocation of \$250,000	Fire Excess Factor	Fire Excess Premium	Percentage Allocation of \$250,000	Water Excess Factor	Water Excess Premium	Percentage Allocation of \$250,000	Wind Excess Factor	Wind Excess Premium	Percentage Allocation of \$250,000	Other Excess Factor	Other Excess Premium
	25,000	-0.2%	1000%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
	75,000	9.7%	333%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
	100,000	22.1%	250%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
	125,000	19.4%	200%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
	150,000	13.4%	167%	99.5%	0.5%	0.1%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	99.8%	0.2%	0.0%
	175,000	9.5%	143%	98.1%	1.9%	0.2%	99.9%	0.1%	0.0%	99.9%	0.1%	0.0%	99.7%	0.3%	0.0%
	200,000	5.3%	125%	93.8%	6.2%	0.3%	99.9%	0.1%	0.0%	99.2%	0.8%	0.0%	99.1%	0.9%	0.0%
	225,000	4.4%	111%	88.9%	11.1%	0.5%	99.8%	0.2%	0.0%	98.8%	1.2%	0.1%	98.2%	1.8%	0.1%
	250,000	3.9%	100%	81.4%	18.6%	0.7%	99.8%	0.2%	0.0%	98.3%	1.7%	0.1%	94.2%	5.8%	0.2%
	275,000	1.9%	91%	76.5%	23.5%	0.5%	99.0%	1.0%	0.0%	97.9%	2.1%	0.0%	90.8%	9.2%	0.2%
	300,000	2.0%	83%	72.2%	27.8%	0.6%	98.7%	1.3%	0.0%	97.5%	2.5%	0.0%	89.4%	10.6%	0.2%
	325,000	2.2%	77%	67.6%	32.4%	0.7%	98.5%	1.5%	0.0%	97.2%	2.8%	0.1%	88.3%	11.7%	0.3%
	375,000	2.2%	67%	58.8%	41.2%	0.9%	97.9%	2.1%	0.0%	96.8%	3.2%	0.1%	85.5%	14.5%	0.3%
	425,000	1.2%	59%	53.4%	46.6%	0.6%	97.4%	2.6%	0.0%	96.4%	3.6%	0.0%	83.1%	16.9%	0.2%
	475,000	0.6%	53%	48.9%	51.1%	0.3%	96.9%	3.1%	0.0%	96.0%	4.0%	0.0%	81.7%	18.3%	0.1%
	500,000	2.4%	50%	46.7%	53.3%	1.3%	96.7%	3.3%	0.1%	95.7%	4.3%	0.1%	81.0%	19.0%	0.5%
	Total	100.0%				6.5%			0.3%			0.6%			2.1%

Notes: The earned premium distribution is for the state. However, the excess factor at each Coverage A Limit is based on countrywide xcat loss data for Dwelling policies.

EXCESS PREMIUM
 Arkansas
 FIRE, WATER, WIND, OTHER
 LIMIT: \$250,000

Coverage A	10/1/02-9/30/0 Earned Premium	1000% \$250,000/ Covg A	Fire		Water				Wind		Other				
			Percentage Allocation of \$250,000	Fire Excess	Percentage Allocation of \$250,000	Water Excess	Water Excess	Percentage Allocation of \$250,000	Wind Excess	Wind Excess	Percentage Allocation of \$250,000	Other Excess	Other Excess		
<u>Limit</u>	<u>Distribution</u>	<u>Limit</u>	<u>Limit</u>	<u>Factor</u>	<u>Premium</u>	<u>Limit</u>	<u>Limit</u>	<u>Factor</u>	<u>Premium</u>	<u>Limit</u>	<u>Limit</u>	<u>Factor</u>	<u>Premium</u>	<u>Limit</u>	<u>Premium</u>
25,000	0.1%	1000%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
75,000	13.3%	333%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
100,000	21.8%	250%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
125,000	18.1%	200%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
150,000	13.1%	167%	99.5%	0.5%	0.1%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	99.8%	0.2%	0.0%	0.0%
175,000	8.2%	143%	98.1%	1.9%	0.2%	99.9%	0.1%	0.0%	99.9%	0.1%	0.0%	99.7%	0.3%	0.0%	0.0%
200,000	6.2%	125%	93.8%	6.2%	0.4%	99.9%	0.1%	0.0%	99.2%	0.8%	0.1%	99.1%	0.9%	0.1%	0.1%
225,000	4.0%	111%	88.9%	11.1%	0.4%	99.8%	0.2%	0.0%	98.8%	1.2%	0.0%	98.2%	1.8%	0.1%	0.1%
250,000	3.0%	100%	81.4%	18.6%	0.6%	99.8%	0.2%	0.0%	98.3%	1.7%	0.0%	94.2%	5.8%	0.2%	0.2%
275,000	2.2%	91%	76.5%	23.5%	0.5%	99.0%	1.0%	0.0%	97.9%	2.1%	0.0%	90.8%	9.2%	0.2%	0.2%
300,000	2.0%	83%	72.2%	27.8%	0.6%	98.7%	1.3%	0.0%	97.5%	2.5%	0.1%	89.4%	10.6%	0.2%	0.2%
325,000	2.3%	77%	67.6%	32.4%	0.7%	98.5%	1.5%	0.0%	97.2%	2.8%	0.1%	88.3%	11.7%	0.3%	0.3%
375,000	2.5%	67%	58.8%	41.2%	1.0%	97.9%	2.1%	0.1%	96.8%	3.2%	0.1%	85.5%	14.5%	0.4%	0.4%
425,000	1.0%	59%	53.4%	46.6%	0.5%	97.4%	2.6%	0.0%	96.4%	3.6%	0.0%	83.1%	16.9%	0.2%	0.2%
475,000	0.3%	53%	48.9%	51.1%	0.2%	96.9%	3.1%	0.0%	96.0%	4.0%	0.0%	81.7%	18.3%	0.1%	0.1%
500,000	2.1%	50%	46.7%	53.3%	1.1%	96.7%	3.3%	0.1%	95.7%	4.3%	0.1%	81.0%	19.0%	0.4%	0.4%
Total	100.0%				6.2%			0.3%			0.5%			2.0%	

Notes: The earned premium distribution is for the state. However, the excess factor at each Coverage A Limit is based on countrywide xcat loss data for Dwelling policies.

CUMULATIVE CLAIM COUNT AND LOSS DISTRIBUTIONS
BY PERCENT OF INSURED VALUE

HOMEOWNERS: FIRE/LIGHTNING LOSSES ONLY

<u>Loss Size as a Percent of Insured Value</u>	<u>Cumulative Claim Counts</u>	<u>Cumulative Incurred Losses</u>	<u>Cumulative Claim Counts</u>	<u>Cumulative Incurred Losses</u>
<=5%	35,279	68,076,842	71.9%	9.5%
<=10%	39,306	112,805,248	80.1%	15.8%
<=20%	42,479	179,621,786	86.5%	25.1%
<=30%	43,850	228,544,979	89.3%	32.0%
<=40%	44,818	279,108,544	91.3%	39.0%
<=50%	45,712	333,834,957	93.1%	46.7%
<=60%	46,406	387,458,939	94.5%	54.2%
<=70%	46,913	434,739,830	95.6%	60.8%
<=80%	47,557	504,431,783	96.9%	70.6%
<=90%	47,896	542,648,216	97.6%	75.9%
<=100%	48,238	582,277,592	98.3%	81.4%
<=110%	48,602	632,536,227	99.0%	88.5%
<=120%	48,771	660,122,118	99.3%	92.3%
<=130%	48,899	681,533,365	99.6%	95.3%
<=140%	48,991	699,408,410	99.8%	97.8%
<=150%	49,027	705,561,699	99.9%	98.7%
<=160%	49,050	708,600,843	99.9%	99.1%
<=170%	49,064	712,100,234	99.9%	99.6%
<=180%	49,079	713,451,725	100.0%	99.8%
<=190%	49,088	714,055,784	100.0%	99.9%
<=200%	49,096	714,974,046	100.0%	100.0%

Notes:

Based on Five Accident Years Ending 09/30/2007

Dwelling policies

Insured Value = Coverage A limit

Excluding catastrophe claims.

CUMULATIVE CLAIM COUNT AND LOSS DISTRIBUTIONS
BY PERCENT OF INSURED VALUE

HOMEOWNERS: WATER LOSSES ONLY

<u>Loss Size as a Percent of Insured Value</u>	<u>Cumulative Claim Counts</u>	<u>Cumulative Incurred Losses</u>	<u>Cumulative Claim Counts</u>	<u>Cumulative Incurred Losses</u>
<=5%	112,143	258,758,692	88.6%	56.3%
<=10%	120,477	345,969,259	95.1%	75.3%
<=20%	123,487	400,845,221	97.5%	87.2%
<=30%	124,423	422,423,998	98.2%	91.9%
<=40%	124,924	434,189,720	98.6%	94.5%
<=50%	125,883	444,276,482	99.4%	96.7%
<=60%	126,025	447,956,691	99.5%	97.5%
<=70%	126,120	450,989,507	99.6%	98.1%
<=80%	126,213	453,339,062	99.7%	98.7%
<=90%	126,287	454,386,873	99.7%	98.9%
<=100%	126,594	458,374,273	100.0%	99.8%
<=110%	126,605	458,795,145	100.0%	99.8%
<=120%	126,609	458,841,260	100.0%	99.9%
<=130%	126,613	458,891,106	100.0%	99.9%
<=140%	126,623	459,025,960	100.0%	99.9%
<=150%	126,626	459,235,132	100.0%	99.9%
<=160%	126,628	459,266,070	100.0%	99.9%
<=170%	126,631	459,315,486	100.0%	100.0%
<=180%	126,634	459,368,149	100.0%	100.0%
<=190%	126,637	459,424,191	100.0%	100.0%
<=200%	126,642	459,521,935	100.0%	100.0%

Notes:

Based on Five Accident Years Ending 09/30/2007

Dwelling policies

Insured Value = Coverage A limit

Excluding catastrophe claims.

CUMULATIVE CLAIM COUNT AND LOSS DISTRIBUTIONS
BY PERCENT OF INSURED VALUE

HOMEOWNERS: WIND/STORM LOSSES ONLY

<u>Loss Size as a Percent of Insured Value</u>	<u>Cumulative Claim Counts</u>	<u>Cumulative Incurred Losses</u>	<u>Cumulative Claim Counts</u>	<u>Cumulative Incurred Losses</u>
<=5%	40,188	81,212,080	87.7%	59.0%
<=10%	43,977	111,747,808	95.9%	81.2%
<=20%	45,162	123,567,722	98.5%	89.8%
<=30%	45,468	127,580,338	99.2%	92.7%
<=40%	45,620	130,546,105	99.5%	94.8%
<=50%	45,693	131,788,908	99.7%	95.7%
<=60%	45,732	132,809,126	99.8%	96.5%
<=70%	45,755	133,378,124	99.8%	96.9%
<=80%	45,774	134,093,578	99.9%	97.4%
<=90%	45,791	134,702,763	99.9%	97.8%
<=100%	45,813	135,359,721	99.9%	98.3%
<=110%	45,820	135,962,101	100.0%	98.8%
<=120%	45,824	136,237,876	100.0%	99.0%
<=130%	45,829	136,786,022	100.0%	99.4%
<=140%	45,831	137,507,395	100.0%	99.9%
<=150%	45,837	137,628,597	100.0%	100.0%
<=160%	45,837	137,628,597	100.0%	100.0%
<=170%	45,837	137,628,597	100.0%	100.0%
<=180%	45,838	137,645,992	100.0%	100.0%
<=190%	45,839	137,664,917	100.0%	100.0%
<=200%	45,839	137,664,917	100.0%	100.0%

Notes:

Based on Five Accident Years Ending 09/30/2007

Dwelling policies

Insured Value = Coverage A limit

Excluding catastrophe claims.

CUMULATIVE CLAIM COUNT AND LOSS DISTRIBUTIONS
BY PERCENT OF INSURED VALUE

HOMEOWNERS: OTHER LOSSES

<u>Loss Size as a Percent of Insured Value</u>	<u>Cumulative Claim Counts</u>	<u>Cumulative Incurred Losses</u>	<u>Cumulative Claim Counts</u>	<u>Cumulative Incurred Losses</u>
<=5%	87,465	137,609,531	93.5%	54.1%
<=10%	91,070	168,567,187	97.4%	66.3%
<=20%	92,268	186,053,595	98.7%	73.2%
<=30%	92,626	194,136,764	99.0%	76.4%
<=40%	92,802	199,641,580	99.2%	78.5%
<=50%	92,971	205,828,479	99.4%	81.0%
<=60%	93,077	211,803,302	99.5%	83.3%
<=70%	93,166	219,797,693	99.6%	86.5%
<=80%	93,236	226,376,990	99.7%	89.0%
<=90%	93,277	229,805,737	99.7%	90.4%
<=100%	93,389	239,506,227	99.9%	94.2%
<=110%	93,466	249,335,449	99.9%	98.1%
<=120%	93,489	251,406,689	100.0%	98.9%
<=130%	93,500	252,512,136	100.0%	99.3%
<=140%	93,507	253,346,856	100.0%	99.7%
<=150%	93,514	253,718,625	100.0%	99.8%
<=160%	93,518	253,780,441	100.0%	99.8%
<=170%	93,518	253,780,441	100.0%	99.8%
<=180%	93,521	254,213,344	100.0%	100.0%
<=190%	93,521	254,213,344	100.0%	100.0%
<=200%	93,522	254,232,467	100.0%	100.0%

Notes:

Based on Five Accident Years Ending 09/30/2007

Dwelling policies

Insured Value = Coverage A limit

Excluding catastrophe claims.

EXCESS LOSSES
COUNTRYWIDE
LIABILITY

	Policy Incurred <u>Losses</u>	Cumulative Claim <u>Count</u>	Cumulative Claim <u>Count %</u>	Limited Incurred <u>Loss</u>	Limited Incurred <u>Loss %</u>
<=	5,000	10,287	80.44%	25,616,375	23.42%
<=	10,000	11,103	86.82%	36,256,786	33.15%
<=	20,000	11,703	91.51%	50,238,584	45.93%
<=	25,000	11,887	92.95%	55,476,916	50.72%
<=	30,000	11,996	93.80%	59,835,209	54.71%
<=	40,000	12,134	94.88%	67,230,227	61.47%
<=	50,000	12,284	96.05%	73,494,100	67.20%
<=	60,000	12,344	96.52%	78,349,753	71.64%
<=	70,000	12,392	96.90%	82,617,098	75.54%
<=	80,000	12,467	97.48%	86,260,887	78.87%
<=	90,000	12,497	97.72%	89,381,367	81.72%
<=	100,000	12,655	98.95%	92,208,462	84.31%
<=	110,000	12,659	98.98%	93,538,436	85.52%
<=	120,000	12,664	99.02%	94,831,037	86.71%
<=	130,000	12,674	99.10%	96,045,778	87.82%
<=	140,000	12,680	99.15%	97,183,394	88.86%
<=	150,000	12,698	99.29%	98,257,134	89.84%
<=	160,000	12,699	99.30%	99,161,134	90.67%
<=	170,000	12,701	99.31%	100,061,134	91.49%
<=	180,000	12,707	99.36%	100,921,134	92.27%
<=	190,000	12,707	99.36%	101,741,134	93.02%
<=	200,000	12,727	99.52%	102,560,589	93.77%
<=	250,000	12,743	99.64%	105,441,863	96.41%
<=	500,000	12,789	100.00%	109,370,586	100.00%

Notes:

Based on Five Accident Years Ending 09/30/2007

Dwelling policies

Insured Value = Coverage A limit

Excluding catastrophe claims.

Arkansas
Homeowners Rating Manual

Homeowner Base Rates			
Dwelling Territory	H3	H4	H6
031	2387	318	417
032	2298	331	417
033	1900	308	417
034	2500	298	417
035	2050	314	417
036	1845	298	417
081	1663	284	417
084	2327	331	417
086	2383	331	417
097	2637	331	417
098	2383	331	417

Tier Factors			
Tier	H3	H4	H6
1	0.500	N/A	N/A
2	0.550	N/A	N/A
3	0.600	N/A	N/A
4	0.725	N/A	N/A
5	0.925	N/A	N/A
6	1.000	N/A	N/A
7	1.200	N/A	N/A
8	1.350	N/A	N/A
10	0.410	N/A	0.410
11	0.430	N/A	0.430
12	0.450	N/A	0.450
13	0.470	N/A	0.470
14	0.490	N/A	0.490
15	0.510	N/A	0.510
16	0.540	N/A	0.540
17	0.600	N/A	0.600
18	0.690	N/A	0.690
19	0.750	N/A	0.750
20	0.840	N/A	0.840
21	0.900	N/A	0.900
22	1.000	N/A	1.000
23	1.050	N/A	1.050
24	1.200	N/A	1.200
25	1.320	N/A	1.320
26	1.500	N/A	1.500

Row or Town House			
Protection Class	# of Units		
	1-2	3-4	5-8
1-8	1.00	1.10	1.25
9-10	1.00	1.15	1.30

Construction/Occupancy Charge			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.00

Excess Dwelling	
Rate	5

Form Factor	
Type	Factor
H2	.95
H3	1.00

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Homeowners Rating Manual

Homeowner Base Rates			
Dwelling Territory	H3	H4	H6
031	2387	318	417
032	2298	331	417
033	1900	308	417
034	2500	298	417
035	2050	314	417
036	1845	298	417
081	1663	284	417
084	2327	331	417
086	2383	331	417
097	2637	331	417
098	2383	331	417

Tier Factors		
Tier	H3	H4
1	0.500	N/A
2	0.550	N/A
3	0.600	N/A
4	0.725	N/A
5	0.925	N/A
6	1.000	N/A
7	1.200	N/A
8	1.350	N/A
10	0.410	N/A
11	0.430	N/A
12	0.450	N/A
13	0.470	N/A
14	0.490	N/A
15	0.510	N/A
16	0.540	N/A
17	0.600	N/A
18	0.690	N/A
19	0.750	N/A
20	0.840	N/A
21	0.900	N/A
22	1.000	N/A
23	1.050	N/A
24	1.200	N/A
25	1.320	N/A
26	1.500	N/A

Row or Town House			
Protection Class	# of Units		
	1-2	3-4	5-8
1-8	1.00	1.10	1.25
9-10	1.00	1.15	1.30

Construction/Occupancy Charge			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.00

Excess Dwelling	
Rate	5

Form Factor	
Type	Factor
H2	.95
H3	1.00

Arkansas
Homeowners Rating Manual

Section I Optional Coverages

Refrigerated Property	
Rate	10

Additions & Alterations Rented	
Rate	.25

Water Backup	
Rate	40

Second Location Discount	
Rate	11

Special Dwelling	
Rate	2

Identity Fraud Expense Coverage	
Rate per Policy	25

Inc Other Structure & Loss of Use	
Rate per \$1000	4

Inc Other Structures Rented	
Rate per \$1000	5

Loss Assessment - Residence Premises					
Loss Assessment	Form Type				H6 w/ Special Dwelling
	H2	H3	H4	H6	
5000	3	4	3	3	4
10000	5	7	5	5	7

Increased Loss Assessment per \$5000				
Form Type				
H2	H3	H4	H6	H6 w/ Special Dwelling
1	2	1	1	2

Increased Loss of Use Percentage				
Home Protector	Form Type			
	H2	H3	H4	H6
Plus				
No	.20	.20	.20	.40
Yes	N/A	.30	N/A	N/A

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Homeowners Rating Manual

Section I Optional Coverages

Refrigerated Property	
Rate	10

Additions & Alterations Rented	
Rate	.25

Water Backup	
Rate	40

Second Location Discount	
Rate	11

Special Dwelling	
Rate	2

Identity Fraud Expense Coverage	
Rate per Policy	25

Inc Other Structure & Loss of Use	
Rate per \$1000	4

Inc Other Structures Rented	
Rate per \$1000	5

Loss Assessment - Residence Premises					
	Form Type				
Loss Assessment	H2	H3	H4	H6	H6 w/ Special Dwelling
5000	3	4	3	3	4
10000	5	7	5	5	7

Increased Loss Assessment per \$5000					
	Form Type				
	H2	H3	H4	H6	H6 w/ Special Dwelling
	1	2	1	1	2

Increased Loss of Use Percentage				
	Form Type			
Home Protector	H2	H3	H4	H6
Plus				
No	.20	.20	.20	.40
Yes	N/A	.30	N/A	N/A

Liberty Mutual Group
Arkansas Homeowners Informational Filing
Responses to DOI's 7/2/2008 Letter

Objection 1: An HPCS must be submitted separately for each company.

Please see the attached surveys.

Objection 2: AR Form RF-1 is required.

Please see the attached RF-1 Form.

Objection 3: Provision for Severe Storm Loss-provide the AIR model. Describe in detail or provide the actual data entered into the model. Was the data AR specific?

The AIR Model was brought in house and run by Liberty Mutual CAT Modeling Team. The modeled losses are based on AR policy holders in force as of 7/1/2007. For each policy holder, the fields required for modeling are listed below to get the average annual loss for Severe Storms:

- Contract ID – policy number and policy form information that is used for identification purpose
- Location ID – set equal to Contract ID in personal line for identification purpose
- Address
- Rated Zip
- Rated Territory
- State – Arkansas
- IFP – In Force Premium
- Wind/Hail Deductible
- Coverage A Limit and Value
- Coverage B Limit and Value
- Coverage C Limit and Value
- Coverage D Limit and Value
- Year Built
- AIR Construction Code – table 1 (attached)
- AIR Occupancy Code – table 2 (attached)
- Policy Form – type of policy, e.g. Condo, Tenant, Dwelling, etc.
- Latitude – location
- Longitude – location

Table 1: Construction Class Code Descriptions

AIR Code	AIR Category	Construction Description
101	Wood Frame	Wood frame structures tend to be mostly low rise (one to three stories, occasionally four stories). Stud walls are typically constructed of 2x4 or 2x6 inch wood members vertically set 16 or 24 inches apart. These walls are braced by plywood or by diagonals made of wood or steel. Many detached single and low-rise multiple family residences in the United States are of stud wall wood frame construction.
103	Masonry Veneer	"Masonry veneer" structures are wood-frame structures faced with a single width of non-load-bearing concrete, stone or clay brick attached to the stud wall.
111	Masonry	Use this option when the exterior walls are constructed of masonry materials, but detailed construction information is unavailable or unknown.
131	Reinforced Concrete	Reinforced concrete buildings consist of reinforced concrete columns and beams. Use this if the other technical characteristics of the building are unknown.
194	Mobile home with full tie-downs	This code would be useful for mobile homes (manufactured homes) when the anchoring systems are both over-the-top ties, and frame ties. Typically 10 frame ties and seven over-the-top ties are required for full tie down in single-wide mobile homes.

Table 2: Residential/Commercial Occupancy Codes

AIR Code	AIR Category	Occupancy Description
301	General Residential	General Residential is a composite of all other residential occupancies. This occupancy code can be selected if the user has no specific information about the risk.
302	Permanent dwelling: single family	Single unit detached dwellings usually occupied by a single family.
303	Permanent dwelling: multi family	Multiple unit dwellings usually occupied by more than one family.
306	Apartments/ Condominiums	Attached, multi-unit housing usually occupied by one family per unit.

Objection 4: Provide evidence of actual hurricane losses in AR or remove the hurricane provision.

Hurricane is not a significant loss exposure in Arkansas. After removing the Provision for Hurricane Wind Losses, the resulting indication becomes 11.1% compared to our selected rate increase of 4.1%.

Liberty Mutual Group						Effective Date:			
Homeowners						09/22/08			
Arkansas									
Dwelling Forms									
Statewide Indicated Rate Level Change									
	(1)	(2)			(3)	(4)	(5)	(6)	
Accident Year Ending	Reported Earned Premium	Earned House Years			Premium Trend Factor	Current Rate Factor	Premium Adjustment Factor (3)/(4)	Premium at Current Level (1)*(5)	
9/30/2003	\$1,436,088	1,909			1.080	1.271	1.372	\$1,970,863	
9/30/2004	\$1,833,930	2,093			1.065	1.107	1.179	\$2,161,412	
9/30/2005	\$2,460,230	2,549			1.047	1.021	1.069	\$2,630,871	
9/30/2006	\$2,628,419	2,603			1.022	1.000	1.022	\$2,686,244	
9/30/2007	<u>\$2,709,398</u>	<u>2,613</u>			0.995	1.000	0.995	<u>\$2,695,851</u>	
	\$11,068,065	11,767						\$12,145,240	
Accident Year Ending	Xcat xSevere Storm Capped Loss	1/Capped Loss Factor	Loss Dev. Factor	Loss Trend	Adjusted Normal Losses	Loss Complement (Regional PP = \$275)	Cred. Adjusted Normal Losses	Loss Ratio	Normal Loss Ratio
9/30/2003	\$495,571	1.044	0.996	1.170	\$603,027	\$524,964	\$563,996	0.20	0.286
9/30/2004	\$453,642	1.047	0.999	1.125	\$533,480	\$575,594	\$554,537	0.20	0.257
9/30/2005	\$866,208	1.056	1.001	1.082	\$989,591	\$700,994	\$845,293	0.20	0.321
9/30/2006	\$1,319,827	1.062	1.009	1.040	\$1,470,068	\$715,831	\$1,092,949	0.20	0.407
9/30/2007	\$1,054,797	1.071	1.080	1.000	\$1,219,015	\$718,462	<u>\$968,739</u>	0.20	0.359
							\$4,025,513		
(15)	Weighted Normal Loss Ratio								0.326
(16)	Provision for Non-modeled Catastrophes								0.002
(16a)	Provision for Hurricane Wind Losses								0.000
(16b)	Provision for Tornado/Hail/Severe Thunderstorm Losses								0.238
(17)	Premium Projection Factor								1.050
(18)	Loss Projection Factor								1.139
(19)	Loss Ratio Projection Factor: (18)/(17)								1.085
(20)	Loss Adjustment Expense Factor								1.239
(21)	House Years in Experience Period								11,767
(22)	Credibility = Square root of [(21)/50,000] (max = 1.0)								0.50
(23)	Projected Xcat Loss & LAE Ratio: (15)*(19)*(20)								0.438
(24)	Projected Total Loss & LAE Ratio: (23) + [(16)+(16a)+(16b)]*(20)/(17)								0.721
(25)	Provision Fixed Expense								0.184
(26)	Provision for Reinsurance Cost								0.000
(27)	Provision for Variable Expense								0.184
(28)	Permissible Loss, LAE, Fixed Expense, and Reinsurance [1.0 - (27)]								0.816
(29)	Indicated Rate Change $\{[(24)+(25)+(26)]/(28)\} - 1.0$								11.1%
(30)	Selected Rate Change								4.1%

Objection 5: The profit provision has almost doubled from the previous rate filing effective in 2004. Please explain how the profit provision is not in violation of ACA 23-67-208 (b)

Response: The chosen profit and contingency provision of 10.3% does not result in excessive rates because it produces a return on surplus of 15.2% on GAAP basis, which is commensurate with the cost of attracting capital. This is consistent with the analysis performed by Dr. David Cummins on behalf of Liberty Mutual. The study was based on the combination of the CAPM and DCE approaches and concluded that for a company with similar diversification and capitalization as Liberty Mutual, an overall fair rate of return would be 15.6%. For a high risk line of business, such as Homeowners, it would demand 17.5% to 21.2% return on surplus.

Objection 6: Rating Manual Pages. The mock pages and actual pages are identical. Please explain.

Please see the attached revised mock pages and actual pages.

NAIC Number: Group number 111 23035
 Company Name: Liberty Mutual Fire Ins. Co.
 Contact Person: Jennifer Colby
 Telephone No.: 800-225-8346 x41714
 Email Address: jennifer.colby@libertymutual.com
 Effective Date: 9/22/2008

**Homeowners Premium Comparison Survey Form
 FORM HPCS - last modified August, 2005**

Submit to: Arkansas Insurance Department
 1200 West Third Street
 Little Rock, AR 72201-1904
 Telephone: 501-371-2800
 Email as an attachment to insurance.pnc@arkansas.gov
 You may also attach to a SERFF filing or submit on a cdr disk

**USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE
 BLANK**

Survey Form for HO3 (Homeowners) - Use \$500 Flat Deductible (Covers risk of direct physical loss for dwelling and other structures; named perils for personal property, replacement cost on dwelling, actual cash value on personal property)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$427	\$473	\$427	\$473	\$643	\$712	\$613	\$679	\$613	\$679	\$591	\$654	\$679	\$751	\$475	\$525	\$614	\$679
	\$120,000	\$611	\$675	\$611	\$675	\$917	\$1,015	\$874	\$968	\$874	\$968	\$845	\$933	\$969	\$1,070	\$678	\$749	\$876	\$969
	\$160,000	\$816	\$903	\$816	\$903	\$1,241	\$1,384	\$1,177	\$1,313	\$1,177	\$1,313	\$1,131	\$1,263	\$1,315	\$1,467	\$904	\$1,000	\$1,178	\$1,317
6	\$80,000	\$503	\$565	\$503	\$565	\$758	\$847	\$721	\$809	\$721	\$809	\$695	\$779	\$799	\$893	\$558	\$625	\$722	\$811
	\$120,000	\$717	\$805	\$717	\$805	\$1,080	\$1,221	\$1,030	\$1,159	\$1,030	\$1,159	\$992	\$1,113	\$1,143	\$1,294	\$798	\$892	\$1,032	\$1,161
	\$160,000	\$961	\$1,075	\$961	\$1,075	\$1,482	\$1,673	\$1,407	\$1,589	\$1,407	\$1,589	\$1,350	\$1,529	\$1,570	\$1,771	\$1,065	\$1,202	\$1,408	\$1,593
9	\$80,000	\$937	\$1,082	\$937	\$1,082	\$1,441	\$1,687	\$1,369	\$1,601	\$1,369	\$1,601	\$1,315	\$1,540	\$1,528	\$1,784	\$1,038	\$1,211	\$1,370	\$1,604
	\$120,000	\$1,362	\$1,593	\$1,362	\$1,593	\$2,110	\$2,457	\$2,005	\$2,338	\$2,005	\$2,338	\$1,930	\$2,249	\$2,233	\$2,599	\$1,524	\$1,781	\$2,009	\$2,341
	\$160,000	\$1,860	\$2,171	\$1,860	\$2,171	\$2,859	\$3,324	\$2,720	\$3,163	\$2,720	\$3,163	\$2,620	\$3,046	\$3,023	\$3,513	\$2,079	\$2,420	\$2,724	\$3,168

Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000	\$81	\$81	\$81	\$81	\$85	\$85	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94
	\$15,000	\$134	\$134	\$134	\$134	\$141	\$141	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158
	\$25,000	\$181	\$181	\$181	\$181	\$189	\$189	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209
6	\$5,000	\$89	\$89	\$89	\$89	\$93	\$93	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102
	\$15,000	\$147	\$147	\$147	\$147	\$155	\$155	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170
	\$25,000	\$195	\$195	\$195	\$195	\$206	\$206	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228
9	\$5,000	\$123	\$123	\$123	\$123	\$129	\$129	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144
	\$15,000	\$206	\$206	\$206	\$206	\$215	\$215	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240
	\$25,000	\$273	\$273	\$273	\$273	\$286	\$286	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319

Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:

HO3 and HO4 only

Fire Extinguisher	6 %	Deadbolt Lock	6 %
Burglar Alarm	5-10 %	Window Locks	0 %
Smoke Alarm	1-2 %	\$1,000 Deductible	26-30 %
		Other (specify)	

EARTHQUAKE INSURANCE

IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this co

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	Yes (yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	5-25 %

Zone Brick Frame

	<i>Sprinkler System</i>	8-13	%	<i>WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?</i>	Highest Risk	\$	0.71	\$	0.58
	<i>Maximum Credit Allowed</i>		%		Lowest Risk	\$	0.21	\$	0.18

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NAIC Number: Group number 111 33588
 Company Name: The First Liberty Ins. Corp.
 Contact Person: Jennifer Colby
 Telephone No.: 800-225-8346 x41714
 Email Address: jennifer.colby@libertymutual.com
 Effective Date: 9/22/2008

**Homeowners Premium Comparison Survey Form
 FORM HPCS - last modified August, 2005**

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		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$427	\$473	\$427	\$473	\$643	\$712	\$613	\$679	\$613	\$679	\$591	\$654	\$679	\$751	\$475	\$525	\$614	\$679
	\$120,000	\$611	\$675	\$611	\$675	\$917	\$1,015	\$874	\$968	\$874	\$968	\$845	\$933	\$969	\$1,070	\$678	\$749	\$876	\$969
	\$160,000	\$816	\$903	\$816	\$903	\$1,241	\$1,384	\$1,177	\$1,313	\$1,177	\$1,313	\$1,131	\$1,263	\$1,315	\$1,467	\$904	\$1,000	\$1,178	\$1,317
6	\$80,000	\$503	\$565	\$503	\$565	\$758	\$847	\$721	\$809	\$721	\$809	\$695	\$779	\$799	\$893	\$558	\$625	\$722	\$811
	\$120,000	\$717	\$805	\$717	\$805	\$1,080	\$1,221	\$1,030	\$1,159	\$1,030	\$1,159	\$992	\$1,113	\$1,143	\$1,294	\$798	\$892	\$1,032	\$1,161
	\$160,000	\$961	\$1,075	\$961	\$1,075	\$1,482	\$1,673	\$1,407	\$1,589	\$1,407	\$1,589	\$1,350	\$1,529	\$1,570	\$1,771	\$1,065	\$1,202	\$1,408	\$1,593
9	\$80,000	\$937	\$1,082	\$937	\$1,082	\$1,441	\$1,687	\$1,369	\$1,601	\$1,369	\$1,601	\$1,315	\$1,540	\$1,528	\$1,784	\$1,038	\$1,211	\$1,370	\$1,604
	\$120,000	\$1,362	\$1,593	\$1,362	\$1,593	\$2,110	\$2,457	\$2,005	\$2,338	\$2,005	\$2,338	\$1,930	\$2,249	\$2,233	\$2,599	\$1,524	\$1,781	\$2,009	\$2,341
	\$160,000	\$1,860	\$2,171	\$1,860	\$2,171	\$2,859	\$3,324	\$2,720	\$3,163	\$2,720	\$3,163	\$2,620	\$3,046	\$3,023	\$3,513	\$2,079	\$2,420	\$2,724	\$3,168

Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000	\$81	\$81	\$81	\$81	\$85	\$85	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94	\$94
	\$15,000	\$134	\$134	\$134	\$134	\$141	\$141	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158	\$158
	\$25,000	\$181	\$181	\$181	\$181	\$189	\$189	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209	\$209
6	\$5,000	\$89	\$89	\$89	\$89	\$93	\$93	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102	\$102
	\$15,000	\$147	\$147	\$147	\$147	\$155	\$155	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170	\$170
	\$25,000	\$195	\$195	\$195	\$195	\$206	\$206	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228
9	\$5,000	\$123	\$123	\$123	\$123	\$129	\$129	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144	\$144
	\$15,000	\$206	\$206	\$206	\$206	\$215	\$215	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240
	\$25,000	\$273	\$273	\$273	\$273	\$286	\$286	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319	\$319

Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:

HO3 and HO4 only

Fire Extinguisher	6 %	Deadbolt Lock	6 %
Burglar Alarm	5-10 %	Window Locks	0 %
Smoke Alarm	1-2 %	\$1,000 Deductible	26-30 %
		Other (specify)	

EARTHQUAKE INSURANCE

IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this co

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	Yes (yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	5-25 %

Zone Brick Frame

	<i>Sprinkler System</i>	8-13	%	<i>WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?</i>	Highest Risk	\$	0.71	\$	0.58
	<i>Maximum Credit Allowed</i>		%		Lowest Risk	\$	0.21	\$	0.18

I

Arkansas
Homeowners Rating Manual

Homeowner Base Rates			
Dwelling Territory	H3	H4	H6
031	2387	318	417
032	2298	331	417
033	1900	308	417
034	2500	298	417
035	2050	314	417
036	1845	298	417
081	1663	284	417
084	2327	331	417
086	2383	331	417
097	2637	331	417
098	2383	331	417

Tier Factors		
Tier	H3	H4
1	0.500	N/A
2	0.550	N/A
3	0.600	N/A
4	0.725	N/A
5	0.925	N/A
6	1.000	N/A
7	1.200	N/A
8	1.350	N/A
10	0.410	N/A
11	0.430	N/A
12	0.450	N/A
13	0.470	N/A
14	0.490	N/A
15	0.510	N/A
16	0.540	N/A
17	0.600	N/A
18	0.690	N/A
19	0.750	N/A
20	0.840	N/A
21	0.900	N/A
22	1.000	N/A
23	1.050	N/A
24	1.200	N/A
25	1.320	N/A
26	1.500	N/A

Row or Town House			
Protection Class	# of Units		
	1-2	3-4	5-8
1-8	1.00	1.10	1.25
9-10	1.00	1.15	1.30

Construction/Occupancy Charge			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.00

Excess Dwelling	
Rate	5

Form Factor	
Type	Factor
H2	.95
H3	1.00

Arkansas
Homeowners Rating Manual

Homeowner Base Rates			
Dwelling Territory	H3	H4	H6
031	2387	318	417
032	2298	331	417
033	1900	308	417
034	2500	298	417
035	2050	314	417
036	1845	298	417
081	1663	284	417
084	2327	331	417
086	2383	331	417
097	2637	331	417
098	2383	331	417

Tier Factors			
Tier	H3	H4	H6
1	0.500	N/A	N/A
2	0.550	N/A	N/A
3	0.600	N/A	N/A
4	0.725	N/A	N/A
5	0.925	N/A	N/A
6	1.000	N/A	N/A
7	1.200	N/A	N/A
8	1.350	N/A	N/A
10	0.410	N/A	0.410
11	0.430	N/A	0.430
12	0.450	N/A	0.450
13	0.470	N/A	0.470
14	0.490	N/A	0.490
15	0.510	N/A	0.510
16	0.540	N/A	0.540
17	0.600	N/A	0.600
18	0.690	N/A	0.690
19	0.750	N/A	0.750
20	0.840	N/A	0.840
21	0.900	N/A	0.900
22	1.000	N/A	1.000
23	1.050	N/A	1.050
24	1.200	N/A	1.200
25	1.320	N/A	1.320
26	1.500	N/A	1.500

Row or Town House			
Protection Class	# of Units		
	1-2	3-4	5-8
1-8	1.00	1.10	1.25
9-10	1.00	1.15	1.30

Construction/Occupancy Charge			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.00

Excess Dwelling	
Rate	5

Form Factor	
Type	Factor
H2	.95
H3	1.00

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Section I Optional Coverages

Refrigerated Property	
Rate	10

Additions & Alterations Rented	
Rate	.25

Water Backup	
Rate	40

Second Location Discount	
Rate	11

Special Dwelling	
Rate	2

Identity Fraud Expense Coverage	
Rate per Policy	25

Inc Other Structure & Loss of Use	
Rate per \$1000	4

Inc Other Structures Rented	
Rate per \$1000	5

Loss Assessment - Residence Premises					
	Form Type				
Loss Assessment	H2	H3	H4	H6	H6 w/ Special Dwelling
5000	3	4	3	3	4
10000	5	7	5	5	7

Increased Loss Assessment per \$5000				
	Form Type			
H2	H3	H4	H6	H6 w/ Special Dwelling
1	2	1	1	2

Increased Loss of Use Percentage				
	Form Type			
Home Protector	H2	H3	H4	H6
Plus				
No	.20	.20	.20	.40
Yes	N/A	.30	N/A	N/A

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Section I Optional Coverages

Refrigerated Property	
Rate	10

Additions & Alterations Rented	
Rate	.25

Water Backup	
Rate	40

Second Location Discount	
Rate	11

Special Dwelling	
Rate	2

Identity Fraud Expense Coverage	
Rate per Policy	25

Inc Other Structure & Loss of Use	
Rate per \$1000	4

Inc Other Structures Rented	
Rate per \$1000	5

Loss Assessment - Residence Premises						
Loss Assessment	Form Type					
	H2	H3	H4	H6	H6 w/ Special Dwelling	
	5000	3	4	3	3	4
	10000	5	7	5	5	7

Increased Loss Assessment per \$5000				
Form Type				
H2	H3	H4	H6	H6 w/ Special Dwelling
1	2	1	1	2

Increased Loss of Use Percentage				
Home Protector	Form Type			
	H2	H3	H4	H6
Plus				
No	.20	.20	.20	.40
Yes	N/A	.30	N/A	N/A

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	AR HO SR 08
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
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Company Name		Company NAIC Number		
3.	A.	Liberty Mutual Fire Insurance Company	B.	23035

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
4.	A.	Homeowner	B.	N/A

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
HO2, HO3	11.1%	3.9%	N/A	N/A	N/A	N/A	N/A
HO4	-	10.4%	N/A	N/A	N/A	N/A	N/A
HO6	-	5.8%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT	11.1%	4.1%	N/A	N/A	N/A	N/A	N/A

6.		5 Year History	Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio	
2003	2,258	10.4%	7/2/03 RB	1,679,034	1,245,037	74.2%	58.1%	
2004	2,260	8.0%	7/2/04 RB	2,160,044	724,127	33.5%	66.8%	

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	N/A
B. General Expense	23.7%
C. Taxes, License & Fees	3.5%
D. Underwriting Profit & Contingencies	10.3%
E. Other (explain)	0%
F. TOTAL	37.5%

- 8.** Apply Lost Cost Factors to Future filings? (Y or N)
- 9.** Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 29.2 % - Terr. 31 Little Rock
- 10.** Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): 2.4% - Terr. 98 Mississippi

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	AR HO SR 08
-----------	---	-------------

2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
-----------	---	-----

Company Name		Company NAIC Number		
3.	A.	The First Liberty Insurance Corporation	B.	33588

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
4.	A.	Homeowner	B.	N/A

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
HO2, HO3	11.0%	3.9%	N/A	N/A	N/A	N/A	N/A
HO4	-	10.4%	N/A	N/A	N/A	N/A	N/A
HO6	-	5.8%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT	11.1%	4.1%	N/A	N/A	N/A	N/A	N/A

6.		5 Year History	Rate Change History				
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2003	0	10.4%	7/2/03 RB	0	0	N/A	58.1%
2004	0	8.0%	7/2/04 RB	0	0	N/A	66.8%

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	N/A
B. General Expense	23.7%
C. Taxes, License & Fees	3.5%
D. Underwriting Profit & Contingencies	10.3%
E. Other (explain)	0%
F. TOTAL	37.5%

- 8.** N Apply Lost Cost Factors to Future filings? (Y or N)
- 9.** Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): N/A
- 10.** Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): N/A

SERFF Tracking Number: *LBPM-125715111* State: *Arkansas*
 First Filing Company: *Liberty Mutual Fire Insurance Company, ...* State Tracking Number: *EFT \$100*
 Company Tracking Number: *AR HO SR 08*
 TOI: *04.0 Homeowners* Sub-TOI: *04.0000 Homeowners Sub-TOI Combinations*
 Product Name: *Home*
 Project Name/Number: *Homeowner State Review/AR HO SR 08*

Superseded Attachments

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Original Date:	Schedule	Document Name	Replaced Date	Attach Document
No original date	Supporting Document	Rating Manual Pages	06/27/2008	AR R1 mock Home.pdf AR Home R1.pdf AR Home R11.pdf AR Home R11 proof.pdf

Arkansas
Homeowners Rating Manual

Homeowner Base Rates			
Dwelling Territory	H3	H4	H6
031	2387	318	417
032	2298	331	417
033	1900	308	417
034	2500	298	417
035	2050	314	417
036	1845	298	417
081	1663	284	417
084	2327	331	417
086	2383	331	417
097	2637	331	417
098	2383	331	417

Tier Factors		
Tier	H3	H4
1	0.500	N/A
2	0.550	N/A
3	0.600	N/A
4	0.725	N/A
5	0.925	N/A
6	1.000	N/A
7	1.200	N/A
8	1.350	N/A
10	0.410	N/A
11	0.430	N/A
12	0.450	N/A
13	0.470	N/A
14	0.490	N/A
15	0.510	N/A
16	0.540	N/A
17	0.600	N/A
18	0.690	N/A
19	0.750	N/A
20	0.840	N/A
21	0.900	N/A
22	1.000	N/A
23	1.050	N/A
24	1.200	N/A
25	1.320	N/A
26	1.500	N/A

Row or Town House			
Protection Class	# of Units		
	1-2	3-4	5-8
1-8	1.00	1.10	1.25
9-10	1.00	1.15	1.30

Construction/Occupancy Charge			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.00

Excess Dwelling	
Rate	5

Form Factor	
Type	Factor
H2	.95
H3	1.00

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Homeowner Base Rates			
Dwelling Territory	H3	H4	H6
031	2387	318	417
032	2298	331	417
033	1900	308	417
034	2500	298	417
035	2050	314	417
036	1845	298	417
081	1663	284	417
084	2327	331	417
086	2383	331	417
097	2637	331	417
098	2383	331	417

Tier Factors		
Tier	H3	H4
1	0.500	N/A
2	0.550	N/A
3	0.600	N/A
4	0.725	N/A
5	0.925	N/A
6	1.000	N/A
7	1.200	N/A
8	1.350	N/A
10	0.410	N/A
11	0.430	N/A
12	0.450	N/A
13	0.470	N/A
14	0.490	N/A
15	0.510	N/A
16	0.540	N/A
17	0.600	N/A
18	0.690	N/A
19	0.750	N/A
20	0.840	N/A
21	0.900	N/A
22	1.000	N/A
23	1.050	N/A
24	1.200	N/A
25	1.320	N/A
26	1.500	N/A

Row or Town House			
Protection Class	# of Units		
	1-2	3-4	5-8
1-8	1.00	1.10	1.25
9-10	1.00	1.15	1.30

Construction/Occupancy Charge			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.00

Excess Dwelling	
Rate	5

Form Factor	
Type	Factor
H2	.95
H3	1.00

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Refrigerated Property	
Rate	10

Additions & Alterations Rented	
Rate	.25

Water Backup	
Rate	40 [¢]

Second Location Discount	
Rate	11

Special Dwelling	
Rate	2

Identity Fraud Expense Coverage	
Rate per Policy	25

Inc Other Structure & Loss of Use	
Rate per \$1000	4

Inc Other Structures Rented	
Rate per \$1000	5

Loss Assessment - Residence Premises					
	Form Type				
Loss Assessment	H2	H3	H4	H6	H6 w/ Special Dwelling
5000	3	4	3	3	4
10000	5	7	5	5	7

Increased Loss Assessment per \$5000				
	Form Type			
H2	H3	H4	H6	H6 w/ Special Dwelling
1	2	1	1	2

Increased Loss of Use Percentage				
	Form Type			
Home Protector	H2	H3	H4	H6
Plus				
No	.20	.20	.20	.40
Yes	N/A	.30	N/A	N/A

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Water Backup	
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Second Location Discount	
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Rate per Policy	25

Inc Other Structure & Loss of Use	
Rate per \$1000	4

Inc Other Structures Rented	
Rate per \$1000	5

Loss Assessment - Residence Premises					
	Form Type				
Loss Assessment	H2	H3	H4	H6	H6 w/ Special Dwelling
5000	3	4	3	3	4
10000	5	7	5	5	7

Increased Loss Assessment per \$5000					
	Form Type				
	H2	H3	H4	H6	H6 w/ Special Dwelling
	1	2	1	1	2

Increased Loss of Use Percentage				
	Form Type			
Home Protector	H2	H3	H4	H6
Plus				
No	.20	.20	.20	.40
Yes	N/A	.30	N/A	N/A