

SERFF Tracking Number: LBPM-125739751 State: Arkansas
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$25
Company Tracking Number: AR HO RENTERS TIER
TOI: 04.0 Homeowners Sub-TOI: 04.0004 Tenant Homeowners
Product Name: Home
Project Name/Number: Renters Tier/AR HO Renters Tier

Filing at a Glance

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

Product Name: Home	SERFF Tr Num: LBPM-125739751	State: Arkansas
TOI: 04.0 Homeowners	SERFF Status: Closed	State Tr Num: EFT \$25
Sub-TOI: 04.0004 Tenant Homeowners	Co Tr Num: AR HO RENTERS TIER	State Status: Fees verified and received
Filing Type: Rule	Co Status:	Reviewer(s): Becky Harrington, Betty Montesi, Brittany Yielding
	Author: Jennifer Colby	Disposition Date: 11/19/2008
	Date Submitted: 07/21/2008	Disposition Status: Filed
Effective Date Requested (New): 12/15/2008		Effective Date (New): 02/23/2009
Effective Date Requested (Renewal): 01/19/2009		Effective Date (Renewal): 02/23/2009

State Filing Description:

General Information

Project Name: Renters Tier	Status of Filing in Domicile: Not Filed
Project Number: AR HO Renters Tier	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 11/19/2008	
State Status Changed: 07/21/2008	Deemer Date:
Corresponding Filing Tracking Number:	

Filing Description:

In accordance with the "File & Use" provision, Liberty Mutual Fire Insurance Company (LMFIC), and The First Liberty Insurance Corporation (TFLIC), is introducing a tier rating program for the homeowner tenant form for all policies produced on or after October 20, 2008 and effective on renewal policies on or after November 24, 2008.

This filing introduces a tier rating program for the homeowner tenant form. The tier program will apply only to new business policies. Existing policies will be placed in a neutral

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tier at their next renewal.

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: \$25.00
 Retaliatory? No
 Fee Explanation: \$25.00 per rule filing
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Liberty Mutual Fire Insurance Company	\$25.00	07/21/2008	21509614
The First Liberty Insurance Corporation	\$0.00	07/21/2008	

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	11/19/2008	11/19/2008
Filed	Becky Harrington	07/23/2008	07/23/2008

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	07/21/2008	07/21/2008	Jennifer Colby	07/22/2008	07/22/2008

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Effective Date Change	Note To Reviewer	Adam Malo	11/19/2008	11/19/2008

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Disposition

Disposition Date: 11/19/2008
Effective Date (New): 02/23/2009
Effective Date (Renewal): 02/23/2009
Status: Filed
Comment: change in effective dates and new manual pages

Rate data does NOT apply to filing.

Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	0.000%
Overall Percentage Rate Impact For This Filing	0.000%
Effect of Rate Filing-Written Premium Change For This Program	\$0
Effect of Rate Filing - Number of Policyholders Affected	0

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Item Type	Item Name	Item Status	Public Access
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document	NAIC loss cost data entry document		Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp		Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty Filed		Yes
Supporting Document	Cover Letter and Explanatory Memo	Filed	Yes
Supporting Document	Responses	Filed	Yes
Rate	Rating Manual	Filed	Yes
Rate	Rating Manual	Filed	Yes
Rate	Rating Manual	Filed	Yes
Rate	Rating Manual	Filed	Yes

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Disposition Date: 07/23/2008
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Status: Filed
Comment:

Rate data does NOT apply to filing.

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Overall Percentage Rate Indicated For This Filing	0.000%
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Supporting Document	NAIC loss cost data entry document		Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp		Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty Filed		Yes
Supporting Document	Cover Letter and Explanatory Memo	Filed	Yes
Supporting Document	Responses	Filed	Yes
Rate	Rating Manual	Filed	Yes
Rate	Rating Manual	Filed	Yes
Rate	Rating Manual	Filed	Yes
Rate	Rating Manual	Filed	Yes

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Product Name: Home
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Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 07/21/2008

Submitted Date 07/21/2008

Respond By Date

Dear Jennifer Colby,

This will acknowledge receipt of the captioned filing.

Objection 1

- Cover Letter and Explanatory Memo (Supporting Document)

Comment: Exhibit 1 is not sufficient support for the proposed tier factors.

What are the characteristics related to the customer's future expected loss upon which the policy's predicted loss ratio is based?

Provide the actual clusters of policies by loss ratio and exposure distribution.

Provide the training and validation documentation.

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 07/22/2008

Submitted Date 07/22/2008

Dear Becky Harrington,

SERFF Tracking Number: LBPM-125739751 State: Arkansas
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Product Name: Home
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Comments:

Response 1

Comments: Hi Becky,

Attached are the responses to your objection of 7/21/08.

Thank you,
Jennifer Colby
800-225-8346 x41714

Related Objection 1

Applies To:

- Cover Letter and Explanatory Memo (Supporting Document)

Comment:

Exhibit 1 is not sufficient support for the proposed tier factors.

What are the characteristics related to the customer's future expected loss upon which the policy's predicted loss ratio is based?

Provide the actual clusters of policies by loss ratio and exposure distribution.

Provide the training and validation documentation.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Responses

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,
Jennifer Colby

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Product Name: *Home*
Project Name/Number: *Renters Tier/AR HO Renters Tier*

Note To Reviewer

Created By:

Adam Malo on 11/19/2008 11:26 AM

Subject:

Effective Date Change

Comments:

Please see the attached requesting new effective dates, with manual pages reflecting this new date as well.



Liberty Mutual Group

175 Berkeley Street
Mail drop 03J
Boston, MA 02116
Telephone: (800) 225-8346
Facsimile: (617) 574-6699

November 19, 2008

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

**RE: Effective Date Revision-Homeowners Renters Tier Filing
SERFF Filing Number LBPM-125739751
The First Liberty Insurance Corporation, NAIC 111-33588
Liberty Mutual Fire Insurance Company, NAIC 111-23035**

Dear Commissioner Bowman:

The above referenced filing was approved by your Department on July 23, 2008.

Due to system constraints we will not be able to meet our originally approved effective date. Our new effective date will be February 23, 2009.

Filing Materials

We have included manual pages reflecting the revised effective dates.

Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,

Adam Malo
Industry Filings Analyst
Industry & Regulatory Relations
(800) 225-8346 x41746
(617) 574-6699 (fax)
Adam.Malo@libertymutual.com

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

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

Tier Factors		
Tier	H2 and H3	H6
1	0.500	1.000
2	0.550	1.000
3	0.600	1.000
4	0.725	1.000
5	0.925	1.000
6	1.000	1.000
7	1.200	1.000
8	1.350	1.000
10	0.410	0.410
11	0.430	0.430
12	0.450	0.450
13	0.470	0.470
14	0.490	0.490
15	0.510	0.510
16	0.540	0.540
17	0.600	0.600
18	0.690	0.690
19	0.750	0.750
20	0.840	0.840
21	0.900	0.900
22	1.000	1.000
23	1.050	1.050
24	1.200	1.200
25	1.320	1.320
26	1.500	1.500

Tier Factors					
Tier	H4	Tier	H4	Tier	H4
1	1.000	34	0.980	67	2.638
2	0.375	35	1.010	68	2.718
3	0.387	36	1.041	69	2.801
4	0.399	37	1.073	70	2.886
5	0.411	38	1.105	71	2.974
6	0.423	39	1.139	72	3.065
7	0.436	40	1.174	73	3.158
8	0.449	41	1.209	74	3.254
9	0.463	42	1.246	75	3.353
10	0.477	43	1.284	76	3.456
11	0.492	44	1.323	77	3.561
12	0.507	45	1.363	78	3.669
13	0.522	46	1.405	79	3.781
14	0.538	47	1.448	80	3.896
15	0.554	48	1.492	81	4.015
16	0.571	49	1.537	82	4.137
17	0.589	50	1.584	83	4.263
18	0.607	51	1.632	84	4.393
19	0.625	52	1.682	85	4.527
20	0.644	53	1.733	86	4.665
21	0.664	54	1.786	87	4.807
22	0.684	55	1.840	88	4.953
23	0.705	56	1.896	89	5.104
24	0.726	57	1.954	90	5.259
25	0.748	58	2.014	91	5.419
26	0.771	59	2.075	92	5.585
27	0.795	60	2.138	93	5.755
28	0.819	61	2.203	94	5.930
29	0.844	62	2.270	95	6.110
30	0.869	63	2.340	96	6.297
31	0.896	64	2.411	97	6.488
32	0.923	65	2.484	98	6.686
33	0.951	66	2.560	99	6.890

LIBERTY MUTUAL INSURANCE GROUP

ARKANSAS (03) RATING RULES

Homeowner Policy Premium Determination Page

Dwelling Forms

- A. Determine the Basic Premium.
 - 1. Determine the Coverage A amount;
 - 2. Select the correct rating territory according to the location of the dwelling;
 - 3. Select the appropriate base rate for the territory;
 - 4. Select the Protection Class from the Public Protection Classification Manual; (Protected Suburban Classes may affect Protection Class.)
 - 5. Select the appropriate construction factor from the Construction Definitions;
 - 6. Apply the Protection Class/Construction relativity;
 - 7. Apply the policy amount curve factor for the Coverage A amount;
 - 8. Apply the appropriate tier factor;
 - 9. When applicable, apply form factor to Basic Premium.
- B. Apply any deductible adjustment factors to the Basic Premium
- C. Apply any credits, charges or premium reductions in accordance with the appropriate rating rule.
- D. Apply any state surcharges or fees, if required.

Tenant and Condominium Forms

- A. Determine the Basic Premium.
 - 1. Develop the Personal Property Amount by determining the Actual Cash Value of the property or the Replacement Cost if optional Replacement Cost is purchased;
 - 2. Select the correct rating territory for the insured location;
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 - 7. Apply the factor for the construction and number of units within the dwelling or fire division;
 - 8. Apply the appropriate tier factor;
- B. Apply any deductible adjustment factors to the Basic Premium.
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LIBERTY MUTUAL INSURANCE GROUP
ARKANSAS (03) RATING RULES

Tier Program (HO 00 02, HO 00 03, HO 00 04 and HO 00 06 Policies only)

Each policy shall be assigned a tier based upon certain criteria. Criteria for tiering may include a review of loss history, financial stability, marital status, year built, multi-line status, college education, and Group Savings Plus.

All criteria will be applied uniformly.

The tier factor (Section R) will be applied to the base premium, based on the highest tier for which the policy is eligible.

Tier Eligibility:

A. New Business Tier Determination

1. Tiers for new business will be assigned based on a review of variables that may include prior losses, financial stability, marital status, year built, multi-line status, college education, and Group Savings Plus.
2. Once a Tier is assigned, it will remain the same at each subsequent renewal.

B. Existing Business Tier Determination

1. Existing HO 00 02 and HO 00 03 business will remain in the same tier that it is currently assigned.
2. Existing HO 00 06 business will remain in the same tier that it is currently assigned.
3. Existing HO 00 04 business will be assigned a Tier 1.

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TOI: *04.0 Homeowners* *Sub-TOI:* *04.0004 Tenant Homeowners*
Product Name: *Home*
Project Name/Number: *Renters Tier/AR HO Renters Tier*

Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Filing Attachments
Filed	Rating Manual	R1	Replacement	EFT \$100	AR R1 renters .pdf
Filed	Rating Manual	R1a	New		AR R1a renters tier .pdf
Filed	Rating Manual	Section 2 Page 1	Replacement	AR-PC-04-008705	AR H4 Tier Rating Manual Sec 2 Pg 1.pdf
Filed	Rating Manual	Section 2 Page 6	Replacement	AR-PC-05-016293	AR H4 Tier Rating Manual Sec 2 Pg 6.pdf

Arkansas
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LIBERTY MUTUAL INSURANCE GROUP

ARKANSAS (03) RATING RULES

Homeowner Policy Premium Determination Page

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LIBERTY MUTUAL INSURANCE GROUP
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Company Tracking Number: AR HO RENTERS TIER
TOI: 04.0 Homeowners Sub-TOI: 04.0004 Tenant Homeowners
Product Name: Home
Project Name/Number: Renters Tier/AR HO Renters Tier

Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-Property & Casualty **Review Status:** Filed 07/23/2008

Comments:

Attachments:

P&C Transmittal.pdf
AR RateRule.pdf

Satisfied -Name: Cover Letter and Explanatory Memo **Review Status:** Filed 07/23/2008

Comments:

Attachments:

AR Renters Tier Cover Letter.pdf
Renters Justification A_v03.pdf

Satisfied -Name: Responses **Review Status:** Filed 07/23/2008

Comments:

Attachment:

AR Renter Tier Objection 1 Response v1.pdf

16. Reference Organization (if applicable)	
17. Reference Organization # & Title	
18. Company's Date of Filing	July 18, 2008
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 Renters Tier
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21. Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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In accordance with the "File & Use" provision, Liberty Mutual Fire Insurance Company (LMFIC), and The First Liberty Insurance Corporation (TFLIC), is introducing a tier rating program for the homeowner tenant form for all policies produced on or after October 20, 2008 and effective on renewal policies on or after November 24, 2008.

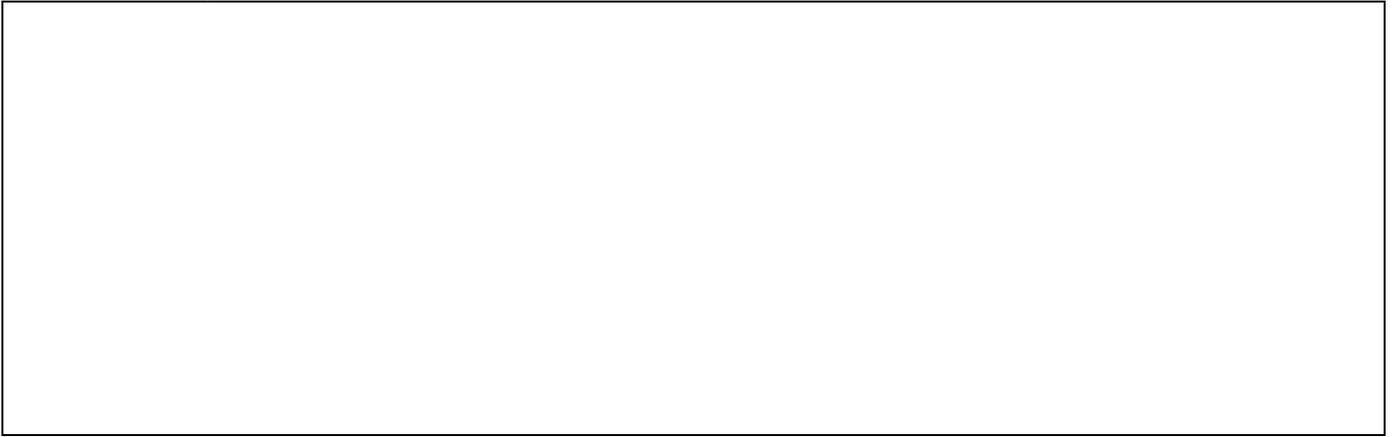
Summary

This filing introduces a tier rating program for the homeowner tenant form. The tier program will apply only to new business policies. Existing policies will be placed in a neutral tier at their next renewal.

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: \$25.00

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



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

RATE/RULE FILING SCHEDULE

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

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

1.	This filing transmittal is part of Company Tracking #	AR HO Renters Tier
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
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Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	File & Use
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4a.	Rate Change by Company (As Proposed)						
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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)

4b.	Rate Change by Company (As Accepted) For State Use Only						
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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)		
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5b.	Overall percentage rate impact for this filing		
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5c.	Effect of Rate Filing – Written premium change for this program		
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5d.	Effect of Rate Filing – Number of policyholders affected		
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6.	Overall percentage of last rate revision		
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7.	Effective Date of last rate revision		
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8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)		
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9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
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01	R1	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	EFT \$100
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02	R1a	<input checked="" type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
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03	Section 2 Pages 1 and 6	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	AR-PC-04-008705 AR-PC-05-016293
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Submitted Via SERFF

July 18, 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 Renters Tier
Liberty Mutual Fire Insurance Company 111-23035
The First Liberty Insurance Corporation 111-33588

Dear Commissioner:

In accordance with the "File & Use" provision, Liberty Mutual Fire Insurance Company (LMFIC), and The First Liberty Insurance Corporation (TFLIC), is introducing a tier rating program for the homeowner tenant form for all policies produced on or after **December 15, 2008** and effective on renewal policies on or after **January 19, 2009**.

Summary

This filing introduces a tier rating program for the homeowner tenant form. The tier program will apply only to new business policies. Existing policies will be placed in a neutral tier at their next renewal.

Filing Materials

Attached are the applicable filing materials and manual pages. If you have any questions, please contact me by telephone (800) 225-8346 ext. 41714, by fax at (617) 574-6699, or by email at Jennifer.Colby@libertymutual.com.

Sincerely,

Jennifer Colby
Industry Filings Analyst
Industry & Regulatory Relations

Actuarial Justification for Renters Tier Program

This document provides a summary of the renters tier program and the methodology used in its development.

Proposed tier program: Our proposed tier program slots prospective insureds into tiers 1-99 based on factors related to their future loss potential. All current policyholders will be put into a tier which has a tier factor of 1.0, so that the proposed program has no effect on current customers' rates.

Data set: In developing the renters tier program, we use all Liberty Mutual renters policies from policy years 2001 thru 2005. This translates to a sample of roughly 770,000 policies on a countrywide basis. We then split our data set to use 75% of the data to train our model and 25% for validation.

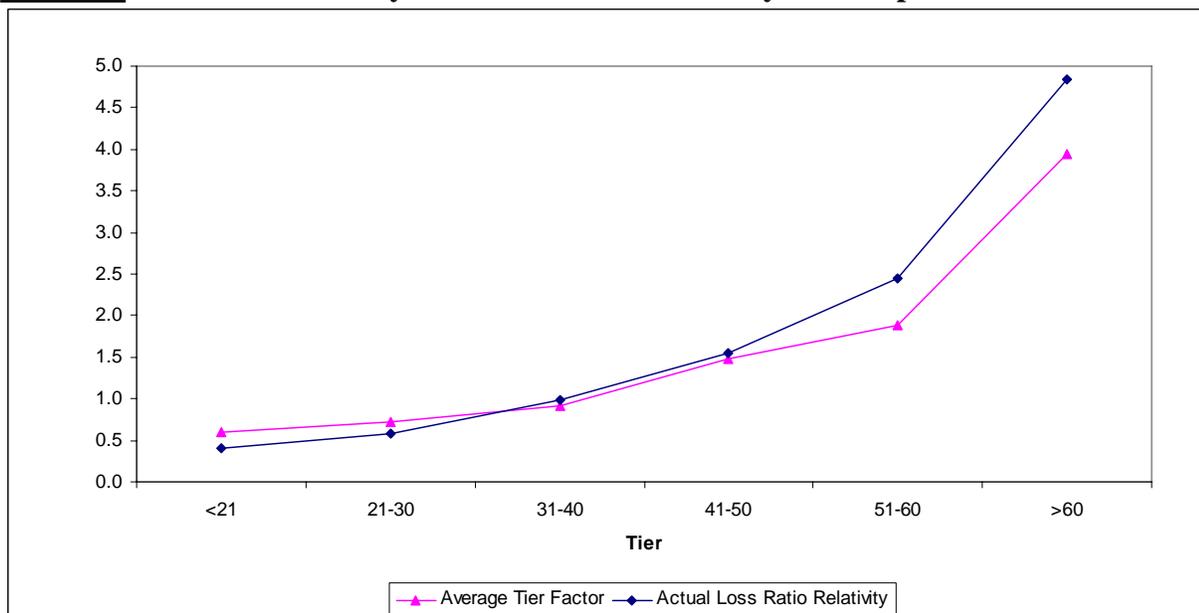
Calculation and Verification of Tier Factor Relativities: For each policy, we first calculate the policy's predicted loss ratio based on characteristics related to the customer's future expected loss. The predicted loss ratio for each policy is based on a multivariate generalized linear model, estimated using the principle of maximum likelihood.

We next cluster the policies into tiers based on these predicted loss ratios and the exposure distribution desired in each tier. Our proposed tier factors are selected based on a smoothed and dampened version of the predicted loss ratio factors, taking into account expenses.

The actual loss ratio relativities for both the training and validation data sets support our choice of proposed factors. Exhibit 1 contains the loss ratio relativity and proposed tier factors by tier. As can be seen, the proposed factors do follow the actual loss ratio relativities, but are flattened somewhat at the higher and lower tiers to reflect the presence of fixed expenses.

Conclusion and Summary: The renters tiering program will allow us to more effectively separate risks with differing loss potential. This will result in our ability to better match each customer's price to his or her risk. This matching ensures that we will treat our customers in an equitable fashion.

Exhibit 1: Observed Country Wide Loss Ratio Relativity and Proposed Tier Factors



AR Renter Tier Objection – Round 1

- 1) In developing the tenant tier program, we use all Liberty Mutual tenant policies from policy years 2001 thru 2005. This translates to a sample of roughly 770,000 policies on a countrywide basis. We then split our data set to use 75% of the data to train our model and 25% for validation.
- 2) This proposed tenant tier program utilizes a subset of variables currently used in our Enhanced Tier program for the homeowner form in Arkansas. Tier placement is based on financial stability and the presence of a prior loss.

Exhibit 1: Verification of model results for Tier cut scores by Credit:

Credit	Actual Pure Premium	Predicted Pure Premium
NH/NS	77.8	77.0
1300-1355	151.2	151.5
1360-1420	113.2	115.7
1425-1475	81.0	70.5
1480-1525	57.0	59.7
1530-1570	55.7	57.8
1575-1615	43.2	42.8
1620-1655	36.2	35.0
1660-1700	36.2	34.0
1705-1740	30.0	29.0
1745+	28.5	27.0

Exhibit 2: Verification of model results for Tier cut scores by Prior Loss:

Prior Loss	Actual Pure Premium	Predicted Pure Premium
N	61.7	61.0
Y	234.7	222.3

Exhibit 3: Loss ratio relativity and exposures by tier groupings:

