

SERFF Tracking Number: ALSX-125720940 State: Arkansas  
Filing Company: Allstate Property & Casualty Insurance Company State Tracking Number: EFT \$100  
Company Tracking Number: R20122  
TOI: 19.0 Personal Auto Sub-TOI: 19.0001 Private Passenger Auto (PPA)  
Product Name: Private Passenger Auto  
Project Name/Number: Rule and Rate Change/R20122

## Filing at a Glance

Company: Allstate Property & Casualty Insurance Company

Product Name: Private Passenger Auto	SERFF Tr Num: ALSX-125720940	State: Arkansas
TOI: 19.0 Personal Auto	SERFF Status: Closed	State Tr Num: EFT \$100
Sub-TOI: 19.0001 Private Passenger Auto (PPA)	Co Tr Num: R20122	State Status: Fees verified and received
Filing Type: Rate/Rule	Co Status:	Reviewer(s): Alexa Grissom, Betty Montesi
	Author: SPI AllState	Disposition Date: 08/05/2008
	Date Submitted: 07/02/2008	Disposition Status: Filed
Effective Date Requested (New): 09/15/2008		Effective Date (New): 09/15/2008
Effective Date Requested (Renewal): 10/20/2008		Effective Date (Renewal): 10/20/2008

State Filing Description:

## General Information

Project Name: Rule and Rate Change  
Project Number: R20122  
Reference Organization: N/A  
Reference Title:  
Filing Status Changed: 08/05/2008  
State Status Changed: 07/08/2008  
Corresponding Filing Tracking Number:  
Filing Description:

Status of Filing in Domicile:  
Domicile Status Comments:  
Reference Number:  
Advisory Org. Circular:  
Deemer Date:

With this filing, Allstate Property & Casualty Insurance Company (AP&C) is proposing a 6.0% rate level increase for private passenger automobile in the state of Arkansas. The increase will be achieved by rate level increases for Bodily Injury, Property Damage, Medical, and Uninsured/Underinsured Motorist coverages. With this change, Allstate is revising Rate Adjustment Factors, Easy Pay Plan Discount Factors, and Your Choice Auto ® Value Plan Factors. In addition, a minor editorial change is being made.

<i>SERFF Tracking Number:</i>	<i>ALSX-125720940</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Allstate Property &amp; Casualty Insurance</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
	<i>Company</i>		
<i>Company Tracking Number:</i>	<i>R20122</i>		
<i>TOI:</i>	<i>19.0 Personal Auto</i>	<i>Sub-TOI:</i>	<i>19.0001 Private Passenger Auto (PPA)</i>
<i>Product Name:</i>	<i>Private Passenger Auto</i>		
<i>Project Name/Number:</i>	<i>Rule and Rate Change/R20122</i>		

The 6.0% rate level change will result in approximately \$1.4 million of additional premium. This is the first rate change proposed in AP&C since the implementation of the company on September 26, 2005.

Attachment A: Summary of Selected Rate Level Changes

Attachment B: Actuarial Standards of Practice

Formula Calculations for Rate Level Indications

Attachment C: Revision of Rating Plan Factors and Rate Adjustment Factors

Attachment D: Rule Revision

Attachment E: Summary of Manual Changes

The target effective date for new business written and renewals processed is September 15, 2008 and renewal business effective October 20, 2008.

## Company and Contact

### Filing Contact Information

Carrie Deppe, Assistant State Filings Manager cdepp@allstate.com  
 2775 Sanders Road (847) 402-2774 [Phone]  
 Northbrook, IL 60062 (847) 402-9757[FAX]

### Filing Company Information

Allstate Property & Casualty Insurance Company	CoCode: 17230	State of Domicile: Illinois
2775 Sanders Road	Group Code: 8	Company Type:
Suite A5		
Northbrook, IL 60062	Group Name: Allstate	State ID Number:
(847) 402-5000 ext. [Phone]	FEIN Number: 36-3341779	
	-----	

## Filing Fees

Fee Required?	Yes
Fee Amount:	\$100.00



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COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Allstate Property & Casualty Insurance Company	\$100.00	07/02/2008	21216746

SERFF Tracking Number: ALSX-125720940 State: Arkansas  
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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Alexa Grissom	08/05/2008	08/05/2008

### 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	Alexa Grissom	07/31/2008	07/31/2008	SPI AllState	08/04/2008	08/04/2008
Pending Industry Response	Alexa Grissom	07/08/2008	07/08/2008	SPI AllState	07/25/2008	07/25/2008

SERFF Tracking Number: ALSX-125720940 State: Arkansas  
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## Disposition

Disposition Date: 08/05/2008  
 Effective Date (New): 09/15/2008  
 Effective Date (Renewal): 10/20/2008  
 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:
Allstate Property & Casualty Insurance Company	6.000%	\$1,400,000	21,797	\$24,053,619	18.400%	-2.600%	12.400%

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Item Type	Item Name	Item Status	Public Access
Supporting Document	A-1 Private Passenger Auto Abstract	Filed	Yes
Supporting Document	APCS-Auto Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	ActIndMemo01,ActIndMemo02	Filed	Yes
Supporting Document	Response to Objection Letter 07.25.08, StateFilingForms04V1, APCS	Filed	Yes
Supporting Document	ResponseToDOIObjection2, StateFilingForms02V1	Filed	Yes
Rate	CheckingListR20122	Filed	Yes
Rate	ManualR20122	Filed	Yes

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Product Name: Private Passenger Auto  
Project Name/Number: Rule and Rate Change/R20122

## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 07/31/2008  
Submitted Date 07/31/2008

Respond By Date

Dear Carrie Deppe,

This will acknowledge receipt of the captioned filing. Please insert a range in lieu of varies in the discount section of the APCS.

Please feel free to contact me if you have questions.

Sincerely,

Alexa Grissom

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 08/04/2008  
Submitted Date 08/04/2008

Dear Alexa Grissom,

### Comments:

Please see our attached response and revised form.

### Response 1

Comments: Please see our attached response and revised form.

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: ResponseToDOIObjection2, StateFilingForms02V1

Comment:

No Form Schedule items changed.



SERFF Tracking Number: ALSX-125720940 State: Arkansas  
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## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 07/08/2008  
Submitted Date 07/08/2008

Respond By Date

Dear Carrie Deppe,

This will acknowledge receipt of the captioned filing. The APCS must be submitted via SERFF and the RF-1 must be completed as well. The rules in the filing do not appear to comply with Ark. Code Ann. 23-63-111.

Please feel free to contact me if you have questions.

Sincerely,

Alexa Grissom

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 07/25/2008  
Submitted Date 07/25/2008

Dear Alexa Grissom,

### Comments:

Please see our attached response.

### Response 1

Comments: Please see our attached response.

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: Response to Objection Letter 07.25.08, StateFilingForms04V1, APCS

Comment: Objection Response 07.25.08

No Form Schedule items changed.



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**Rate Information**

Rate data applies to filing.

**Filing Method:** File and Use  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** 0.000%  
**Effective Date of Last Rate Revision:** 09/26/2005  
**Filing Method of Last Filing:** File and 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):
Allstate Property & Casualty Insurance Company	12.400%	6.000%	\$1,400,000	21,797	\$24,053,619	18.400%	-2.600%

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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	CheckingListR20122	R20122	New	R20122.PDF
Filed	ManualR20122	R20122	Replacement	R20122.PDF

**CHECKING LIST FOR PRIVATE PASSENGER AUTO**

Printing dates are shown on each page to facilitate identification of different editions, but have no direct connection with the effective date of the page.

**INDEX**

Enclosed: Page I-3 dated 9-30-2008

Withdrawn: Page I-3 dated 9-1-2007

**RULES**

Enclosed: Page 58-3 dated 9-30-2008

Withdrawn: Page 58-3 dated 7-1-2005

**PREMIUM SECTION**

Enclosed: RP-2A and RP-3A dated 9-30-2008  
RP-19A dated 9-30-2008

Withdrawn: RP-2A and RP-3A dated 9-1-2007  
RP-19A dated 9-1-2007

Rule 61 – The Allstate Easy Pay Plan Discount ..... 61-1  
Rule 62 – Future Effective Date Discount ..... 62-1

**TERRITORIAL DEFINITIONS**

Territorial Definitions..... TD-1

**AUTOMOBILE RATING SECTIONS**

Rating Section A - Private Passenger Automobiles (including Classic Autos).. RP-1A  
Rating Section B - Other Vehicle Types (including Exhibition Autos)..... RP-1B

**SYMBOL AND IDENTIFICATION INSTRUCTIONS**

Private Passenger Automobiles..... SI-1

**SYMBOL AND IDENTIFICATION PAGES FOR MODEL YEARS 2001 AND  
SUBSEQUENT**

**Private Passenger Automobiles**

Domestic and Foreign Cars..... SIYYYY-1\*  
Utility Vehicles..... SIUYYYY-1\*

**SYMBOL AND IDENTIFICATION PAGES FOR MODEL YEARS 2000 AND PRIOR**

**Private Passenger Automobiles**

Domestic and Foreign Cars..... Page 1  
Utility Vehicles..... Page 1

**EXPERIENCE GROUP RATING PAGES**

Private Passenger Automobiles..... EGRYYYY-1\*

\*YYYY refers to the year of the vehicle being rated

Exception: Military personnel returning from active duty will be defined to have had no lapse at new business if:

1. they had liability insurance coverage in good standing at the time of leaving for active duty, and
  2. can show proof that such active duty was the reason for the loss of continuity of insurance coverage
2. Provided that the requirement in C.1. is satisfied, all automobiles on a policy will be assigned a discount level based on the table in Section B. The accidents and violations associated with all vehicles and operators on the policy will be considered. All vehicles on the policy will be assigned the same level of the Premier or Premier Plus Discount.
  3. If the policy qualifies for multiple levels of the discount, only the level with the highest percentage of discount based on the hierarchy in Section B.2 will apply.

**D. Subsequent Qualification**

Once an automobile has qualified for a level of the Premier Discount or Premier Plus Discount, it will continue to qualify until renewal.

Upon renewal, each automobile on the policy will be evaluated based on the criteria below in the order as listed.

1. Automobile Loss of Discount/Change in Discount Level
  - a. At renewal, no level of the Premier or Premier Plus Discount will apply to a vehicle assigned a Chargeable Accident within the 36-month experience period.
  - b. At renewal, an automobile currently receiving Premier Discount Level 2 will be moved to Premier Discount Level 1 if the automobile is assigned a Non-Chargeable Accident for which Allstate has made a payment under at least one of the following coverages: Coverage AA – Bodily Injury, Coverage BB – Property Damage, or Coverage DD – Collision, and the sum of the payments across these coverages is greater than or equal to the Accident Threshold.
  - c. At renewal, an automobile currently receiving Premier Plus Discount Level 3 or Premier Plus Discount Level 2 will be moved to Premier Plus Discount Level 1 if the automobile is assigned a Non-Chargeable Accident for which Allstate has made a payment under at least one of the following coverages: Coverage AA – Bodily Injury, Coverage BB – Property Damage, or Coverage DD – Collision, and the sum of the payments across these coverages is greater than or equal to the Accident Threshold.

**ARKANSAS  
VOLUNTARY PRIVATE PASSENGER AUTO  
PREMIUM CALCULATION**

ROUND AFTER EACH CALCULATION TO THE NEAREST PENNY

STEP

STEP #		AA	BB	VC	VM	VW	DD	HH
1	TERRITORIAL BASE RATE (RP-4A and 24A)							
2	RATE ADJUSTMENT FACTOR	x 1.184	x 1.176	x 1.35	x 1.004	x 1.004	x 1.039	x 1.038
3	INCREASED LIMIT FACTOR/ADDEND (RP-5A)	x	+	x	+	+		
4	DRIVER CLASSIFICATION FACTOR (RP-6A through 9A)	x	x	x			x	x
5	ECONOMY CAR DISCOUNT (RP-18A)	x	x					
6	HOUSEHOLD COMPOSITION FACTOR (RP-20A)	x	x	x			x	x
7	MODEL YEAR FACTOR (RP-21A)						x	x
8	DEDUCTIBLE BY PGS FACTOR (RP-21A)						x	x
9	EXPERIENCE GROUP RATING FACTOR (EGR PAGES)	x	x	x			x	x
10	NEW CAR DISCOUNT (RP-16A)	x	x	x			x	x
11	FIRE AND THEFT FACTOR (RP-24A)						x	x
12	UTILITY DISCOUNT (RP-18A)	x	x	x			x	x
13	RESIDENT STUDENT DISCOUNT (RP-18A)	x	x				x	x
14	GOOD STUDENT DISCOUNT (RP-18A)	x	x	x			x	x
15	PASSIVE RESTRAINT DISCOUNT (RP-18A)			x	x	x		
16	MERIT FACTOR (RP-22A)	x	x	x			x	
17	MINOR VIOLATION FACTOR (RP-23A)	x	x				x	
18	INEXP. OPERATOR SURCHARGE FACTOR (RP-18A)	x	x				x	
19	MAJOR VIOLATION SURCHARGE FACTOR (RP-23A)	x	x				x	
20	FARM DISCOUNT FACTOR (RP-19A)	x	x				x	
21	CAMPER UNIT ADDITIONAL PREMIUM (RP-24A)						+	+
22	55 AND RETIRED DISCOUNT (RP-18A)	x	x	x			x	x
23	ACCIDENT PREVENTION COURSE DISCOUNT (RP-18A)	x	x				x	x
24	TIER (RP-10A through 15A)	x	x	x			x	x
25	PREMIER PLUS DISCOUNT (RP-16A)	x	x	x			x	x
26	PREMIER DISCOUNT (RP-16A)	x	x	x			x	x
27	MULTIPLE POLICY DISCOUNT (RP-17A)	x	x	x			x	x
28	CERTIFIED RISK SURCHARGE FACTOR (RP-18A)	x	x				x	
29	ANTI-LOCK BRAKE DISCOUNT (RP-18A)	x	x				x	
30	THE GOOD HANDS PEOPLE® DISCOUNT (RP-18A)	x	x	x			x	x
31	THE GOOD PAYER DISCOUNT FACTOR (RP-19A)	x	x	x			x	x
32	THE ALLSTATE EASY PAY PLAN DISCOUNT (RP-19A)	x	x	x			x	x
33	FUTURE EFFECTIVE DATE DISCOUNT (RP-19A)	x	x	x			x	x
34	ALLSTATE® YOUR CHOICE AUTO INSURANCE OPTION PACKAGE FACTOR (RP-19A)	x	x	x			x	x
35	<b>TOTAL COVERAGE PREMIUM</b>							

36	<b>UM COVERAGE (SS)</b>	
	UM - BI BASE RATE (RP-4A)	
	RATE ADJUSTMENT FACTOR	x 1.023
	UM - BI INCREASED LIMIT FACTOR (RP-5A)	x
	UM - PD INCREASED LIMIT ADDEND (RP-5A)	+
	<b>TOTAL UM COVERAGE PREMIUM</b>	=

37	<b>UIM COVERAGE (SU)</b>	
	UIM - BI BASE RATE (RP-4A)	
	RATE ADJUSTMENT FACTOR	x 1.020
	UM - BI INCREASED LIMIT FACTOR (RP-5A)	x
	<b>TOTAL UIM COVERAGE PREMIUM</b>	=

38	<b>RENTAL REIMBURSEMENT (UU)</b>	
	RENTAL REIMBURSEMENT BASE RATE (RP-24A)	
	RENTAL REIMBURSEMENT LIMIT FACTOR (RP-5A)	x
	<b>TOTAL RENTAL REIMBURSEMENT COVERAGE PREMIUM</b>	=

39	<b>TOWING (JJ) (RP-24A)</b>	
	SOUND SYSTEMS (ZA) (RP-24A)	+
	TAPE (ZZ) (RP-24A)	+
	NEW CAR EXPANDED PROTECTION (NC) (RP-3A)	+
	<b>TOTAL MISCELLANEOUS COVERAGES</b>	=

40	<b>TOTAL SEMI-ANNUAL PREMIUM =</b>	
----	------------------------------------	--

**NOTES**

Territory #: \_\_\_\_\_

Tier: \_\_\_\_\_

Classification: \_\_\_\_\_

Limits of Liability: \_\_\_\_\_

Model Year: \_\_\_\_\_

PGS: \_\_\_\_\_

DD/HH Deductibles: \_\_\_\_\_

ARKANSAS  
VOLUNTARY PRIVATE PASSENGER AUTO  
NEW CAR EXPANDED PROTECTION PREMIUM CALCULATION

ROUND AFTER EACH CALCULATION TO THE NEAREST PENNY

NEW CAR EXPANDED PROTECTION COVERAGE (NC) - RULE 53\*

STEP #		DD	HH
1	TERRITORIAL BASE RATE (RP-4A)		
2	RATE ADJUSTMENT FACTOR (RP-2A)	x	1.039
3	DRIVER CLASSIFICATION FACTOR (RP-6A through 9A)	x	x
4	HOUSEHOLD COMPOSITION FACTOR (RP-20A)	x	x
5	MODEL YEAR FACTOR (RP-21A)	x	x
6	DEDUCTIBLE BY PGS FACTOR* (RP-21A)	x	x
7	EXPERIENCE GROUP RATING FACTOR (EGR PAGES)	x	x
8	NEW CAR DISCOUNT FACTOR (RP-16A)	x	x
9	UTILITY DISCOUNT (RP-18A)	x	x
10	RESIDENT STUDENT DISCOUNT FACTOR (RP-18A)	x	
11	GOOD STUDENT DISCOUNT FACTOR (RP-18A)	x	x
12	MERIT FACTOR (RP-22A)	x	
13	MINOR VIOLATION FACTOR (RP-23A)	x	
14	INEXPERIENCED OPERATOR SURCHARGE FACTOR (RP-18A)	x	
15	MAJOR VIOLATION SURCHARGE FACTOR (RP-23A)	x	
16	FARM DISCOUNT FACTOR (RP-19A)	x	
17	55 AND RETIRED DISCOUNT FACTOR (RP-18A)	x	x
18	ACCIDENT PREVENTION COURSE DISCOUNT (RP-18A)	x	x
19	TIER FACTOR (RP-10A through 15A)	x	x
20	PREMIER PLUS DISCOUNT FACTOR (RP-16A)	x	x
21	PREMIER DISCOUNT FACTOR (RP-16A)	x	x
22	MULTIPLE POLICY DISCOUNT FACTOR (RP-17A)	x	x
23	ANTI-LOCK BRAKE DISCOUNT (RP-18A)	x	
24	THE GOOD HANDS PEOPLE® DISCOUNT FACTOR (RP-18A)	x	x
25	THE GOOD PAYER DISCOUNT FACTOR (RP-19A)	x	x
26	THE ALLSTATE EASY PAY PLAN DISCOUNT (RP-19A)	x	x
27	FUTURE EFFECTIVE DATE DISCOUNT (RP-19A)	x	x
28	ALLSTATE® YOUR CHOICE AUTO INSURANCE OPTION PACKAGE FACTOR (RP-19A)	x	x
29	NEW CAR EXPANDED PROTECTION FACTOR (RP-24A)	x	x
30	TOTAL COVERAGE PREMIUM		

\*\$100 DEDUCTIBLE FOR COLLISION, \$50 FOR COMPREHENSIVE

**ARKANSAS  
VOLUNTARY PRIVATE PASSENGER AUTO  
RATING FACTORS**

RATING PLAN	RATING		FACTOR				
	RULE	GROUP	AA	BB	VC	DD	HH
FARM DISCOUNT	37	*	0.90	0.90	N/A	0.90	N/A
GOOD PAYER DISCOUNT	60	*	0.95	0.93	0.95	0.93	0.95
ALLSTATE EASY PAY PLAN DISCOUNT	61						
Allstate		*	0.95	0.95	0.95	0.95	0.95
Gold Protection		*	0.95	0.95	0.95	0.95	0.95
Platinum Protection		*	0.95	0.95	0.95	0.95	0.95
FUTURE EFFECTIVE DATE DISCOUNT	62	*	0.90	0.90	0.90	0.90	0.90
ALLSTATE® YOUR CHOICE AUTO INSURANCE OPTION PACKAGE FACTORS	52						
Allstate Value Plan		*	0.87	0.87	0.87	0.87	0.87
Allstate		*	1.00	1.00	1.00	1.00	1.00
Gold Protection		*	1.07	1.07	1.07	1.07	1.07
Platinum Protection		*	1.15	1.15	1.15	1.15	1.15

\* All Rating Groups

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## Supporting Document Schedules

**Satisfied -Name:** A-1 Private Passenger Auto  
 Abstract  
**Review Status:** Filed 08/05/2008

**Comments:**

**Attachment:**

StateFilingForm03 - Auto Abstract.PDF

**Satisfied -Name:** APCS-Auto Premium Comparison  
 Survey  
**Review Status:** Filed 08/05/2008

**Comments:**

This will also be sent via e-mail to Alexa Grissom, with a copy to insurance.pnc@arkansas.gov.

**Attachment:**

StateFilingForm02 - APCS.PDF

**Satisfied -Name:** NAIC loss cost data entry document  
**Review Status:** Filed 08/05/2008

**Comments:**

**Attachment:**  
 StateFilingForm04 - NAIC Loss Cost Data Entry.PDF

**Bypassed -Name:** NAIC Loss Cost Filing Document  
 for OTHER than Workers' Comp  
**Review Status:** Filed 08/05/2008

**Bypass Reason:** N/A

**Comments:**

**Satisfied -Name:** Uniform Transmittal Document-  
 Property & Casualty  
**Review Status:** Filed 08/05/2008

**Comments:**

**Attachments:**



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**Review Status:**  
**Satisfied -Name:** ActIndMemo01,ActIndMemo02 Filed 08/05/2008  
**Comments:**  
**Attachments:**  
ActIndMemo01.PDF  
ActIndMemo02.PDF

**Review Status:**  
**Satisfied -Name:** Response to Objection Letter Filed 08/05/2008  
07.25.08, StateFilingForms04V1,  
APCS  
**Comments:**  
Objection Response 07.25.08  
**Attachments:**  
Response to Objection Letter 07\_25\_08.PDF  
StateFilingForms04V1.PDF  
APCS.PDF  
APCS.XLS

**Review Status:**  
**Satisfied -Name:** ResponseToDOIObjection2, Filed 08/05/2008  
StateFilingForms02V1  
**Comments:**  
**Attachments:**  
ResponseToDOIObjection2.PDF  
StateFilingForms02V1.PDF  
StateFilingForms02V1.XLS

PRIVATE PASSENGER AUTOMOBILE ABSTRACT

**Instructions:** All questions must be answered. If the answer is "none" or "Not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent homeowners rate/rule submission that do not alter the information contained herein need not include this form.

Company Name: Allstate Property & Casualty Insurance Company  
 NAIC No.: 17230 Group No.: 0008

1. Are there any areas in the State of Arkansas in which your company will not write automobile insurance?  
No

2. Do you furnish a market for young drivers? Yes  
 Over age 65 drivers? Yes

3. Do you require collateral business to support a youthful driver risk? No

4. Do you insure driver with an international or foreign driver's license? No

5. Specify the percentage you allow in credit or discounts for the following\*:

a.	Driver Over 55	<u>10</u>	<u>%</u>
b.	Good Student Discount	<u>10-20</u>	<u>%</u>
c.	Multi-car Discount	<u>N/A</u>	<u>%</u>
d.	Accident Free Discount*		<u>%</u>
	*Please Specify Qualification for Discount (see the following page) _____		
e.	Anti-theft Discount	<u>N/A</u>	<u>%</u>
f.	Other (specify)		
	<u>Resident Student Discount</u>	<u>20-35</u>	<u>%</u>
	<u>Economy Car Discount</u>	<u>10</u>	<u>%</u>
	<u>Utility Discount</u>	<u>10-25</u>	<u>%</u>
	<u>Multiple Policy Discount</u>	<u>5 or 10</u>	<u>%</u>
	<u>Good Payer Discount</u>	<u>5</u>	<u>%</u>
	<u>Anti-lock Brake Discount</u>	<u>10</u>	<u>%</u>
	<u>Passive Restraint Discount</u>	<u>10-30</u>	<u>%</u>
	<u>Accident Prevention Course Discount</u>	<u>5 or 10</u>	<u>%</u>
	<u>"The Good Hands People® Discount"</u>	<u>10</u>	<u>%</u>
	<u>Allstate Easy Pay Plan Discount</u>	<u>5</u>	<u>%</u>
	<u>Future Effective Date Discount</u>	<u>10</u>	<u>%</u>

6. Do you have an installment payment plan for automobile insurance? Yes  
 If so, what is the fee for installment payments? \$3.50

7. Does your company utilize a tiered rating plan? Yes  
 If so, list the programs and percentage difference. Rating Group 1. Rating Group 2. Rating Group 3. Rating Group 4. Please Refer to Rules and Rates Manual for Further Details Regarding This Tiering Structure.

State the current volume for each program.

<u>Rating Group 1</u>	<u>\$23,417,034</u>
<u>Rating Group 2</u>	<u>\$6,425,983</u>
<u>Rating Group 3</u>	<u>\$407,076</u>
<u>Rating Group 4</u>	<u>\$310,996</u>

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

Laura Ollanney  
 Signature  
Actuarial Analyst  
 Title  
847-402-0137  
 Telephone Number

\*Please reference the Rules and Rates Manual for further details regarding qualifications for these discounts and more information regarding to which coverages these discounts apply.

5.(d) Accident-free Discount

Please reference Rule 58 in the Rules Manual for details on the Premier and Premier Plus Discount. Based on a combination of the occurrence date of the last chargeable accident and the occurrence date of the last non-chargeable accident, a customer may be slotted into Premier Discount Levels 1-3 or Premier Plus Discount Levels 1-3. The corresponding discount percentages can be found in the Rates Manual.

**Private Passenger Auto Premium Comparison Survey Form**  
FORM APCS - last modified August 2005

NAIC Number: 17230  
 Company Name: Allstate Property & Casualty Insurance Company  
 Contact Person: Carrie Deppe  
 Telephone No.: 1-800-366-2958 Ext. 22774  
 Email Address: cdepp@allstate.com  
 Effective Date: 9/15/2008

**Assumptions to Use:**  
 1 Liability -Minimum \$25,000 per person  
 2 Bodily Injury \$50,000 per accident  
    \$25,000 per accident  
 3 Property Damage \$100 deductible per accident  
 4 Comprehensive & Collision \$250 deductible per accident  
 5 The insured has elected to accept:  
    Uninsured motorist property and bodily injury equal to liability coverage  
    Underinsured bodily injury equal to liability coverage  
 6 Personal Injury Protection of \$5,000 for medical, loss  
    wages according to statute and \$5,000 accidental  
 7 If male and female rates are different, use the highest of the two

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

DISCOUNTS OFFERED:  
 PASSIVE RESTRAINT/AIRBAG 10-30 %  
 AUTO/HOMEOWNERS 10 %  
 GOOD STUDENT 10-20 %  
 ANTI-THEFT DEVICE 0 %  
 Over 55 Defensive Driver Discount 10 %  
 \$250/\$500 Deductible Comp./Coll. varies - see RP-21A %

Vehicle	Coverages	Gender	Age	Fayetteville				Trumann				Little Rock				Lake Village				Pine Bluff			
				Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female
				18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66
1999 Chevrolet Silverado 1500 2WD "LS" regular cab 119" WB	Minimum Liability			\$403	\$483	\$171	\$186	\$459	\$551	\$192	\$210	\$497	\$599	\$205	\$223	\$410	\$492	\$174	\$189	\$683	\$822	\$276	\$305
	Minimum Liability with Comprehensive and Collision			\$974	\$1,359	\$409	\$404	\$1,061	\$1,472	\$437	\$437	\$1,283	\$1,444	\$421	\$429	\$1,136	\$1,610	\$487	\$471	\$1,398	\$1,913	\$559	\$572
	100/300/50 Liability with Comprehensive and Collision			\$893	\$1,231	\$375	\$375	\$979	\$1,342	\$403	\$408	\$979	\$1,329	\$393	\$404	\$1,027	\$1,437	\$438	\$429	\$1,317	\$1,779	\$524	\$544
2003 Ford Explorer "XLT" 2WD, 4 door	Minimum Liability			\$378	\$449	\$165	\$180	\$432	\$514	\$186	\$204	\$465	\$556	\$196	\$215	\$383	\$455	\$167	\$182	\$652	\$779	\$270	\$299
	Minimum Liability with Comprehensive and Collision			\$1,207	\$1,716	\$500	\$493	\$1,313	\$1,856	\$533	\$533	\$1,283	\$1,799	\$507	\$516	\$1,429	\$2,058	\$603	\$583	\$1,706	\$2,380	\$675	\$690
	100/300/50 Liability with Comprehensive and Collision			\$1,089	\$1,530	\$450	\$450	\$1,191	\$1,664	\$483	\$489	\$1,173	\$1,626	\$465	\$477	\$1,272	\$1,812	\$535	\$523	\$1,576	\$2,172	\$622	\$643
2003 Honda Odyssey "EX"	Minimum Liability			\$340	\$404	\$150	\$163	\$386	\$459	\$168	\$183	\$416	\$498	\$178	\$193	\$347	\$412	\$153	\$166	\$569	\$678	\$238	\$263
	Minimum Liability with Comprehensive and Collision			\$1,058	\$1,498	\$434	\$431	\$1,151	\$1,622	\$463	\$466	\$1,131	\$1,581	\$507	\$454	\$1,248	\$1,790	\$520	\$508	\$1,489	\$2,073	\$585	\$600
	100/300/50 Liability with Comprehensive and Collision			\$952	\$1,333	\$391	\$393	\$1,041	\$1,451	\$420	\$427	\$1,030	\$1,424	\$406	\$419	\$1,110	\$1,575	\$462	\$456	\$1,368	\$1,882	\$538	\$557
2005 Toyota Camry LE 3.0L 4 door Sedan	Minimum Liability			\$417	\$496	\$180	\$195	\$473	\$564	\$201	\$220	\$512	\$613	\$213	\$232	\$427	\$509	\$183	\$199	\$697	\$832	\$288	\$317
	Minimum Liability with Comprehensive and Collision			\$1,462	\$2,084	\$582	\$582	\$1,593	\$2,261	\$624	\$631	\$1,564	\$2,204	\$599	\$615	\$1,731	\$2,494	\$700	\$688	\$2,050	\$2,877	\$786	\$810
	100/300/50 Liability with Comprehensive and Collision			\$1,304	\$1,841	\$520	\$525	\$1,428	\$2,007	\$560	\$571	\$1,411	\$1,969	\$542	\$560	\$1,528	\$2,183	\$617	\$613	\$1,863	\$2,589	\$715	\$743
2003 Cadillac Seville "STS" 4 door Sedan	Minimum Liability			\$331	\$394	\$146	\$159	\$377	\$450	\$163	\$178	\$407	\$487	\$173	\$189	\$336	\$400	\$148	\$160	\$563	\$674	\$234	\$258
	Minimum Liability with Comprehensive and Collision			\$1,880	\$2,760	\$780	\$748	\$2,018	\$2,950	\$818	\$797	\$1,928	\$2,797	\$759	\$753	\$2,293	\$3,399	\$973	\$916	\$2,523	\$3,650	\$994	\$988
	100/300/50 Liability with Comprehensive and Collision			\$1,642	\$2,391	\$679	\$658	\$1,771	\$2,567	\$716	\$704	\$1,703	\$2,449	\$669	\$670	\$1,984	\$2,919	\$837	\$796	\$2,242	\$3,214	\$881	\$884
1998 Chevrolet Cavalier LS 4D Sedan	Minimum Liability			\$411	\$490	\$177	\$192	\$468	\$559	\$199	\$217	\$506	\$607	\$210	\$230	\$419	\$499	\$180	\$195	\$698	\$835	\$286	\$317
	Minimum Liability with Comprehensive and Collision			\$975	\$1,351	\$399	\$403	\$1,070	\$1,474	\$430	\$439	\$1,067	\$1,459	\$420	\$434	\$1,128	\$1,584	\$468	\$464	\$1,421	\$1,932	\$558	\$581
	100/300/50 Liability with Comprehensive and Collision			\$897	\$1,228	\$368	\$375	\$990	\$1,348	\$399	\$411	\$995	\$1,344	\$392	\$410	\$1,023	\$1,420	\$424	\$425	\$1,339	\$1,800	\$526	\$554

**NAIC LOSS COST DATA ENTRY DOCUMENT**

<b>1.</b>	This filing transmittal is part of Company Tracking #	<b>R20122</b>
<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
Company Name		
Company NAIC Number		
<b>3.</b>	<b>A.</b> <b>Allstate Property &amp; Casualty Insurance Company</b>	<b>B.</b> <b>17230</b>
Product Coding Matrix Line of Business (i.e., Type of Insurance)		
Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
<b>4.</b>	<b>A.</b> <b>Private Passenger Auto</b>	<b>B.</b> <b>Private Passenger Auto</b>

**5.**

(A) COVERAGE (See Instructions)	(B) Indicated Reinsurance Change	(C) Requested Reinsurance Change	FOR LOSS COSTS ONLY				
			(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
TOTAL OVERALL EFFECT							

**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
	<b>N/A</b>			<b>N/A</b>			<b>N/A</b>

**7.**

Expense Constants	Selected Provisions
A. Other Acquisition	<b>4.2%</b>
B. General Expense	<b>Liab -4.9%</b> <b>Phys Dmg - 5.0%</b>
C. Taxes, License & Fees	<b>3.0%</b>
D. Underwriting Profit	<b>Liab -10.1%</b> <b>Phys Dmg - 13.0%</b>
E. Commissions	<b>12.6%</b>
F. TOTAL	<b>Liab - 34.8%; Phys Dmg - 37.8%</b>

**8.**     \_\_\_ Apply Lost Cost Factors to Future filings? (Y or N)

**9.**     \_\_\_ Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_

**10.**   \_\_\_ Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_

## Property & Casualty Transmittal Document

<b>1. Reserved for Insurance Dept. Use Only</b>
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<b>2. Insurance Department Use only</b>	
a. Date the filing is received:	
b. Analyst:	
c. Disposition:	
d. Date of disposition of the filing:	
e. Effective date of filing:	
New Business	
Renewal Business	
f. State Filing #:	
g. SERFF Filing #:	
h. Subject Codes	

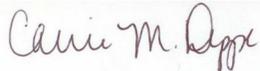
<b>3. Group Name</b>	<b>Group NAIC #</b>
Allstate	008

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Allstate Property & Casualty Insurance Company	IL	17230	36-3341779	

<b>5. Company Tracking Number</b>	R20122
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**Contact Info of Filer(s) or Corporate Officer(s)** [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Carrie M. Deppe 2775 Sanders Road, Suite A5 Northbrook IL 60062	Assistant State Filings Manager	800-366-2958 Ext. 22774	847-402-9757	cdepp@allstate.com

<b>7.</b> Signature of authorized filer	
<b>8.</b> Please print name of authorized filer	Carrie M. Deppe

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

<b>9.</b>	<b>Type of Insurance (TOI)</b>	19.0 Personal Auto
<b>10.</b>	<b>Sub-Type of Insurance (Sub-TOI)</b>	19.0001 Private Passenger Auto (PPA)
<b>11.</b>	<b>State Specific Product code(s) (if applicable) [See State Specific Requirements]</b>	
<b>12.</b>	<b>Company Program Title (Marketing Title)</b>	Private Passenger Auto
<b>13.</b>	<b>Filing Type</b>	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
<b>14.</b>	<b>Effective Date(s) Requested</b>	New: 09/15/2008      Renewal: 10/20/2008
<b>15.</b>	<b>Reference Filing?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>16.</b>	<b>Reference Organization (if applicable)</b>	N/A
<b>17.</b>	<b>Reference Organization # &amp; Title</b>	N/A
<b>18.</b>	<b>Company's Date of Filing</b>	July 2, 2008
<b>19.</b>	<b>Status of filing in domicile</b>	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

## Property & Casualty Transmittal Document

<b>20.</b>	<b>This filing transmittal is part of Company Tracking #</b>	R20122
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<b>21.</b>	<b>Filing Description</b> [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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With this filing, Allstate Property & Casualty Insurance Company (AP&C) is proposing a 6.0% rate level increase for private passenger automobile in the state of Arkansas. The increase will be achieved by rate level increases for Bodily Injury, Property Damage, Medical, and Uninsured/Underinsured Motorist coverages. With this change, Allstate is revising Rate Adjustment Factors, Easy Pay Plan Discount Factors, and Your Choice Auto® Value Plan Factors. In addition, a minor editorial change is being made.

The 6.0% rate level change will result in approximately \$1.4 million of additional premium. This is the first rate change proposed in AP&C since the implementation of the company on September 26, 2005.

- Attachment A: Summary of Selected Rate Level Changes
- Attachment B: Actuarial Standards of Practice  
Formula Calculations for Rate Level Indications
- Attachment C: Revision of Rating Plan Factors and Rate Adjustment Factors
- Attachment D: Rule Revision
- Attachment E: Summary of Manual Changes

The target effective date for new business written and renewals processed is September 15, 2008 and renewal business effective October 20, 2008.

<b>22.</b>	<b>Filing Fees</b> (Filer must provide check # and fee amount if applicable.) [If a state requires you to show how you calculated your filing fees, place that calculation below]
<p><b>Check #:</b> N/A. Fee sent via EFT.  <b>Amount:</b> \$100.00</p> <p>Filing and review of independent rates,</p> <p style="text-align: center;"><b>Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.</b></p>	

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

## PROPERTY & CASUALTY 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.)**

<b>1.</b>	<b>This filing transmittal is part of Company Tracking #</b>	R20122
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<b>2.</b>	<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	N/A
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Rate Increase     
  Rate Decrease     
  Rate Neutral (0%)

<b>3.</b>	<b>Filing Method (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	File and Use
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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)
Allstate Property & Casualty Insurance Company	12.4	6	1400000	21797	2405361 9	18.4	-2.6

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)

5. Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a.	Overall percentage rate indication(when applicable)		
5b.	Overall percentage rate impact for this filing		
5c.	Effect of Rate Filing – Written premium change for this program		
5d.	Effect of Rate Filing - Number of policyholders affected		

<b>6.</b>	Overall percentage of last rate revision	N/A
<b>7.</b>	Effective Date of last rate revision	09/26/2005
<b>8.</b>	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File and Use

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	Page I-3, Page 58-3, RP-2A, RP-3A, RP-19A	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY  
PRIVATE PASSENGER AUTO  
ARKANSAS**

**ATTACHMENT A  
SUMMARY OF SELECTED RATE LEVEL CHANGE**

The table below contains the rate level indication and selected changes by coverage for private passenger auto business in Allstate Property and Casualty Company (AP&C) in the state of Arkansas. Further details of the rate level indications shown below can be found in **Attachment B**.

<b>Coverage</b>	<b>Rate Level Indication</b>	<b>Selected Rate Level Change</b>
Bodily Injury	+42.5%	+14.0%
Property Damage	+40.3%	+13.0%
Medical	+136.6%	+30.0%
Uninsured/Underinsured Motorists	+12.2%	+2.0%
Collision	-2.5%	+0.0%
Comprehensive	-34.4%	+0.0%
<b>Total</b>	<b>+12.4%</b>	<b>+6.0%</b>

**ALLSTATE PROPERTY & CASUALTY INSURANCE COMPANY  
VOLUNTARY PRIVATE PASSENGER AUTOMOBILE  
ARKANSAS**

**ACTUARIAL STANDARDS OF PRACTICE**

This document confirms compliance with the following Actuarial Standards of Practices that are applicable to the preparation of statewide rate filings performed by casualty actuaries as stated in "Applicability Guidelines for Actuarial Standards of Practice" (American Academy of Actuaries, September 2004). In addition, references to relevant sections of this filing are included, where applicable.

- Actuarial Standard of Practice No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations*
  - Att B, Pages 2-9: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 12, *Risk Classification (for all Practice Areas)*
  - This ASOP is not applicable to this rate filing as risk classification systems were not designed, reviewed, or changed.
- Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*
  - Att B, Pages 2, 4, 5, 7, 8 and 9: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 23, *Data Quality*
  - Att B, Page 2: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*
  - Att B, Pages 3 through 5: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*
  - Att B, Pages 6 and 7: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*
  - Att B, Page 8: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 38, *Using Models Outside the Actuary's Area of Expertise (Property and Casualty)*
  - This ASOP is not applicable to this rate filing, as no models outside of the Actuary's Area of Expertise were applied
- Actuarial Standard of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*
  - Att B, Page 6: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 41, *Actuarial Communications*
  - Applies to this filing in its entirety

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY  
VOLUNTARY PRIVATE PASSENGER AUTOMOBILE  
FORMULA CALCULATIONS FOR RATE LEVEL INDICATIONS  
ARKANSAS**

The data used in the calculation of the rate level indication was selected in accordance with the considerations listed in Section 3.2 of Actuarial Standard or Practice No. 23, *Data Quality*. The calculation of the rate level indication is consistent with the Statement of Principles Regarding Property and Casualty Insurance Ratemaking contained in Appendix 1 of Actuarial Standard of Practice No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations*.

**Exhibits 1.0 through 3.5** of this attachment show the Determination of Statewide Rate Level Indications, the Development of Provision for Loss and LAE, and the Projected Average Earned Premium formula calculations used in the rate level indications for Arkansas. A rate level indication is a test of the adequacy of expected revenues versus expected costs during the future policy period. Therefore, to derive the indicated rate level need accurately, Allstate's historical premium and loss experience needs to be adjusted. In accordance with Section 5.3 of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*, Allstate trends the underlying historical experience for premiums, losses, and fixed expenses to appropriately reflect historical and projected changes in these components of the rate level indications. In addition, historical premiums must be adjusted to reflect the current rate level; and historical losses must be adjusted to reflect expected development over time and to smooth the actual losses due to catastrophes. Details of these necessary adjustments to the historical data used in the rate level indication are described in this memorandum. The adjustments have been applied to Arkansas's premium and loss experience in deriving the indicated rate level changes by coverage.

The table below summarizes the results of the formula calculation of indicated rate level. Also displayed are the actual rate level changes being proposed.

<u>Coverage</u>	<u>Indicated Rate Level Change</u>	<u>Proposed Change</u>
Bodily Injury	<u>+ 42.5%</u>	<u>+ 14.0%</u>
Property Damage	<u>+ 40.3%</u>	<u>+ 13.0%</u>
Medical	<u>+ 136.6%</u>	<u>+ 30.0%</u>
Uninsured/Underinsured Motorists	<u>+ 12.2%</u>	<u>+ 2.0%</u>
Collision	<u>- 2.5%</u>	<u>+ 0.0%</u>
Comprehensive	<u>- 34.4%</u>	<u>+ 0.0%</u>
<b>Total</b>	<b><u>+ 12.4%</u></b>	<b><u>+ 6.0%</u></b>

## BASE DATA

In developing formula indications for Arkansas, data from fiscal accident years ending December 31, 2007 and December 31, 2006 for all coverages was used. Each of these fiscal accident years is evaluated as of March 31, 2007. Consistent with past Allstate filings, total limits data was used for all coverages.

### Accident Year Weights

Since Allstate Property and Casualty Insurance Company was introduced in Arkansas in September of 2005, there are two full accident years of data available at the time of this indication. To arrive at a provision for loss and loss adjustment expense by coverage, both accident years were used for each coverage. The following weights were applied for the following coverages for the two most recent years:

Coverage	1 <sup>st</sup> Prior Year	2 <sup>nd</sup> Prior Year
Bodily Injury	80%	20%
Property Damage	71%	29%
Medical	67%	33%
Uninsured/Underinsured Motorists	67%	33%
Collision	68%	32%
Comprehensive	68%	32%

To arrive at projected average earned premium, the latest accident year was used for all coverages.

## ADJUSTMENTS TO LOSSES

### Loss Development

Allstate's standard loss development procedure is to select ultimate accident year losses after analyzing estimates developed using the Link Ratio and Additive methods. Accident year incurred losses are developed for the liability coverages. Accident year paid losses are developed for the Physical Damage coverages.

To calculate estimated ultimate losses using the Link Ratio methods, historical age-to-age link ratios are calculated, which represent loss development between different evaluation periods. An average of the historical link ratios is then used to estimate the ultimate level of paid losses to be used in ratemaking. This method assumes that historical loss development patterns can be used to estimate future loss development on current immature claims.

Due to the limited amount of data in Allstate Property and Casualty Insurance Company, the loss development factors and addends for Allstate Insurance Group (which includes both Allstate Property and Casualty Company and Allstate Insurance Company) were used for all coverages. It is expected that loss development patterns for Allstate Property and Casualty Insurance Company

will be similar to Allstate Insurance Group since the claims settlement practices are the same for both Allstate Property and Casualty Company and Allstate Insurance Company.

For the Additive loss development method, historical losses are first trended to today's price level using pure premium trends selected from Allstate Insurance Group data. This is done to avoid distortions due to changes in the underlying loss costs. Please note that the selected pure premium trend that is used in loss development often differs from the selected trend that applies to the underlying data. This is due to the different lengths of trend periods in each analysis. Trended additive amounts per exposures are calculated, which represent trended loss development between different evaluation periods. An average of the historical trended additive amount per exposure is then used to estimate the ultimate trended level of paid losses. Trended age-to-ultimate additive amounts per exposure are multiplied by earned exposures for each accident year to calculate trended losses that have yet to emerge. A final step in the Additive Method is to detrend the trended losses yet to emerge. Losses are detrended because the application of trend is accounted for in a separate step in the ratemaking process. This method assumes that historical loss development patterns per exposure can be used to estimate future loss development on current immature claims.

Refer to **Exhibit 4.0** of this attachment for a summary of the estimated ultimate losses resulting from the link ratio method and from the additive method as well as the selected ultimate losses. Support for the ultimate losses resulting from the link ratio method can be found in **Exhibits 4.1 through 4.6**. A summary of the trends selected to adjust historical losses for the additive method is shown in **Exhibit 4.7**. Supporting trend data is included in **Appendix A** of this attachment. Support for the ultimate losses resulting from the Additive method can be found in **Exhibits 4.8 through 4.13**. Please note that the actual three year average loss development factors and additive amounts per exposure were used for Property Damage, Collision, and Comprehensive coverages. For Bodily Injury and Uninsured/Underinsured Motorists coverages, a five year average excluding high and low values was used due to the additional volatility of these longer tail coverages, while a five year average was used for Medical coverage.

#### Loss Adjustment Expenses

Losses in the experience period for each coverage have been adjusted to account for unallocated loss adjustment expenses (ULAE). A separate provision is developed for liability coverages and for physical damage coverages using countrywide Allstate Insurance Group private passenger automobile data. A three-year average of the ratios of countrywide calendar year ULAE to countrywide calendar year incurred losses is used to determine the ULAE provision.

The average ratio, calculated separately for all liability coverages and for all physical damage coverages, is then applied to the losses for each associated coverage for each year used in the formula calculation. The expense ratios that have been used in this filing are shown in **Exhibits 5.0 and 5.1**.

Allocated loss adjustment expenses are included in both incurred losses and paid losses.

## Loss Trend

In order to appropriately account for changes in exposure levels, Allstate adjusts the calculations underlying frequencies and severities. Allstate employs a methodology of calculating frequency and severity amounts that consistently matches the losses and claims paid with the exposures that produced the claims. This methodology is described in “The Effect of Changing Exposure Levels on Calendar Year Loss Trends” (*Casualty Actuarial Society Forum*, Winter 2005) by Chris Styrsky.

Allstate selects separate premium and loss trends for AP&C, as has traditionally been done in Allstate filings. AP&C loss trends will be selected after consideration of Allstate Insurance Group (combined AP&C and AIC) data. The amount of consideration given to AP&C-specific data will depend on the amount of time the company has been open, and the speed at which claims for a particular coverage are paid. AP&C data for quick-paying coverages will be given greater consideration, and AP&C data for slower-paying coverages given less, or even no consideration. By varying the amount of consideration given to AP&C data by coverage, Allstate is appropriately considering the effect of this known bias in the data as required by Section 5.4 of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

At this time, relying solely on AP&C data for all coverages remains inappropriate because of distortion that occurs in paid loss trend data of newly opened companies. The distortion arises from the fact that, initially, each successive data point will contain paid claims arising from a successively longer period of time. For example, in Year 1 of a company’s existence, only claims occurring in Year 1 will be paid. However, paid claims in Year 2 may include claims that occurred in both Year 2 and Year 1. Similarly, in Year 3, claims occurring in Years 3, 2, and 1 could be paid. As a result, new company paid loss data tends to overstate the actual trend, and continues to do so until each data point includes claims arising from an accident period of equal length. The length of time over which the distortion occurs therefore corresponds approximately to the amount of time it takes for all claims arising from a particular accident year to settle.

Using adjusted Allstate Insurance Group data for the state of Arkansas, past changes in actual frequency and severity on a twelve-month-moving basis (evaluated at each quarter) were examined. After considering past results, claim practice changes, countrywide Allstate data, credibility level of Allstate data, industry data, and actuarial judgment, annual pure premium trends were selected for each coverage. The credibility level of Allstate loss trend data was analyzed by coverage based on the number of claims paid in the latest experience year, which is consistent with the criteria for selecting a credibility procedure outlined in section 3 of Actuarial Standards of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*. Please note that we have selected trend and projection factors separately for each coverage. These selected trends are displayed in **Exhibit 6.0**. These annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. These projected factors are shown in **Exhibits 2.0 through 2.5**. Allstate Insurance Group trend data is included as **Appendix B** to this attachment.

Paid frequency and paid severity data was primarily relied upon when selecting trends. Also, in

order to reflect additional stability in Allstate's trend data for Comprehensive coverage, Comprehensive data excluding catastrophes was used for selecting the trend.

This approach for selecting pure premium trends is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

### Catastrophes

An adjustment has been made to Comprehensive coverage losses to more appropriately account for catastrophes in the base data. All actual catastrophe losses during the experience period were removed and then replaced with a provision to reflect expected catastrophe losses in Arkansas. A catastrophe loss provision based upon 25 years of Allstate Insurance Group data was used. The provision was calculated by dividing total catastrophe losses by total Comprehensive coverage incurred losses excluding catastrophes over the 25-year period. The resulting catastrophe provision is 17.5%. The catastrophe provision is developed in **Exhibit 7.0** and is applied to the Comprehensive coverage losses in **Exhibit 2.5**. This adjustment to account for catastrophes is consistent with the Analysis of Issues and Recommended Practices detailed in Section 3.4 of Actuarial Standards of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*.

## **EXPENSES & PROFIT PROVISION**

The expense provisions described below were derived in accordance to Section 3.2, Determining Expense Provisions, of Actuarial Standard of Practice No 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*.

**Exhibit 8.0** shows the expense provisions used in developing the current fixed and variable expense ratios.

### **Fixed Expenses**

#### General and Other Acquisition Expense

##### *Provisions*

The provisions for general expense and other acquisition expense are based on countrywide data. Since the methods and procedures that incur these expenses are uniform within each state, it is a reasonable assumption that these expense provisions are uniform across all states. To develop the provision for other acquisition and general expenses, a three-year average of countrywide calendar year incurred expense divided by countrywide calendar year direct earned premium was calculated. These figures are taken from the Insurance Expense Exhibit. The provision for Other Acquisition Expense has been reduced by the amount of installment fees collected. In addition, the provision has been adjusted for premiums written off. The General Expense has been reduced to account for anticipated salary savings resulting from a workforce-reduction initiative that Allstate completed in early 2006.

### *Rate Need Calculations*

In developing the dollar provision for general and other acquisition expenses used in the calculation of our Arkansas rate level need by coverage, the three-year countrywide average expense ratio for general and other acquisition expenses is applied to the average earned premium of Arkansas. The Arkansas average earned premium is developed using the same three-year period used in the calculation of the countrywide expense ratio. The provision is then adjusted for inflation expected to occur from the midpoint of the three years used in the calculation of the average earned premium to the average earned date of the proposed policy period to derive the provision included in the rate level indications.

The expense provisions for general and other acquisition expenses are shown in Exhibits **9.0** and **9.1**, respectively.

### *Trend (Inflation)*

The method used to calculate the fixed expense trend is similar to the method used by the Insurance Services Office (I.S.O.) and other competitors to determine a fixed expense trend. The method utilizes the CPI (Consumer Price Index) and the CCI (Compensation Cost Index – Insurance Carriers, Agents, Brokers, & Service) and is discussed by Geoffrey Todd Werner, FCAS, MAAA in his paper Incorporation of Fixed Expenses, which was published in the *CAS Forum* (Winter 2004). Based on a review of the historical indices, an annual percentage change is selected for each index. These selected annual percent changes are then weighted together using the distribution of the Allstate expenditures in the latest calendar year for the two broad expense categories that these indices represent. This method is expected to produce stable and reasonable estimates of the true trend in fixed expenses and is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*. Support for the selected annual fixed expense trend is shown on **Exhibit 9.2**. **Exhibit 9.3** shows the derivation of the Factor to Adjust for Subsequent Change in Fixed Expense.

## **Variable Expenses**

### Commission and Brokerage Expense

The proposed commission and brokerage expense provision has been developed from the actual calendar year 2006 commission and brokerage incurred expense ratio in Arkansas.

### Taxes, Licenses & Fees

Under normal circumstances, the provision for taxes is determined by taking the currently prescribed Arkansas premium tax ratio and adding to that the arithmetic average ratio of other assessments that vary by the size of the premium from the latest three calendar years in Arkansas AP&C. However, since the AP&C book has not been open for three years, currently, only two calendar years are used. When three are available, the standard method will be used.

A provision for licenses and fees that do not vary by premium size is determined by taking the

arithmetic average ratio of these licenses and fees from the latest three calendar years in Arkansas (all companies). The provision for licenses and fees is considered, along with the general and other acquisition expense provisions, to be a fixed expense.

### Profit Provision

The methodology underlying the calculation of the return on capital reflects developments in the field of financial economics as published in the *Casualty Actuarial Society Forum, Winter, 2004* and in *Journal of Risk and Insurance, Vol. 72, No. 3, September 2005* ("Estimating the Cost of Equity Capital For Property-Liability Insurers" by J. David Cummins and Richard D. Phillips).

A discounted cash flow (DCF) methodology is used to calculate the investment income on policyholder supplied funds (PHSF). DCF is one of the two examples given in Actuarial Standards of Practice, No. 30 as appropriate methods for recognizing investment income from insurance operations (page 4). The calculations detailing the discounted cash flow methodology are found in **Exhibits 10.0 and 10.1** for liability and physical damage coverages, respectively. The rate (applied as a force of interest) used to discount losses and expenses includes anticipated net investment income and anticipated capital gains, both realized and unrealized. Operating cash flows are discounted to the average time of earnings of premium and profit for the policy year, rather than to the start of the policy year.

Please refer to the attached document titled "The Development of the Underwriting Profit Provision" for more information. This can be found in **Appendix D** of this Attachment.

### **ADJUSTMENTS TO PREMIUMS**

All premiums in the experience period were adjusted to current rate level in Arkansas. Allstate uses a refined methodology that assumes that exposures are written uniformly by month, using a procedure described in a discussion by Frank Karlinski of the paper entitled "A Refined Model for Premium Adjustment", by David Miller and George Davis. (Mr. Karlinski's discussion appeared in the Proceedings of the Casualty Actuarial Society (PCAS), Vol. LXIV, 1977, and the paper by Miller and Davis appeared in the PCAS, Vol LXIII, 1976). This method (which we call "Miller-Davis-Karlinski"), more accurately calculates factors to current rate level in instances when exposures are changing throughout the year, whether through growth, shrinkage or seasonality. (When exposures are, in fact, written uniformly throughout the year, this method produces approximately the same answers as the parallelogram method.)

We also use the Miller-Davis-Karlinski method to bring premiums to current rate level prior to calculating the changes in average premium (the premium trends).

In addition to bringing premiums to current rate level, it is important that Allstate also account for the anticipated future changes in premiums. Therefore, projected premium trend was taken into consideration when calculating the rate level need by coverage.

The selected projection factors are displayed in **Exhibit 11.0**. These annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. The projection factors are also shown in **Exhibits 3.0 through 3.5**. AP&C premium trend data is included as **Appendix C** of this attachment. Please note that only 6-point trends have been shown on the trend exhibits. Because only the latest year of average earned premium (accident year ending December 31, 2007) was used in this indication, only a projection factor was applied. Only the 6-point trends, along with actuarial judgment, were considered.

This approach for selecting premium trends is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Determination of Statewide Rate Level Indication  
Bodily Injury

1) Indicated Provision for Loss and Loss Adjustment Expense	\$134.36
2) Current Fixed Expense Ratio	9.2 %
3) Three Year Average Earned Premium	\$149.43
4) Current Dollar Provision for Fixed Expense [ (2) x (3) ]	\$13.75
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.114
6) Indicated Provision for Fixed Expense [ (4) x (5) ]	\$15.32
7) Variable Expense and Profit Ratio	25.6 %
8) Indicated Average Premium [ (1) + (6) ] / [ 1 - (7) ]	\$201.18
9) Projected Average Earned Premium at Current Rates	\$141.14
10) Indicated Rate Level Change [ (8) / (9) - 1.0 ]	42.5 %

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Determination of Statewide Rate Level Indication  
Property Damage

1) Indicated Provision for Loss and Loss Adjustment Expense	\$121.68
2) Current Fixed Expense Ratio	9.2 %
3) Three Year Average Earned Premium	\$134.64
4) Current Dollar Provision for Fixed Expense [ (2) x (3) ]	\$12.39
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.114
6) Indicated Provision for Fixed Expense [ (4) x (5) ]	\$13.80
7) Variable Expense and Profit Ratio	25.6 %
8) Indicated Average Premium [ (1) + (6) ] / [ 1 - (7) ]	\$182.10
9) Projected Average Earned Premium at Current Rates	\$129.79
10) Indicated Rate Level Change [ (8) / (9) - 1.0 ]	40.3 %

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Determination of Statewide Rate Level Indication  
Medical

1) Indicated Provision for Loss and Loss Adjustment Expense	\$43.96
2) Current Fixed Expense Ratio	9.2 %
3) Three Year Average Earned Premium	\$29.63
4) Current Dollar Provision for Fixed Expense [ (2) x (3) ]	\$2.73
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.114
6) Indicated Provision for Fixed Expense [ (4) x (5) ]	\$3.04
7) Variable Expense and Profit Ratio	25.6 %
8) Indicated Average Premium [ (1) + (6) ] / [ 1 - (7) ]	\$63.17
9) Projected Average Earned Premium at Current Rates	\$26.70
10) Indicated Rate Level Change [ (8) / (9) - 1.0 ]	136.6 %

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Determination of Statewide Rate Level Indication  
Uninsured / Underinsured Motorist

1) Indicated Provision for Loss and Loss Adjustment Expense	\$46.50
2) Current Fixed Expense Ratio	9.2 %
3) Three Year Average Earned Premium	\$58.43
4) Current Dollar Provision for Fixed Expense [ (2) x (3) ]	\$5.38
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.114
6) Indicated Provision for Fixed Expense [ (4) x (5) ]	\$5.99
7) Variable Expense and Profit Ratio	25.6 %
8) Indicated Average Premium [ (1) + (6) ] / [ 1 - (7) ]	\$70.55
9) Projected Average Earned Premium at Current Rates	\$62.86
10) Indicated Rate Level Change [ (8) / (9) - 1.0 ]	12.2 %

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Determination of Statewide Rate Level Indication  
Collision

1) Indicated Provision for Loss and Loss Adjustment Expense	\$237.26
2) Current Fixed Expense Ratio	9.3 %
3) Three Year Average Earned Premium	\$328.21
4) Current Dollar Provision for Fixed Expense [ (2) x (3) ]	\$30.52
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.114
6) Indicated Provision for Fixed Expense [ (4) x (5) ]	\$34.00
7) Variable Expense and Profit Ratio	28.5 %
8) Indicated Average Premium [ (1) + (6) ] / [ 1 - (7) ]	\$379.38
9) Projected Average Earned Premium at Current Rates	\$389.28
10) Indicated Rate Level Change [ (8) / (9) - 1.0 ]	-2.5 %

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Determination of Statewide Rate Level Indication  
Comprehensive

1) Indicated Provision for Loss and Loss Adjustment Expense	\$84.46
2) Current Fixed Expense Ratio	9.3 %
3) Three Year Average Earned Premium	\$201.64
4) Current Dollar Provision for Fixed Expense [ (2) x (3) ]	\$18.75
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.114
6) Indicated Provision for Fixed Expense [ (4) x (5) ]	\$20.89
7) Variable Expense and Profit Ratio	28.5 %
8) Indicated Average Premium [ (1) + (6) ] / [ 1 - (7) ]	\$147.34
9) Projected Average Earned Premium at Current Rates	\$224.70
10) Indicated Rate Level Change [ (8) / (9) - 1.0 ]	-34.4 %

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Provision for Loss and LAE  
Bodily Injury

Fiscal Year Ending	Earned Exposures (1)	(2)		Factor to Adjust Losses for Pure Premium Trend (4)	Projected Ultimate Loss and LAE (5)	Projected Average Loss and LAE (5) / (1)	Experience Year Weights (7)	
		Accident Year Non-Catastrophe Ultimate Loss	Ultimate Loss and LAE (3)					
12/31/2006	11,719	\$1,224,000	\$1,454,112	1.031	\$1,499,189	\$127.93	20%	
12/31/2007	25,138	2,818,000	3,347,784	1.021	3,418,087	135.97	80	
(8) Indicated Provision for Loss and LAE							\$134.36	

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Provision for Loss and LAE  
Property Damage

Fiscal Year Ending	Earned Exposures (1)	Accident Year (2)		Ultimate Loss and LAE (3)	Factor to Adjust Losses for Pure Premium Trend (4)	Projected Ultimate Loss and LAE (5)	Projected Average Loss and LAE (5) / (1)	Experience Year Weights (7)
		Non-Catastrophe Ultimate Loss	Ultimate Loss and LAE					
12/31/2006	11,719	\$1,146,000	\$1,361,448	1.031	\$1,403,653	\$119.78	29%	
12/31/2007	25,138	2,538,000	3,015,144	1.021	3,078,462	122.46	71	
(8) Indicated Provision for Loss and LAE								\$121.68

Development of Provision for Loss and LAE

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Provision for Loss and LAE  
Medical

		<u>Development of Provision for Loss and LAE</u>					
Fiscal Year Ending	(1) Earned Exposures	(2) Accident Year Non-Catastrophe Ultimate Loss	(3) Ultimate Loss and LAE	(4) Factor to Adjust Losses for Pure Premium Trend	(5) Projected Ultimate Loss and LAE	(6) Projected Average Loss and LAE (5) / (1)	(7) Experience Year Weights
12/31/2006	8,984	\$351,000	\$416,988	1.000	\$416,988	\$46.41	33 %
12/31/2007	19,173	690,000	819,720	1.000	819,720	42.75	67
(8) Indicated Provision for Loss and LAE						\$43.96	

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Provision for Loss and LAE  
Uninsured/Underinsured Motorists

Fiscal Year Ending	Earned Exposures (1)	(2)		Factor to Adjust Losses for Pure Premium Trend (4)	Projected Ultimate Loss and LAE (5)	Projected Average Loss and LAE (5) / (1)	Experience Year Weights (7)	
		Accident Year Non-Catastrophe Ultimate Loss	Ultimate Loss and LAE (3)					
12/31/2006	11,178	\$589,000	\$699,732	1.161	\$812,389	\$72.68	33%	
12/31/2007	24,051	615,000	730,620	1.106	808,066	33.60	67	
(8) Indicated Provision for Loss and LAE							\$46.50	

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Provision for Loss and LAE  
Collision

Fiscal Year Ending	Earned Exposures (1)	(2)		Factor to Adjust Losses for Pure Premium Trend (4)	Projected Ultimate Loss and LAE (5)	Projected Average Loss and LAE (5) / (1)	Experience Year Weights (7)	
		Accident Year Non-Catastrophe Ultimate Loss	Ultimate Loss and LAE (3)					
12/31/2006	7,893	\$1,558,000	\$1,788,584	1.062	\$1,899,476	\$240.65	32 %	
12/31/2007	17,071	3,363,000	3,860,724	1.042	4,022,874	235.66	68	
(8) Indicated Provision for Loss and LAE							\$237.26	

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Provision for Loss and LAE  
Comprehensive

Fiscal Year Ending	Earned Exposures (1)	Development of Provision for Loss and LAE		Accident Year Ultimate Loss (2) * (1+(3))	Accident Year Ultimate Loss and LAE (5)	Factor to Adjust Losses for Pure Premium Trend at 3/31/2008 (6)	Projected Ultimate Loss and LAE (7)	Projected Average Loss and LAE (7) / (1) (8)	Experience Year Weights (9)
		Accident Year Non-Catastrophe Ultimate Loss (2)	Average Catastrophe Factor (3)						
12/31/2006	8,057	\$624,000	0.175	\$733,200	\$841,714	0.883	\$743,233	\$92.25	32 %
12/31/2007	17,404	1,133,000	0.175	1,331,275	1,528,304	0.920	1,406,040	80.79	68

(10) Indicated Provision for Loss and LAE

\$84.46

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Projected Average Earned Premium  
Bodily Injury

<u>Development of Projected Average Earned Premium at Current Rates</u>						
Fiscal Year Ending	(1)	(2)	(3)	(4)	(5)	(6)
Earned Exposures	Earned Premium at Current Rates	Factor to Adjust to Projected Premium Level	Projected Earned Premium at Current Rates (2) x (3)	Projected Average Earned Premium at Current Rates (4) / (1)	Experience Year Weights	
12/31/2007	25,138	\$3,778,362	0.939	\$3,547,882	\$141.14	100 %
(7) Projected Average Earned Premium At Current Rates					\$141.14	

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Projected Average Earned Premium  
Property Damage

<u>Development of Projected Average Earned Premium at Current Rates</u>						
Fiscal Year Ending	(1)	(2)	(3)	(4)	(5)	(6)
Earned Exposures	Earned Premium at Current Rates	Factor to Adjust to Projected Premium Level	Projected Earned Premium at Current Rates (2) x (3)	Projected Average Earned Premium at Current Rates (4) / (1)	Experience Year Weights	
12/31/2007	25,138	\$3,474,549	0.939	\$3,262,602	\$129.79	100 %
(7) Projected Average Earned Premium At Current Rates					\$129.79	

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Projected Average Earned Premium  
Medical

<u>Development of Projected Average Earned Premium at Current Rates</u>						
Fiscal Year Ending	(1) Earned Premium at Current Rates	(2) Factor to Adjust to Projected Premium Level	(3) Projected Earned Premium at Current Rates (2) x (3)	(4) Projected Average Earned Premium at Current Rates (4) / (1)	(5) Experience Year Weights	(6) Projected Average Earned Premium At Current Rates
12/31/2007	19,173	0.900	\$568,869	\$11,982	100 %	\$26.70
						(7) Projected Average Earned Premium At Current Rates
						\$26.70

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Projected Average Earned Premium  
Uninsured / Underinsured Motorist

Fiscal Year Ending	Earned Exposures (1)	Earned Premium at Current Rates	Factor to Adjust to Projected Premium Level (3)	Projected Earned	Projected Average	Experience Year Weights (6)
				Premium at Current Rates (2) x (3) (4)	Earned Premium at Current Rates (4) / (1) (5)	
12/31/2007	24,051	\$1,496,923	1.010	\$1,511,892	\$62.86	100 %
(7) Projected Average Earned Premium At Current Rates					\$62.86	

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Projected Average Earned Premium  
Collision

Fiscal Year Ending	(1) Earned Exposures	(2) Earned Premium at Current Rates	(3) Factor to Adjust to Projected Premium Level	(4) Projected Earned Premium at Current Rates		(5) Projected Average Earned Premium at Current Rates (4) / (1)	(6) Experience Year Weights
				(2) x (3)	(4) / (1)		
12/31/2007	17,071	\$6,377,504	1.042	\$6,645,359	\$389.28	100 %	
(7) Projected Average Earned Premium At Current Rates					\$389.28		

Development of Projected Average Earned Premium at Current Rates

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Development of Projected Average Earned Premium  
Comprehensive

<u>Development of Projected Average Earned Premium at Current Rates</u>						
Fiscal Year Ending	(1) Earned Exposures	(2) Earned Premium at Current Rates	(3) Factor to Adjust to Projected Premium Level	(4) Projected Earned Premium at Current Rates (2) x (3)	(5) Projected Average Earned Premium at Current Rates (4) / (1)	(6) Experience Year Weights
12/31/2007	17,404	\$3,830,253	1.021	\$3,910,688	\$224.70	100 %
(14) Projected Average Earned Premium At Current Rates					\$224.70	

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Ultimate Losses (excluding ULAE)

Coverage	Year	Ultimate Losses		
		Link Ratio Estimate	Additive Estimate	Selected
Bodily Injury	2006	1,227,944	1,223,585	1,224,000
Bodily Injury	2007	2,936,879	2,817,843	2,818,000
Property Damage	2006	1,145,263	1,146,284	1,146,000
Property Damage	2007	2,527,454	2,537,804	2,538,000
Medical Payments	2006	346,804	350,725	351,000
Medical Payments	2007	674,551	689,948	690,000
Uninsured/Underinsured Motorists	2006	628,511	589,084	589,000
Uninsured/Underinsured Motorists	2007	620,093	615,169	615,000
Collision	2006	1,557,719	1,558,262	1,558,000
Collision	2007	3,347,992	3,362,647	3,363,000
Comprehensive (excluding catastrophes)	2006	624,430	624,107	624,000
Comprehensive (excluding catastrophes)	2007	1,135,085	1,132,581	1,133,000

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Arkansas  
Private Passenger Auto  
Bodily Injury

Loss Development - Link Ratio Method

AXYR	Field Incurred Losses*									
	15	27	39	51	63	75	87	99	111	123
1993										9,226,561
1994									8,783,528	8,797,818
1995								8,629,372	8,624,709	8,627,968
1996							7,562,004	7,585,381	7,589,267	7,576,168
1997						7,654,956	7,680,015	7,682,058	7,704,328	7,705,133
1998					8,888,150	8,978,808	8,933,250	9,022,278	9,033,307	9,033,307
1999				8,859,371	9,063,272	9,123,146	9,197,975	9,193,655	9,178,447	
2000			8,731,024	9,151,732	9,106,261	9,251,652	9,325,111	9,326,511		
2001		8,947,826	9,790,596	10,210,324	10,537,024	10,517,345	10,520,188			
2002	7,373,078	9,377,873	10,404,558	10,675,677	10,794,676	10,807,435				
2003	6,401,443	8,274,215	9,251,482	9,704,654	9,857,032					
2004	7,167,812	8,627,728	9,392,180	9,706,736						
2005	6,861,121	8,506,436	9,559,364							
2006	7,175,647	9,620,083								
2007	7,816,549									

AXYR	Link Ratios									
	15-27	27-39	39-51	51-63	63-75	75-87	87-99	99-111	111-123	
1994										1.002
1995									0.999	1.000
1996							1.003	1.003	1.001	0.998
1997							1.003	1.000	1.003	1.000
1998					1.010	0.995	1.010	1.001	1.001	1.000
1999				1.023	1.007	1.008	1.000	0.998		
2000			1.048	0.995	1.016	1.008	1.000			
2001		1.094	1.043	1.032	0.998	1.000				
2002	1.272	1.109	1.026	1.011	1.001					
2003	1.293	1.118	1.049	1.016						
2004	1.204	1.089	1.033							
2005	1.240	1.124								
2006	1.341									
2007										

	Age-to-Age Link Ratios									
	15-27	27-39	39-51	51-63	63-75	75-87	87-99	99-111	111-123	
5 Year Average Excluding High and Low Values:	1.268	1.107	1.041	1.017	1.006	1.004	1.001	1.000	1.000	
Selected:	1.268	1.107	1.041	1.017	1.006	1.004	1.001	1.000	1.000	

	Age-to-Ultimate Link Ratios									
	15-Ult	27-Ult	39-Ult	51-Ult	63-Ult	75-Ult	87-Ult	99-Ult	111-Ult	
5 Year Average Excluding High and Low Values:	1.501	1.184	1.070	1.028	1.011	1.005	1.001	1.000	1.000	
Selected:	1.501	1.184	1.070	1.028	1.011	1.005	1.001	1.000	1.000	

Year	Inc. Loss	Factor to Ultimate	Ultimate Loss
2006	1,037,115	1.184	1,227,944
2007	1,956,615	1.501	2,936,879

\* Home Office Supplemental Reserves have been included at 123 months of development and after.

**Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Arkansas  
Private Passenger Auto  
Property Damage**

**Loss Development - Link Ratio Method**

AXYR	Field Incurred Losses*						
	<u>15</u>	<u>27</u>	<u>39</u>	<u>51</u>	<u>63</u>	<u>75</u>	<u>87</u>
1998							7,374,970
1999						8,367,121	8,371,632
2000					8,014,498	8,028,245	8,008,788
2001				9,066,730	9,021,214	9,009,414	9,010,250
2002			9,134,853	9,073,643	8,924,676	8,926,014	
2003		9,033,459	9,081,774	9,102,295	9,033,381		
2004	9,144,675	8,964,757	8,965,188	8,972,800			
2005	9,085,057	9,096,470	9,077,383				
2006	9,907,120	9,747,935					
2007	10,952,550						

AXYR	Link Ratios					
	<u>15-27</u>	<u>27-39</u>	<u>39-51</u>	<u>51-63</u>	<u>63-75</u>	<u>75-87</u>
1999						1.001
2000					1.002	0.998
2001				0.995	0.999	1.000
2002			0.993	0.984	1.000	
2003		1.005	1.002	0.992		
2004	0.980	1.000	1.001			
2005	1.001	0.998				
2006	0.984					
2007						

	Age-to-Age Link Ratios					
	<u>15-27</u>	<u>27-39</u>	<u>39-51</u>	<u>51-63</u>	<u>63-75</u>	<u>75-87</u>
3 Year Average:	0.988	1.001	0.999	0.990	1.000	1.000
Selected:	0.988	1.001	0.999	0.990	1.000	1.000

	Age-to-Ultimate Link Ratios					
	<u>15-Ult</u>	<u>27-Ult</u>	<u>39-Ult</u>	<u>51-Ult</u>	<u>63-Ult</u>	<u>75-Ult</u>
3 Year Average:	0.978	0.990	0.989	0.990	1.000	1.000
Selected:	0.978	0.990	0.989	0.990	1.000	1.000

<u>Year</u>	<u>Inc. Loss</u>	<u>Factor to Ultimate</u>	<u>Ultimate Loss</u>
2006	1,156,831	0.990	1,145,263
2007	2,584,309	0.978	2,527,454

\* Home Office Supplemental Reserves have been included at 87 months of development and after.

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Arkansas  
Private Passenger Auto  
Medical

Loss Development - Link Ratio Method

AXYR	Field Incurred Losses*									
	15	27	39	51	63	75	87	99	111	123
1993										1,632,643
1994									1,424,672	1,424,672
1995								1,280,489	1,280,489	1,280,489
1996							1,312,758	1,312,758	1,312,758	1,310,314
1997						1,474,663	1,471,099	1,471,046	1,470,546	1,473,643
1998					1,458,770	1,456,235	1,461,235	1,461,235	1,461,235	1,461,235
1999				1,699,746	1,702,082	1,680,578	1,670,578	1,670,578	1,670,578	
2000			1,554,110	1,535,380	1,680,644	1,685,767	1,673,918	1,673,918		
2001		1,838,697	1,753,258	1,734,354	1,735,620	1,725,543	1,725,543			
2002	2,371,590	2,228,998	2,159,774	2,129,246	2,112,640	2,110,774				
2003	2,313,891	2,064,984	2,009,043	1,999,552	1,992,271					
2004	2,751,127	2,386,356	2,271,576	2,233,584						
2005	2,374,677	2,305,036	2,171,765							
2006	2,617,505	2,424,899								
2007	2,819,278									

AXYR	Link Ratios									
	15-27	27-39	39-51	51-63	63-75	75-87	87-99	99-111	111-123	
1994										1.000
1995									1.000	1.000
1996								1.000	1.000	0.998
1997						0.998	1.000	1.000	1.000	1.002
1998					0.998	1.003	1.000	1.000	1.000	1.000
1999				1.001	0.987	0.994	1.000	1.000		
2000			0.988	1.095	1.003	0.993	1.000			
2001		0.954	0.989	1.001	0.994	1.000				
2002	0.940	0.969	0.986	0.992	0.999					
2003	0.892	0.973	0.995	0.996						
2004	0.867	0.952	0.983							
2005	0.971	0.942								
2006	0.926									
2007										

	Age-to-Age Link Ratios									
	15-27	27-39	39-51	51-63	63-75	75-87	87-99	99-111	111-123	
5 Year Average:	0.919	0.958	0.988	1.017	0.996	0.998	1.000	1.000	1.000	1.000
Selected:	0.919	0.958	0.988	1.017	0.996	0.998	1.000	1.000	1.000	1.000

	Age-to-Ultimate Link Ratios									
	15-Ult	27-Ult	39-Ult	51-Ult	63-Ult	75-Ult	87-Ult	99-Ult	111-Ult	
5 Year Average:	0.879	0.957	0.999	1.011	0.994	0.998	1.000	1.000	1.000	1.000
Selected:	0.879	0.957	0.999	1.011	0.994	0.998	1.000	1.000	1.000	1.000

Year	Inc. Loss	Factor to Ultimate	Ultimate Loss
2006	362,387	0.957	346,804
2007	767,407	0.879	674,551

\* Home Office Supplemental Reserves have been included at 123 months of development and after.

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Arkansas  
Private Passenger Auto  
Uninsured/Underinsured Motorists

Loss Development - Link Ratio Method

AXYR	Field Incurred Losses*									
	15	27	39	51	63	75	87	99	111	123
1993										2,400,458
1994									1,393,611	1,393,611
1995								1,449,160	1,449,160	1,449,160
1996							1,773,073	1,770,073	1,770,299	1,771,419
1997						2,298,654	2,299,146	2,317,203	2,321,116	2,335,250
1998					2,336,986	2,335,653	2,334,778	2,341,974	2,341,985	2,363,471
1999				2,636,012	2,616,021	2,648,200	2,657,274	2,606,768	2,609,025	
2000			2,501,633	2,498,554	2,491,785	2,497,441	2,517,796	2,518,796		
2001		1,777,328	1,913,544	2,018,001	2,142,560	2,191,738	2,197,072			
2002	1,102,813	1,694,156	1,989,529	2,064,627	2,088,163	2,102,735				
2003	1,684,973	2,067,499	2,153,544	2,444,161	2,580,213					
2004	1,772,601	2,072,685	2,173,885	2,188,690						
2005	1,937,776	2,378,044	2,477,701							
2006	2,742,699	3,084,989								
2007	1,763,639									

AXYR	Link Ratios									
	15-27	27-39	39-51	51-63	63-75	75-87	87-99	99-111	111-123	
1994										1.000
1995									1.000	1.000
1996							0.998		1.000	1.001
1997						1.000	1.008		1.002	1.006
1998					0.999	1.000	1.003		1.000	1.009
1999				0.992	1.012	1.003	0.981		1.001	
2000				0.997	1.002	1.008	1.000			
2001		1.077	1.055	1.062	1.023	1.002				
2002	1.536	1.174	1.038	1.011	1.007					
2003	1.227	1.042	1.135	1.056						
2004	1.169	1.049	1.007							
2005	1.227	1.042								
2006	1.125									
2007										

	Age-to-Age Link Ratios									
	15-27	27-39	39-51	51-63	63-75	75-87	87-99	99-111	111-123	
8 Year Average Excluding High and Low Values:	1.208	1.056	1.033	1.021	1.007	1.002	1.000	1.000	1.002	
Selected:	1.208	1.056	1.033	1.021	1.007	1.002	1.000	1.000	1.002	

	Age-to-Ultimate Link Ratios									
	15-Ult	27-Ult	39-Ult	51-Ult	63-Ult	75-Ult	87-Ult	99-Ult	111-Ult	
5 Year Average Excluding High and Low Values:	1.360	1.126	1.066	1.032	1.011	1.004	1.002	1.002	1.002	
Selected:	1.360	1.126	1.066	1.032	1.011	1.004	1.002	1.002	1.002	

Year	Inc. Loss	Factor to Ultimate	Ultimate Loss
2006	558,180	1.126	628,511
2007	455,951	1.360	620,093

\* Home Office Supplemental Reserves have been included at 123 months of development and after.

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Arkansas  
Private Passenger Auto  
Collision

Loss Development - Link Ratio Method

AXYR	Paid Losses						
	<u>15</u>	<u>27</u>	<u>39</u>	<u>51</u>	<u>63</u>	<u>75</u>	<u>87</u>
1998							9,786,335
1999						10,061,766	10,061,766
2000					11,451,291	11,448,291	11,444,729
2001				11,477,285	11,476,490	11,472,768	11,472,729
2002			11,569,113	11,568,961	11,566,163	11,565,714	
2003		11,444,265	11,431,782	11,442,866	11,441,960		
2004	12,322,266	12,180,563	12,165,794	12,165,488			
2005	11,565,923	11,361,875	11,363,819				
2006	12,661,131	12,356,221					
2007	13,835,602						

AXYR	Link Ratios					
	<u>15-27</u>	<u>27-39</u>	<u>39-51</u>	<u>51-63</u>	<u>63-75</u>	<u>75-87</u>
1999						1.000
2000					1.000	1.000
2001				1.000	1.000	1.000
2002			1.000	1.000	1.000	
2003		0.999	1.001	1.000		
2004	0.989	0.999	1.000			
2005	0.982	1.000				
2006	0.976					
2007						

	Age-to-Age Link Ratios					
	<u>15-27</u>	<u>27-39</u>	<u>39-51</u>	<u>51-63</u>	<u>63-75</u>	<u>75-87</u>
3 Year Average:	0.982	0.999	1.000	1.000	1.000	1.000
Selected:	0.982	0.999	1.000	1.000	1.000	1.000

	Age-to-Ultimate Link Ratios					
	<u>15-Ult</u>	<u>27-Ult</u>	<u>39-Ult</u>	<u>51-Ult</u>	<u>63-Ult</u>	<u>75-Ult</u>
3 Year Average:	0.981	0.999	1.000	1.000	1.000	1.000
Selected:	0.981	0.999	1.000	1.000	1.000	1.000

Year	<u>Inc. Loss</u>	<u>Factor to Ultimate</u>	<u>Ultimate Loss</u>
2006	1,559,278	0.999	1,557,719
2007	3,412,836	0.981	3,347,992

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Arkansas  
Private Passenger Auto  
Comprehensive

Loss Development - Link Ratio Method

AXYR	Paid Losses						
	<u>15</u>	<u>27</u>	<u>39</u>	<u>51</u>	<u>63</u>	<u>75</u>	<u>87</u>
1998							4,486,399
1999						4,941,981	4,941,981
2000					5,844,604	5,844,604	5,844,604
2001				5,971,805	5,975,814	5,975,814	5,976,991
2002			5,037,224	5,038,201	5,041,835	5,042,371	
2003		5,046,882	5,045,402	5,047,869	5,047,869		
2004	4,958,405	4,962,571	4,988,498	4,979,275			
2005	4,493,318	4,593,623	4,598,100				
2006	4,603,561	4,683,606					
2007	4,461,195						

AXYR	Link Ratios					
	<u>15-27</u>	<u>27-39</u>	<u>39-51</u>	<u>51-63</u>	<u>63-75</u>	<u>75-87</u>
1999						1.000
2000					1.000	1.000
2001				1.001	1.000	1.000
2002			1.000	1.001	1.000	
2003		1.000	1.000	1.000		
2004		1.001	1.005	0.998		
2005		1.022	1.001			
2006		1.017				
2007						

	Age-to-Age Link Ratios					
	<u>15-27</u>	<u>27-39</u>	<u>39-51</u>	<u>51-63</u>	<u>63-75</u>	<u>75-87</u>
3 Year Average:	1.013	1.002	0.999	1.001	1.000	1.000
Selected:	1.013	1.002	0.999	1.001	1.000	1.000

	Age-to-Ultimate Link Ratios					
	<u>15-Ult</u>	<u>27-Ult</u>	<u>39-Ult</u>	<u>51-Ult</u>	<u>63-Ult</u>	<u>75-Ult</u>
3 Year Average:	1.015	1.002	1.000	1.001	1.000	1.000
Selected:	1.015	1.002	1.000	1.001	1.000	1.000

Year	<u>Inc. Loss</u>	<u>Factor to Ultimate</u>	<u>Ultimate Loss</u>
2006	623,184	1.002	624,430
2007	1,118,310	1.015	1,135,085

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Development Method - Additive Method  
Summary of Trend Selections

<u>Coverage</u>	<u>Trend</u>
Bodily Injury	2.0%
Property Damage	0.0%
Medical Payments	4.0%
Uninsured Motorists	2.0%
Collision	1.0%
Comprehensive	-4.0%

**Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas**

**Calculation of Loss Development Factors  
Bodily Injury**

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Incurred Losses †</u>											<u>Earned</u> <u>Exposures</u>
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months ‡</u>		
12/31/1993											9,226,561	101,831
12/31/1994										8,783,528	8,797,818	96,161
12/31/1995									8,629,372	8,624,709	8,627,968	94,178
12/31/1996							7,562,004	7,585,381	7,589,267	7,576,168	7,576,168	94,215
12/31/1997						7,654,956	7,680,015	7,682,058	7,704,328	7,705,133	7,705,133	96,291
12/31/1998					8,888,150	8,978,808	8,933,250	9,022,278	9,033,307	9,033,307	9,033,307	100,081
12/31/1999				8,859,371	9,063,272	9,123,146	9,197,975	9,193,655	9,178,447			103,656
12/31/2000			8,731,024	9,151,732	9,106,261	9,251,652	9,325,111	9,326,511				104,847
12/31/2001		8,947,826	9,790,596	10,210,324	10,537,024	10,517,345	10,520,188					105,570
12/31/2002	7,373,078	9,377,873	10,404,558	10,675,677	10,794,676	10,807,435						105,773
12/31/2003	6,401,443	8,274,215	9,251,482	9,704,654	9,857,032							108,972
12/31/2004	7,167,812	8,627,728	9,392,180	9,706,736								112,225
12/31/2005	6,861,121	8,506,436	9,559,364									115,440
12/31/2006	7,175,647	9,620,083										118,948
12/31/2007	7,816,549											121,944

Selected Trend: 2.0%

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Trended Incurred Losses</u>										
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months ‡</u>	
12/31/1993											12,174,251
12/31/1994										11,362,430	11,380,916
12/31/1995								10,944,130	10,938,216	10,942,350	
12/31/1996							9,402,401	9,431,468	9,436,300	9,420,013	
12/31/1997						9,331,349	9,361,895	9,364,386	9,391,533	9,392,514	
12/31/1998					10,622,162	10,730,507	10,676,061	10,782,457	10,795,638	10,795,638	
12/31/1999				10,380,165	10,619,068	10,689,220	10,776,894	10,771,832	10,754,014		
12/31/2000			10,029,202	10,512,463	10,460,231	10,627,240	10,711,621	10,713,230			
12/31/2001		10,076,705	11,025,801	11,498,483	11,866,400	11,844,239	11,847,440				
12/31/2002	8,140,474	10,353,930	11,487,473	11,786,810	11,918,195	11,932,282					
12/31/2003	6,929,128	8,956,276	10,014,102	10,504,630	10,669,568						
12/31/2004	7,606,539	9,155,814	9,967,057	10,300,866							
12/31/2005	7,138,310	8,850,096	9,945,562								
12/31/2006	7,319,160	9,812,485									
12/31/2007	7,816,549										

Trended Additive Amounts per Exposure

<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>
5 Year Average Excluding High and Low Values	18.03	9.40	3.97	1.68	0.62	0.38	0.12	0.04	0.02
Selected:	18.03	9.40	3.97	1.68	0.62	0.38	0.12	0.04	0.02

<u>Loss Development Period (months):</u>	<u>15 - 87</u>	<u>27 - 87</u>
Additive Amt per Exp:	34.26	16.23

Allstate Property & Casualty Insurance Company

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Earned</u> <u>Exposures</u>	<u>Additive Amt.</u> <u>to Ultimate</u> <u>Per Exposure</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss</u>	<u>Ultimate</u> <u>Loss</u>
12/31/2006	11,719	16.23	190,199	186,470	1,037,115	1,223,585
12/31/2007	25,138	34.26	861,228	861,228	1,956,615	2,817,843

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

**Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas**

**Calculation of Loss Development Factors  
Property Damage**

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Incurred Losses †</u>							<u>Earned</u>
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months‡</u>	<u>Exposures</u>
12/31/1998							7,374,970	100,081
12/31/1999						8,367,121	8,371,632	103,656
12/31/2000					8,014,498	8,028,245	8,008,788	104,847
12/31/2001				9,066,730	9,021,214	9,009,414	9,010,250	105,570
12/31/2002			9,134,853	9,073,643	8,924,676	8,926,014		105,773
12/31/2003		9,033,459	9,081,774	9,102,295	9,033,381			108,972
12/31/2004	9,144,675	8,964,757	8,965,188	8,972,800				112,225
12/31/2005	9,085,057	9,096,470	9,077,383					115,440
12/31/2006	9,907,120	9,747,935						118,948
12/31/2007	10,952,550							121,944

<b>Selected Trend:</b>	0.0%
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<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Trended Incurred Losses</u>						
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months‡</u>
12/31/1998							7,374,970
12/31/1999						8,367,121	8,371,632
12/31/2000					8,014,498	8,028,245	8,008,788
12/31/2001				9,066,730	9,021,214	9,009,414	9,010,250
12/31/2002			9,134,853	9,073,643	8,924,676	8,926,014	
12/31/2003		9,033,459	9,081,774	9,102,295	9,033,381		
12/31/2004	9,144,675	8,964,757	8,965,188	8,972,800			
12/31/2005	9,085,057	9,096,470	9,077,383				
12/31/2006	9,907,120	9,747,935					
12/31/2007	10,952,550						

<u>Development</u>	<u>Trended Additive Amounts per Exposure</u>					
	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>
3 Year Weighted Average:	-0.95	0.08	-0.11	-0.82	0.00	-0.05
Selected:	-0.95	0.08	-0.11	-0.82	0.00	-0.05

<u>Loss Development Period</u> <u>(months):</u>	<u>15 - 87</u>	<u>27 - 87</u>
<b>Additive Amt per Exp:</b>	-1.85	-0.90

**Allstate Property & Casualty Insurance Company**

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Earned</u> <u>Exposures</u>	<u>Additive Amt.</u> <u>to Ultimate</u> <u>Per Exposure</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss</u>	<u>Ultimate</u> <u>Loss</u>
12/31/2006	11,719	-0.90	-10,547	-10,547	1,156,831	1,146,284
12/31/2007	25,138	-1.85	-46,505	-46,505	2,584,309	2,537,804

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

**Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Kentucky**

**Calculation of Loss Development Factors  
Medical**

Fiscal Accident Year Ending	Incurred Losses †										Earned Exposures	
	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months	99 Months	111 Months	123 Months‡		
12/31/1993											1,632,643	83,611
12/31/1994										1,424,672	1,424,672	78,148
12/31/1995									1,280,489	1,280,489	1,280,489	76,207
12/31/1996								1,312,758	1,312,758	1,312,758	1,310,314	75,667
12/31/1997						1,474,663	1,471,099	1,471,046	1,470,546	1,473,643	1,473,643	76,373
12/31/1998						1,458,770	1,456,235	1,461,235	1,461,235	1,461,235	1,461,235	78,833
12/31/1999				1,699,746	1,702,082	1,680,578	1,670,578	1,670,578	1,670,578	1,670,578	1,670,578	81,077
12/31/2000			1,554,110	1,535,380	1,680,644	1,685,767	1,673,918	1,673,918				80,973
12/31/2001		1,838,697	1,753,258	1,734,354	1,735,620	1,725,543	1,725,543					81,557
12/31/2002	2,371,590	2,228,998	2,159,774	2,129,246	2,112,640	2,110,774						81,215
12/31/2003	2,313,891	2,064,984	2,009,043	1,999,352	1,992,271							83,446
12/31/2004	2,751,127	2,386,356	2,271,576	2,233,584								85,725
12/31/2005	2,374,677	2,305,036	2,171,765									87,987
12/31/2006	2,617,505	2,424,899										91,284
12/31/2007	2,819,278											93,604

Selected Trend: 4.0%

Fiscal Accident Year Ending	Trended Incurred Losses									
	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months	99 Months	111 Months	123 Months‡
12/31/1993										2,827,209
12/31/1994									2,372,184	2,372,184
12/31/1995								2,050,104	2,050,104	2,050,104
12/31/1996							2,020,931	2,020,931	2,020,931	2,017,168
12/31/1997						2,182,861	2,177,586	2,177,507	2,176,767	2,181,352
12/31/1998					2,076,285	2,072,676	2,079,793	2,079,793	2,079,793	2,079,793
12/31/1999				2,326,220	2,329,417	2,299,987	2,286,301	2,286,301	2,286,301	
12/31/2000			2,045,103	2,020,455	2,211,613	2,218,354	2,202,762	2,202,762		
12/31/2001		2,326,538	2,218,431	2,194,511	2,196,113	2,183,362	2,183,362			
12/31/2002	2,885,402	2,711,917	2,627,695	2,590,553	2,570,350	2,568,079				
12/31/2003	2,706,925	2,415,739	2,350,296	2,339,193	2,330,675					
12/31/2004	3,094,644	2,684,326	2,555,214	2,512,478						
12/31/2005	2,568,451	2,493,127	2,348,981							
12/31/2006	2,722,205	2,521,895								
12/31/2007	2,819,278									

Development	Trended Additive Amounts per Exposure								
	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87	87 to 99	99 to 111	111 to 123
5 Year Weighted Average:	-2.69	-1.26	-0.34	0.41	-0.10	-0.06	0.00	0.00	0.00
Selected:	-2.69	-1.26	-0.34	0.41	-0.10	-0.06	0.00	0.00	0.00

Loss Development Period  
(months): 15 - 87  
Additive Amt per Exp: -4.04

**Allstate Property & Casualty Insurance Company**

Fiscal Accident Year Ending	Earned Exposures	Additive Amt. to Ultimate Per Exposure	Trended Losses Yet To Emerge	De-Trended Losses Yet To Emerge	Incurred Loss	Ultimate Loss
12/31/2006	8,984	-1.35	-12,128	-11,662	362,387	350,725
12/31/2007	19,173	-4.04	-77,459	-77,459	767,407	689,948

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

**Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas**

**Calculation of Loss Development Factors  
Uninsured/Underinsured Motorists**

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Incurred Losses †</u>											<u>Earned</u> <u>Exposures</u>
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months‡</u>		
12/31/1993											2,400,458	98,445
12/31/1994										1,393,611	1,393,611	91,720
12/31/1995									1,449,160	1,449,160	1,449,160	89,270
12/31/1996							1,773,073		1,770,073	1,770,299	1,771,419	88,696
12/31/1997						2,298,654	2,299,146		2,317,203	2,321,116	2,335,250	89,947
12/31/1998					2,336,986	2,335,653	2,334,778		2,341,974	2,341,985	2,363,471	93,291
12/31/1999				2,636,012	2,616,021	2,648,200	2,657,274		2,606,768	2,609,025		96,248
12/31/2000			2,501,633	2,498,554	2,491,785	2,497,441		2,517,796	2,518,796			96,604
12/31/2001		1,777,328	1,913,544	2,018,001	2,142,560	2,191,738	2,197,072					97,539
12/31/2002	1,102,813	1,694,156	1,989,529	2,064,627	2,088,163	2,102,735						97,874
12/31/2003	1,684,973	2,067,499	2,153,544	2,444,161	2,580,213							101,189
12/31/2004	1,772,601	2,072,685	2,173,885	2,188,690								104,604
12/31/2005	1,937,776	2,378,044	2,477,701									107,999
12/31/2006	2,742,699	3,084,989										112,188
12/31/2007	1,763,639											115,318

Selected Trend: 2.0%

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Trended Incurred Losses</u>										
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months‡</u>	
12/31/1993										3,167,353	
12/31/1994									1,802,784	1,802,784	
12/31/1995								1,837,885	1,837,885	1,837,885	
12/31/1996							2,204,593	2,200,863	2,201,144	2,202,537	
12/31/1997						2,802,046	2,802,646	2,824,658	2,829,427	2,846,657	
12/31/1998					2,792,915	2,791,322	2,790,276	2,798,876	2,798,889	2,824,567	
12/31/1999				3,088,508	3,065,086	3,102,788	3,113,420	3,054,244	3,056,889		
12/31/2000			2,873,590	2,870,053	2,862,278	2,868,775	2,892,156	2,893,305			
12/31/2001		2,001,560	2,154,961	2,272,597	2,412,871	2,468,253	2,474,260				
12/31/2002	1,217,595	1,870,485	2,196,601	2,279,515	2,305,501	2,321,589					
12/31/2003	1,823,869	2,237,927	2,331,065	2,645,638	2,792,906						
12/31/2004	1,881,098	2,199,550	2,306,944	2,322,655							
12/31/2005	2,016,062	2,474,117	2,577,800								
12/31/2006	2,797,533	3,146,689									
12/31/2007	1,763,639										

<u>Development</u>	<u>Trended Additive Amounts per Exposure</u>								
	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>
5 Year Average Excluding High and Low Values	3.80	1.18	0.72	0.55	0.21	0.06	0.02	0.01	0.07
Selected:	3.80	1.18	0.72	0.55	0.21	0.06	0.02	0.01	0.07

<u>Loss Development Period (months):</u>	<u>15 - 87</u>	<u>27 - 87</u>
Additive Amt per Exp:	6.62	2.82

**Allstate Property & Casualty Insurance Company**

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Earned</u> <u>Exposures</u>	<u>Additive Amt.</u> <u>to Ultimate</u> <u>Per Exposure</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss</u>	<u>Ultimate</u> <u>Loss</u>
12/31/2006	11,178	2.82	31,522	30,904	558,180	589,084
12/31/2007	24,051	6.62	159,218	159,218	455,951	615,169

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

**Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas**

**Calculation of Loss Development Factors  
Collision**

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Paid Losses †</u>							<u>Earned</u>
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>Exposures</u>
12/31/1998							9,786,335	69,932
12/31/1999						10,061,766	10,061,766	72,691
12/31/2000					11,451,291	11,448,291	11,444,729	73,339
12/31/2001				11,477,285	11,476,490	11,472,768	11,472,729	73,890
12/31/2002			11,569,113	11,568,961	11,566,163	11,565,714		73,193
12/31/2003		11,444,265	11,431,782	11,442,866	11,441,960			74,852
12/31/2004	12,322,266	12,180,563	12,165,794	12,165,488				76,702
12/31/2005	11,565,923	11,361,875	11,363,819					78,310
12/31/2006	12,661,131	12,356,221						80,537
12/31/2007	13,835,602							82,654

<b>Selected Trend:</b>	1.0%
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<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Trended Paid Losses</u>						
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>
12/31/1998							10,703,170
12/31/1999						10,895,451	10,895,451
12/31/2000					12,277,334	12,274,118	12,270,299
12/31/2001				12,183,369	12,182,525	12,178,574	12,178,533
12/31/2002			12,159,254	12,159,094	12,156,154	12,155,682	
12/31/2003		11,908,948	11,895,958	11,907,492	11,906,549		
12/31/2004	12,695,643	12,549,646	12,534,430	12,534,114			
12/31/2005	11,798,398	11,590,249	11,592,232				
12/31/2006	12,787,742	12,479,783					
12/31/2007	13,835,602						

<u>Development</u>	<u>Trended Additive Amounts per Exposure</u>					
	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>
3 Year Weighted Average:	-2.81	-0.12	0.05	-0.01	-0.03	-0.02
Selected:	-2.81	-0.12	0.05	-0.01	-0.03	-0.02

<u>Loss Development Period</u> <u>(months):</u>	<u>15 - 87</u>	<u>27 - 87</u>
<u>Additive Amt per Exp:</u>	-2.94	-0.13

**Allstate Property & Casualty Insurance Company**

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Earned</u> <u>Exposures</u>	<u>Additive Amt.</u> <u>to Ultimate</u> <u>Per Exposure</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss</u>	<u>Ultimate</u> <u>Loss</u>
12/31/2006	7,893	-0.13	-1,026	-1,016	1,559,278	1,558,262
12/31/2007	17,071	-2.94	-50,189	-50,189	3,412,836	3,362,647

†Includes ALAE

**Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas**

**Calculation of Loss Development Factors  
Comprehensive**

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Paid Losses †</u>							<u>Earned</u>
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>Exposures</u>
12/31/1998							4,486,399	72,554
12/31/1999						4,941,981	4,941,981	75,300
12/31/2000					5,844,604	5,844,604	5,844,604	75,958
12/31/2001				5,971,805	5,975,814	5,975,814	5,976,991	76,504
12/31/2002			5,037,224	5,038,201	5,041,835	5,042,371		75,691
12/31/2003		5,046,882	5,045,402	5,047,869	5,047,869			77,397
12/31/2004	4,958,405	4,962,571	4,988,498	4,979,275				79,290
12/31/2005	4,493,318	4,593,623	4,598,100					80,969
12/31/2006	4,603,561	4,683,606						83,291
12/31/2007	4,461,195							85,397

**Selected Trend:** -4.0%

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Trended Incurred Losses</u>						
	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>
12/31/1998							3,106,984
12/31/1999						3,565,094	3,565,094
12/31/2000					4,391,913	4,391,913	4,391,913
12/31/2001				4,674,477	4,677,615	4,677,615	4,678,536
12/31/2002			4,107,215	4,108,012	4,110,975	4,111,412	
12/31/2003		4,286,552	4,285,295	4,287,390	4,287,390		
12/31/2004	4,386,879	4,390,565	4,413,504	4,405,344			
12/31/2005	4,141,042	4,233,483	4,237,609				
12/31/2006	4,419,419	4,496,262					
12/31/2007	4,461,195						

<u>Development</u>	<u>Trended Additive Amounts per Exposure</u>					
	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>
3 Year Weighted Average:	0.71	0.11	-0.02	0.02	0.00	0.00
Selected:	0.71	0.11	-0.02	0.02	0.00	0.00

<u>Loss Development Period</u> <u>(months):</u>	<u>15 - 87</u>	<u>27 - 87</u>
Additive Amt per Exp:	0.82	0.11

**Allstate Property & Casualty Insurance Company**

<u>Fiscal Accident</u> <u>Year Ending</u>	<u>Earned</u> <u>Exposures</u>	<u>Additive Amt.</u> <u>to Ultimate</u> <u>Per Exposure</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss</u>	<u>Ultimate</u> <u>Loss</u>
12/31/2006	8,057	0.11	886	923	623,184	624,107
12/31/2007	17,404	0.82	14,271	14,271	1,118,310	1,132,581

†Includes ALAE

**ALLSTATE INSURANCE GROUP\***

Private Passenger Automobile Liability Insurance  
Countrywide Expense Experience - Unallocated Loss Adjustment Factors

LIABILITY

	<u>2004 - 2006</u>
1. Direct Losses and Allocated Loss Adjustment Expense Incurred	\$16,261,478
2. Direct Unallocated Loss Adjustment Expense Incurred	\$3,060,919
3. Ratio (2)/(1)	0.188
4. Proposed Provision	0.188

\* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company,  
Allstate Fire and Casualty Insurance Company and Allstate County Mutual Insurance Company.

SOURCE: Data Underlying Insurance Expense Exhibits  
(000 Omitted)

## ALLSTATE INSURANCE GROUP\*

### Private Passenger Automobile Physical Damage Insurance Countrywide Expense Experience - Unallocated Loss Adjustment Factors

#### PHYSICAL DAMAGE

	<u>2004 - 2006</u>
1. Direct Losses and Allocated Loss Adjustment Expense Incurred	\$9,794,982
2. Direct Unallocated Loss Adjustment Expense Incurred	\$1,448,786
3. Ratio (2)/(1)	0.148
4. Proposed Provision	0.148

\* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company, Allstate Fire and Casualty Insurance Company and Allstate County Mutual Insurance Company.

SOURCE: Data Underlying Insurance Expense Exhibits  
(000 Omitted)

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Calculation of Pure Premium Trend Factor

<u>Coverage</u>	<u>Selected Annual Pure Premium Impacts</u>	
	<u>Historical</u>	<u>Projected</u>
Bodily Injury	1.00 %	1.00 %
Property Damage	1.00	1.00
Medical	0.00	0.00
Uninsured / Underinsured Motorist	5.00	5.00
Collision	2.00	2.00
Comprehensive	-4.00	-4.00

	<u>1st Prior Year</u>	<u>Current Year</u>
1) Loss Trend Projection Date	7/20/2009	7/20/2009
2) Mid-Point of Current Year's Experience Period	6/30/2007	6/30/2007
3) Experience Period Ended	12/31/2006	12/31/2007
4) Midpoint of Experience Period	6/30/2006	6/30/2007
5) Historical: Number of Years from (4) to (2)	1.000	0.000
6) Projected: Number of Years from (2) to (1)	2.055	2.055

Calculation of Trend Factors

(a) Historical Pure Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)

(b) Projected Pure Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)

(c) Factor to Adjust Losses for Pure Premium Trend = (a) x (b)

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Catastrophe Insurance Losses  
Comprehensive

Calendar Year	Allstate Insurance Group		Incurring Losses	Percentage Catastrophe Losses
	Total Incurred Losses	Catastrophe Losses	Excluding Catastrophes	
1983	\$1,837,348	\$49,198	\$1,788,150	
1984	2,580,647	410,700	2,169,947	
1985	2,131,560	108,640	2,022,920	
1986	3,004,305	421,939	2,582,366	
1987	3,348,493	140,750	3,207,743	
1988	3,980,110	513,015	3,467,095	
1989	7,682,087	3,042,588	4,639,499	
1990	5,333,548	443,624	4,889,924	
1991	5,731,040	573,373	5,157,667	
1992	4,286,585	146,986	4,139,599	
1993	3,911,931	71,850	3,840,081	
1994	4,822,147	888,763	3,933,384	
1995	4,524,336	481,500	4,042,836	
1996	8,589,528	3,623,724	4,965,804	
1997	5,433,562	789,786	4,643,776	
1998	4,860,342	-231,240	5,091,582	
1999	8,718,195	3,267,286	5,450,909	
2000	6,821,788	902,509	5,919,279	
2001	5,899,608	-103,542	6,003,150	
2002	6,344,009	982,997	5,361,012	
2003	5,511,410	143,336	5,368,074	
2004	5,466,229	34,423	5,431,806	
2005	4,918,264	95,357	4,822,907	
2006	6,563,043	2,069,984	4,493,059	
2007	4,759,658	72,841	4,686,817	
		<b>\$18,940,387</b>	<b>\$108,119,386</b>	

25 Year Aggregate Average  
Selected Catastrophe Provision

17.5 %  
17.5 %

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Summary of Expense Provisions

	Liability Expense Provision				Uninsured /
	Percent Fixed	Bodily Injury	Property Damage	Medical	Underinsured Motorist
Commissions	0 %	12.6 %	12.6 %	12.6 %	12.6 %
Taxes †	0	2.9	2.9	2.9	2.9
Licenses and Fees	100	0.1	0.1	0.1	0.1
Other Acquisition	100	4.2	4.2	4.2	4.2
General Expense	100	4.9	4.9	4.9	4.9

	Physical Damage Expense Provision		
	Percent Fixed	Collision	Comprehensive
Commissions	0 %	12.6 %	12.6 %
Taxes †	0	2.9	2.9
Licenses and Fees	100	0.1	0.1
Other Acquisition	100	4.2	4.2
General Expense	100	5.0	5.0

† State Taxes - Does not include Federal Income Tax

**ALLSTATE INSURANCE GROUP\***

PRIVATE PASSENGER AUTOMOBILE INSURANCE  
Countrywide Expense Experience For General Expenses  
2004, 2005, 2006

	Automobile Liability Insurance		
	2004	2005	2006
1. Direct Premiums Earned	\$ 8,866,923	\$ 9,091,997	\$ 9,196,291
2. General Expense Incurred	477,799	452,876	498,626
3. Ratio (2) / (1)	0.0539	0.0498	0.0542
4. Three Year Average			0.0526
5. Proposed Provision**			0.049

	Automobile Physical Damage Insurance		
	2004	2005	2006
1. Direct Premiums Earned	\$ 6,463,598	\$ 6,823,520	\$ 7,046,820
2. General Expense Incurred	373,463	358,539	372,663
3. Ratio (2) / (1)	0.0578	0.0525	0.0529
4. Three Year Average			0.0544
5. Proposed Provision**			0.050

SOURCE: Insurance Expense Exhibits  
(000 Omitted)

\* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company, Allstate Fire and Casualty Insurance Company and Allstate County Mutual.

\*\* Adjusted to account for reduction in workforce

**ALLSTATE INSURANCE GROUP\***

PRIVATE PASSENGER AUTOMOBILE INSURANCE  
Countrywide Expense Experience For Other Acquisition Expenses  
2004, 2005, 2006

	Automobile Liability Insurance		
	2004	2005	2006
1. Direct Premiums Earned	\$ 8,866,923	\$ 9,091,997	\$ 9,196,291
2. Other Acquisition Expense Incurred	454,469	460,293	504,059
3. Ratio (2) / (1)	0.0513	0.0506	0.0548
4. Three Year Average			0.0522
5. Adjusted Three Year Average**			0.0420
6. Proposed Provision			0.042

	Automobile Physical Damage Insurance		
	2004	2005	2006
1. Direct Premiums Earned	\$ 6,463,598	\$ 6,823,520	\$ 7,046,820
2. Other Acquisition Expense Incurred	337,730	349,801	389,038
3. Ratio (2) / (1)	0.0523	0.0513	0.0552
4. Three Year Average			0.0529
5. Adjusted Three Year Average**			0.0422
6. Proposed Provision			0.042

\* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company, Allstate Fire and Casualty Insurance Company and Allstate County Mutual.

\*\*Reduced by 1.30% for Liability and 1.35% for Physical Damage to reflect the amount of Installment Fees collected for Allstate Insurance Group and includes a 0.28% provision for Allstate Property & Casualty Insurance Company premiums written off.

SOURCE: Insurance Expense Exhibits  
(000 Omitted)

**ALLSTATE INSURANCE GROUP  
COUNTRYWIDE  
CALULATION OF ANNUAL FIXED EXPENSE TREND**

(1)	% of Other Acquisition and General Expenses used for Salaries and Employee Relations & Welfare - Allstate Insurance Group, 2006	43.7%
(2)	Employment Cost Index - Insurance Carriers, Agents, Brokers, and Services - (selected annual change ending 12/31/06) U.S. Department of Labor	3.0%
(3)	% of Other Acquisition and General Expenses not used for Salaries and Employee Relations & Welfare - Allstate Insurance Group, 2006.	56.3%
(4)	Consumer Price Index, All Items - (selected annual change ending 12/31/06)	2.5%
(5)	Annual Fixed Expense Trend - [(1) x (2)] + [(3) x (4)]	2.7%
(6)	Selected Annual Fixed Expense Trend	2.7%

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Factor to Adjust for Subsequent Change in Fixed Expense  
(For calendar years 2004-2006 )

1) Average Earned Date of Experience Period	6/30/2005
2) Average Earned Date of Proposed Policy Period	7/20/2009
3) Number of Years from (1) to (2)	4.055
4) Selected Annual Impact	2.70 %
5) Factor to Adjust for Subsequent Change in Fixed Expense [ $1.0 + (4) ] ^ (3)$	1.114

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas  
Investment Income - Liability Coverages

Calculation of Present Value, as of the Average Earning Date of a Policy Year, of all Income and Outgo @ 3.95% force of interest, assuming an Operating Profit of 9.01% and six month Policy Terms

Years From Start of Policy Year	Cumulative Percent of Losses Paid	Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted† to Average Time of Profit @ 3.95%	Discounted Payments
1	37.8 %	37.80 %	0.68	1.0028	37.91 %
2	80.5	42.70	1.39	0.9750	41.63
3	88.2	7.70	2.45	0.9351	7.20
4	93.6	5.40	3.46	0.8985	4.85
5	97.5	3.90	4.45	0.8640	3.37
6	98.8	1.30	5.45	0.8306	1.08
Subsequent	100.0	1.20	7.49	0.7663	0.92
<b>Total</b>					96.96 %
<b>Expected Losses and Loss Expense Ratio</b>					65.19 %
<b>Present Value of Loss and Loss Expense Payments</b>					63.21 %
General Expense		4.9 %	0.63	1.0048	4.92 %
Other Acquisition		4.2 %	0.56	1.0075	4.23 %
Taxes		2.9 %	0.72	1.0012	2.90 %
Commissions		12.6 %	0.58	1.0067	12.68 %
Profit		10.11 %	0.75	1.0000	10.11 %
Licenses and Fees		0.1 %	0.72	1.0012	0.10 %
<b>Total Present Value of Outgo</b>					98.15 %
<b>Premiums</b>		100.0 %	0.60	1.0059	100.59 %
<b>Difference, Present Value of Income Less Present Value of Outgo</b>					2.44 %

\*exp (force of interest x (timing of profit being earned - timing of cash flow))

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas  
Investment Income - Physical Damage Coverages

Calculation of Present Value, as of the Average Earning Date of a Policy Year, of all Income and Outgo @ 3.95% force of interest, assuming an Operating Profit of 9.01% and six month Policy Terms

Years From Start of Policy Year	Cumulative Percent of Losses Paid	Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted† to Average Time of Profit @ 3.95%	Discounted Payments
1	67.4 %	67.40 %	0.64	1.0044	67.70 %
2	100.3	32.90	1.16	0.9839	32.37
3	100.1	-0.20	2.31	0.9402	-0.19
4	100.1	0.00	3.35	0.9024	0.00
5	100.0	-0.10	5.14	0.8408	-0.08
6	100.0	0.00	6.34	0.8019	0.00
Subsequent	100.0	0.00	6.89	0.7846	0.00
<b>Total</b>					99.80 %
<b>Expected Losses and Loss Expense Ratio</b>					62.23 %
<b>Present Value of Loss and Loss Expense Payments</b>					62.11 %
General Expense		5.0 %	0.63	1.0048	5.02 %
Other Acquisition		4.2 %	0.56	1.0075	4.23 %
Taxes		2.9 %	0.72	1.0012	2.90 %
Commissions		12.6 %	0.58	1.0067	12.68 %
Profit		12.97 %	0.75	1.0000	12.97 %
Licenses and Fees		0.1 %	0.72	1.0012	0.10 %
<b>Total Present Value of Outgo</b>					100.01 %
<b>Premiums</b>		100.0 %	0.60	1.0059	100.59 %
<b>Difference, Present Value of Income Less Present Value of Outgo</b>					0.58 %

\*exp (force of interest x (timing of profit being earned - timing of cash flow))

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Calculation of Premium Trend Factor

<u>Coverage</u>	<u>Selected Annual Premium Impacts</u>	
	<u>Projected</u>	
Bodily Injury	-3.00	%
Property Damage	-3.00	
Medical	-5.00	
Uninsured / Underinsured Motorist	0.50	
Collision	2.00	
Comprehensive	1.00	

	<u>Current Year</u>
1) Average Earned Date of Proposed Policy Period	7/20/2009
2) Mid-Point of Current Year's Experience Period	6/30/2007
3) Experience Period Ended	12/31/2007
4) Midpoint of Experience Period	6/30/2007
5) Historical: Number of Years from (4) to (2)	0.000
6) Projected: Number of Years from (2) to (1)	2.055

Calculation of Trend Factors

Factors to Adjust to Projected Premium Level are the Annual Projected Impacts plus unity compounded for the number of years in (6)

**APPENDIX A**  
**36-POINT PURE PREMIUM**  
**TRENDS**

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Bodily Injury

Year Ending	Actual Paid Pure		Exponential Curve of Best Fit
	Premium	Annual Change	36 pt.
06/99	\$70.39		\$74.45
09/99	77.61		74.84
12/99	72.41		75.24
03/00	76.93		75.64
06/00	79.55	13.01	76.04
09/00	73.31	-5.54	76.44
12/00	74.43	2.79	76.85
03/01	70.29	-8.63	77.26
06/01	74.31	-6.59	77.67
09/01	78.33	6.85	78.08
12/01	81.87	10.00	78.49
03/02	80.57	14.63	78.91
06/02	75.98	2.25	79.32
09/02	80.10	2.26	79.75
12/02	79.35	-3.08	80.17
03/03	83.26	3.34	80.59
06/03	90.97	19.73	81.02
09/03	90.00	12.36	81.45
12/03	85.82	8.15	81.88
03/04	87.80	5.45	82.31
06/04	84.71	-6.88	82.75
09/04	78.10	-13.22	83.19
12/04	81.08	-5.52	83.63
03/05	80.93	-7.82	84.07
06/05	83.53	-1.39	84.52
09/05	89.70	14.85	84.97
12/05	87.12	7.45	85.42
03/06	89.26	10.29	85.87
06/06	86.34	3.36	86.32
09/06	86.48	-3.59	86.78
12/06	88.81	1.94	87.24
03/07	84.03	-5.86	87.70
06/07	83.90	-2.83	88.17
09/07	80.66	-6.73	88.64
12/07	88.98	0.19	89.11
03/08	90.75	8.00	89.58
Regression			36 pt.

Avg Annual Percent Change Based on Best Fit:

2.14 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Property Damage

Year Ending	Actual Paid Pure		Exponential Curve of
	Premium	Annual Change	Best Fit
06/99	\$75.89		\$79.05
09/99	79.21		79.11
12/99	78.40		79.17
03/00	79.14		79.23
06/00	76.40	0.67	79.29
09/00	75.17	-5.10	79.35
12/00	75.59	-3.58	79.41
03/01	78.39	-0.95	79.47
06/01	80.50	5.37	79.53
09/01	82.10	9.22	79.59
12/01	83.34	10.25	79.65
03/02	81.38	3.81	79.71
06/02	80.58	0.10	79.77
09/02	81.78	-0.39	79.83
12/02	83.25	-0.11	79.89
03/03	83.54	2.65	79.95
06/03	82.58	2.48	80.01
09/03	82.84	1.30	80.07
12/03	81.09	-2.59	80.13
03/04	82.53	-1.21	80.19
06/04	85.16	3.12	80.25
09/04	80.65	-2.64	80.31
12/04	79.85	-1.53	80.37
03/05	79.98	-3.09	80.43
06/05	76.36	-10.33	80.49
09/05	77.21	-4.27	80.55
12/05	78.10	-2.19	80.61
03/06	76.68	-4.13	80.67
06/06	79.84	4.56	80.73
09/06	82.68	7.08	80.79
12/06	81.86	4.81	80.85
03/07	82.15	7.13	80.91
06/07	79.34	-0.63	80.97
09/07	79.70	-3.60	81.03
12/07	80.28	-1.93	81.09
03/08	81.39	-0.93	81.15
Regression			36 pt.

Avg Annual Percent Change Based on Best Fit:

0.30%

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Medical

Year Ending	Actual Paid Pure Premium	Annual Change	Exponential Curve of Best Fit 36 pt.
06/99	\$20.43		\$19.47
09/99	19.47		19.65
12/99	20.31		19.84
03/00	18.92		20.03
06/00	18.33	-10.28	20.22
09/00	18.11	-6.99	20.41
12/00	17.64	-13.15	20.60
03/01	19.73	4.28	20.79
06/01	21.52	17.40	20.99
09/01	20.90	15.41	21.19
12/01	20.36	15.42	21.39
03/02	19.15	-2.94	21.59
06/02	16.50	-23.33	21.79
09/02	22.60	8.13	22.00
12/02	24.51	20.38	22.21
03/03	26.08	36.19	22.42
06/03	28.50	72.73	22.63
09/03	25.52	12.92	22.84
12/03	25.52	4.12	23.06
03/04	25.19	-3.41	23.27
06/04	23.39	-17.93	23.49
09/04	27.13	6.31	23.71
12/04	28.86	13.09	23.94
03/05	29.33	16.44	24.16
06/05	30.97	32.41	24.39
09/05	26.92	-0.77	24.62
12/05	23.62	-18.16	24.85
03/06	23.61	-19.50	25.09
06/06	24.14	-22.05	25.33
09/06	24.03	-10.74	25.56
12/06	25.36	7.37	25.81
03/07	24.66	4.45	26.05
06/07	23.55	-2.44	26.30
09/07	23.01	-4.24	26.54
12/07	23.43	-7.61	26.79
03/08	24.43	-0.93	27.05
	Regression		36 pt.

Avg Annual Percent Change Based on Best Fit:

3.83 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Uninsured / Underinsured Motorist

Year Ending	Actual Paid Pure		Exponential Curve of Best Fit
	Premium	Annual Change	36 pt.
06/99	\$20.77		\$22.56
09/99	19.69		22.65
12/99	23.90		22.74
03/00	24.82		22.83
06/00	22.60	8.81	22.92
09/00	29.40	49.31	23.01
12/00	28.11	17.62	23.10
03/01	29.44	18.61	23.19
06/01	30.14	33.36	23.28
09/01	26.41	-10.17	23.38
12/01	23.83	-15.23	23.47
03/02	22.21	-24.56	23.56
06/02	22.07	-26.78	23.65
09/02	21.55	-18.40	23.75
12/02	21.52	-9.69	23.84
03/03	20.39	-8.19	23.94
06/03	19.74	-10.56	24.03
09/03	19.41	-9.93	24.13
12/03	20.80	-3.35	24.22
03/04	22.04	8.09	24.32
06/04	23.06	16.82	24.41
09/04	22.45	15.66	24.51
12/04	21.91	5.34	24.61
03/05	23.74	7.71	24.71
06/05	22.43	-2.73	24.80
09/05	23.27	3.65	24.90
12/05	24.11	10.04	25.00
03/06	23.43	-1.31	25.10
06/06	25.36	13.06	25.20
09/06	27.94	20.07	25.30
12/06	28.19	16.92	25.40
03/07	29.11	24.24	25.50
06/07	30.42	19.95	25.60
09/07	29.37	5.12	25.70
12/07	28.18	-0.04	25.80
03/08	26.39	-9.34	25.91
Regression			36 pt.

Avg Annual Percent Change Based on Best Fit:

1.59 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Collision

Year Ending	Actual Paid Pure Premium	Annual Change	Exponential Curve of Best Fit 36 pt.
06/99	\$140.29		\$147.34
09/99	141.41		147.65
12/99	143.96		147.95
03/00	143.15		148.25
06/00	146.46	4.40	148.56
09/00	146.50	3.60	148.87
12/00	143.83	-0.09	149.17
03/01	154.44	7.89	149.48
06/01	153.90	5.08	149.79
09/01	159.42	8.82	150.10
12/01	164.55	14.41	150.41
03/02	158.18	2.42	150.72
06/02	158.33	2.88	151.03
09/02	156.70	-1.71	151.34
12/02	149.01	-9.44	151.65
03/03	154.07	-2.60	151.96
06/03	150.59	-4.89	152.28
09/03	152.39	-2.75	152.59
12/03	156.34	4.92	152.90
03/04	156.99	1.90	153.22
06/04	156.34	3.82	153.53
09/04	154.98	1.70	153.85
12/04	155.55	-0.51	154.17
03/05	150.68	-4.02	154.49
06/05	150.38	-3.81	154.80
09/05	147.61	-4.76	155.12
12/05	149.93	-3.61	155.44
03/06	147.64	-2.02	155.76
06/06	149.27	-0.74	156.08
09/06	154.83	4.89	156.41
12/06	154.53	3.07	156.73
03/07	157.72	6.83	157.05
06/07	161.79	8.39	157.37
09/07	156.13	0.84	157.70
12/07	161.09	4.25	158.02
03/08	164.39	4.23	158.35
Regression			36 pt.

Avg Annual Percent Change Based on Best Fit:

0.83 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Comprehensive

Year Ending	Actual Paid Pure Premium	Annual Change	Exponential Curve of Best Fit <hr/> 36 pt.
06/99	\$63.05		\$76.35
09/99	67.01		75.56
12/99	67.32		74.78
03/00	67.09		74.01
06/00	68.68	8.93	73.24
09/00	70.72	5.54	72.48
12/00	72.08	7.07	71.73
03/01	75.43	12.43	70.99
06/01	83.37	21.39	70.26
09/01	81.77	15.63	69.53
12/01	80.75	12.03	68.82
03/02	74.48	-1.26	68.10
06/02	68.46	-17.88	67.40
09/02	66.76	-18.36	66.70
12/02	65.05	-19.44	66.02
03/03	64.77	-13.04	65.33
06/03	63.61	-4.16	64.66
09/03	66.94	0.27	63.99
12/03	66.94	2.91	63.33
03/04	67.30	3.91	62.68
06/04	67.25	2.50	62.03
09/04	62.16	-7.14	61.39
12/04	61.93	-7.48	60.75
03/05	62.44	-7.22	60.12
06/05	57.12	-15.06	59.50
09/05	56.99	-8.32	58.89
12/05	58.85	-4.97	58.28
03/06	54.47	-12.76	57.68
06/06	57.27	0.26	57.08
09/06	55.96	-1.81	56.49
12/06	54.50	-7.39	55.91
03/07	54.54	0.13	55.33
06/07	49.75	-13.13	54.76
09/07	50.00	-10.65	54.19
12/07	51.72	-5.10	53.63
03/08	53.40	-2.09	53.08
<hr/> Regression			36 pt.

Avg Annual Percent Change Based on Best Fit:

-4.07 %

**APPENDIX B**  
**LOSS TRENDS**

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Frequency  
Bodily Injury

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Frequency	Annual Change	24 pt.	12 pt.	6 pt.
06/02	.9954 %	-0.27 %	1.1164 %		
09/02	1.0189	-0.68	1.1123		
12/02	1.0712	2.82	1.1082		
03/03	1.0984	6.99	1.1041		
06/03	1.1332	13.84	1.1000		
09/03	1.1641	14.25	1.0959		
12/03	1.1140	4.00	1.0918		
03/04	1.1371	3.52	1.0878		
06/04	1.1752	3.71	1.0837		
09/04	1.1237	-3.47	1.0797		
12/04	1.0895	-2.20	1.0757		
03/05	1.1145	-1.99	1.0717		
06/05	1.0890	-7.33	1.0677	1.0908 %	
09/05	1.1013	-1.99	1.0638	1.0811	
12/05	1.1081	1.71	1.0598	1.0715	
03/06	1.0520	-5.61	1.0559	1.0620	
06/06	1.0103	-7.23	1.0520	1.0526	
09/06	1.0016	-9.05	1.0481	1.0433	
12/06	1.0193	-8.01	1.0442	1.0340	1.0466 %
03/07	1.0252	-2.55	1.0403	1.0249	1.0352
06/07	1.0757	6.47	1.0364	1.0158	1.0238
09/07	1.0229	2.13	1.0326	1.0068	1.0126
12/07	1.0038	-1.52	1.0288	.9978	1.0015
03/08	.9653	-5.84	1.0249	.9890	.9905
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-1.48 %	-3.50 %	-4.31 %
State Credibility based on 1,200 Paid Claims					
In Year Ending 3/2008:			33 %	33 %	33 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Severity  
Bodily Injury

Exponential Curve of Best Fit

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Severity	Annual Change	24 pt.	12 pt.	6 pt.
06/02	\$7,633	2.53 %	\$7,351		
09/02	7,862	2.97	7,399		
12/02	7,408	-5.73	7,448		
03/03	7,579	-3.43	7,497		
06/03	8,028	5.17	7,546		
09/03	7,731	-1.67	7,596		
12/03	7,704	4.00	7,646		
03/04	7,721	1.87	7,696		
06/04	7,208	-10.21	7,747		
09/04	6,950	-10.10	7,798		
12/04	7,442	-3.40	7,849		
03/05	7,261	-5.96	7,901		
06/05	7,670	6.41	7,953	\$7,947	
09/05	8,145	17.19	8,005	8,016	
12/05	7,862	5.64	8,058	8,086	
03/06	8,485	16.86	8,111	8,157	
06/06	8,545	11.41	8,165	8,228	
09/06	8,634	6.00	8,218	8,300	
12/06	8,714	10.84	8,273	8,372	\$8,088
03/07	8,196	-3.41	8,327	8,445	8,234
06/07	7,799	-8.73	8,382	8,519	8,382
09/07	7,886	-8.66	8,437	8,593	8,533
12/07	8,864	1.72	8,493	8,668	8,687
03/08	9,400	14.69	8,549	8,743	8,844
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			2.66 %	3.53 %	7.40 %
State Credibility based on 1,200 Paid Claims					
In Year Ending 3/2008:			33 %	33 %	33 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Bodily Injury

Year Ending	Actual Paid Pure		Exponential Curve of Best Fit		
	Premium	Annual Change	24 pt.	12 pt.	6 pt.
06/02	\$75.98	2.25 %	\$82.06		
09/02	80.10	2.26	82.30		
12/02	79.35	-3.08	82.53		
03/03	83.26	3.34	82.77		
06/03	90.97	19.73	83.00		
09/03	90.00	12.36	83.24		
12/03	85.82	8.15	83.48		
03/04	87.80	5.45	83.72		
06/04	84.71	-6.88	83.96		
09/04	78.10	-13.22	84.20		
12/04	81.08	-5.52	84.44		
03/05	80.93	-7.82	84.68		
06/05	83.53	-1.39	84.92	\$86.69	
09/05	89.70	14.85	85.16	86.67	
12/05	87.12	7.45	85.40	86.65	
03/06	89.26	10.29	85.65	86.63	
06/06	86.34	3.36	85.89	86.61	
09/06	86.48	-3.59	86.14	86.59	
12/06	88.81	1.94	86.38	86.57	\$84.65
03/07	84.03	-5.86	86.63	86.55	85.23
06/07	83.90	-2.83	86.88	86.53	85.82
09/07	80.66	-6.73	87.12	86.51	86.41
12/07	88.98	0.19	87.37	86.49	87.01
03/08	90.75	8.00	87.62	86.47	87.61
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			1.15 %	-0.09 %	2.79 %
State Credibility based on 1,200 Paid Claims					
In Year Ending 3/2008:			33 %	33 %	33 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Frequency  
Property Damage

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Frequency	Annual Change	24 pt.	12 pt.	6 pt.
06/02	3.4512 %	-1.59 %	3.4446 %		
09/02	3.3877	-5.52	3.4245		
12/02	3.3547	-8.81	3.4046		
03/03	3.3361	-5.91	3.3848		
06/03	3.3506	-2.91	3.3651		
09/03	3.3821	-0.17	3.3455		
12/03	3.2644	-2.69	3.3261		
03/04	3.3203	-0.47	3.3067		
06/04	3.3694	0.56	3.2875		
09/04	3.3020	-2.37	3.2684		
12/04	3.3509	2.65	3.2493		
03/05	3.3184	-0.06	3.2304		
06/05	3.2092	-4.75	3.2117	3.1934 %	
09/05	3.1911	-3.36	3.1930	3.1759	
12/05	3.1633	-5.60	3.1744	3.1585	
03/06	3.1127	-6.20	3.1559	3.1411	
06/06	3.1401	-2.15	3.1376	3.1239	
09/06	3.1030	-2.76	3.1193	3.1068	
12/06	3.0716	-2.90	3.1012	3.0898	3.0617 %
03/07	3.0587	-1.73	3.0831	3.0728	3.0548
06/07	3.0373	-3.27	3.0652	3.0560	3.0479
09/07	3.0204	-2.66	3.0474	3.0392	3.0411
12/07	3.0427	-0.94	3.0297	3.0226	3.0342
03/08	3.0365	-0.73	3.0120	3.0060	3.0274
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-2.31 %	-2.17 %	-0.90 %
State Credibility based on 3,698 Paid Claims					
In Year Ending 3/2008:			59 %	59 %	59 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Severity  
Property Damage

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Severity	Annual Change	24 pt.	12 pt.	6 pt.
06/02	\$2,335	1.74 %	\$2,383		
09/02	2,414	5.41	2,394		
12/02	2,482	9.58	2,404		
03/03	2,504	9.11	2,415		
06/03	2,465	5.57	2,426		
09/03	2,449	1.45	2,437		
12/03	2,484	0.08	2,447		
03/04	2,486	-0.72	2,458		
06/04	2,527	2.52	2,469		
09/04	2,442	-0.29	2,480		
12/04	2,383	-4.07	2,491		
03/05	2,410	-3.06	2,502		
06/05	2,379	-5.86	2,513	\$2,424	
09/05	2,420	-0.90	2,525	2,450	
12/05	2,469	3.61	2,536	2,476	
03/06	2,463	2.20	2,547	2,502	
06/06	2,542	6.85	2,558	2,529	
09/06	2,665	10.12	2,570	2,556	
12/06	2,665	7.94	2,581	2,583	\$2,656
03/07	2,686	9.05	2,593	2,610	2,655
06/07	2,612	2.75	2,604	2,638	2,654
09/07	2,639	-0.98	2,616	2,666	2,653
12/07	2,639	-0.98	2,627	2,694	2,652
03/08	2,681	-0.19	2,639	2,723	2,651
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			1.79 %	4.31 %	-0.15 %
State Credibility based on 3,698 Paid Claims					
In Year Ending 3/2008:			59 %	59 %	59 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Property Damage

Year Ending	Actual Paid Pure		Exponential Curve of Best Fit		
	Premium	Annual Change	24 pt.	12 pt.	6 pt.
06/02	\$80.58	0.10 %	\$82.09		
09/02	81.78	-0.39	81.98		
12/02	83.25	-0.11	81.86		
03/03	83.54	2.65	81.75		
06/03	82.58	2.48	81.63		
09/03	82.84	1.30	81.52		
12/03	81.09	-2.59	81.40		
03/04	82.53	-1.21	81.29		
06/04	85.16	3.12	81.18		
09/04	80.65	-2.64	81.06		
12/04	79.85	-1.53	80.95		
03/05	79.98	-3.09	80.84		
06/05	76.36	-10.33	80.72	\$77.43	
09/05	77.21	-4.27	80.61	77.82	
12/05	78.10	-2.19	80.50	78.21	
03/06	76.68	-4.13	80.38	78.61	
06/06	79.84	4.56	80.27	79.01	
09/06	82.68	7.08	80.16	79.41	
12/06	81.86	4.81	80.05	79.81	\$81.32
03/07	82.15	7.13	79.94	80.21	81.10
06/07	79.34	-0.63	79.82	80.61	80.89
09/07	79.70	-3.60	79.71	81.02	80.67
12/07	80.28	-1.93	79.60	81.43	80.46
03/08	81.39	-0.93	79.49	81.84	80.24
			Regression		
			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-0.56 %	2.04 %	-1.06 %
State Credibility based on 3,698 Paid Claims					
In Year Ending 3/2008:			59 %	59 %	59 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Frequency  
Medical

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Frequency	Annual Change	24 pt.	12 pt.	6 pt.
06/02	.7515 %	-17.31 %	1.0061 %		
09/02	.8482	-8.38	.9970		
12/02	1.0010	11.99	.9881		
03/03	1.0296	22.57	.9792		
06/03	1.0785	43.51	.9704		
09/03	1.0636	25.39	.9617		
12/03	1.0020	0.10	.9531		
03/04	.9417	-8.54	.9445		
06/04	.9456	-12.32	.9360		
09/04	.8953	-15.82	.9276		
12/04	.9712	-3.07	.9193		
03/05	1.0101	7.26	.9110		
06/05	1.0214	8.02	.9028	1.0033 %	
09/05	1.0485	17.11	.8947	.9754	
12/05	.9305	-4.19	.8867	.9484	
03/06	.8734	-13.53	.8787	.9220	
06/06	.8946	-12.41	.8708	.8965	
09/06	.8304	-20.80	.8630	.8716	
12/06	.8265	-11.18	.8553	.8474	.8409 %
03/07	.8619	-1.32	.8476	.8239	.8219
06/07	.7782	-13.01	.8400	.8010	.8033
09/07	.7797	-6.11	.8324	.7788	.7852
12/07	.7717	-6.63	.8249	.7571	.7675
03/08	.7525	-12.69	.8175	.7361	.7502
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-3.54 %	-10.65 %	-8.72 %
State Credibility based on 718 Paid Claims					
In Year Ending 3/2008:			26 %	26 %	26 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Severity  
Medical

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Severity	Annual Change	24 pt.	12 pt.	6 pt.
06/02	\$2,196	-7.26 %	\$2,438		
09/02	2,665	18.08	2,463		
12/02	2,448	7.46	2,488		
03/03	2,533	11.15	2,514		
06/03	2,643	20.36	2,540		
09/03	2,400	-9.94	2,566		
12/03	2,547	4.04	2,592		
03/04	2,675	5.61	2,619		
06/04	2,474	-6.39	2,646		
09/04	3,030	26.25	2,673		
12/04	2,972	16.69	2,701		
03/05	2,904	8.56	2,728		
06/05	3,032	22.55	2,756	\$2,659	
09/05	2,568	-15.25	2,785	2,698	
12/05	2,539	-14.57	2,813	2,737	
03/06	2,703	-6.92	2,842	2,776	
06/06	2,699	-10.98	2,872	2,816	
09/06	2,894	12.69	2,901	2,857	
12/06	3,069	20.87	2,931	2,899	\$2,937
03/07	2,861	5.85	2,961	2,941	2,974
06/07	3,027	12.15	2,991	2,983	3,011
09/07	2,951	1.97	3,022	3,026	3,048
12/07	3,036	-1.08	3,053	3,070	3,087
03/08	3,247	13.49	3,085	3,115	3,125
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			4.18 %	5.92 %	5.09 %
State Credibility based on 718 Paid Claims					
In Year Ending 3/2008:			26 %	26 %	26 %



Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Frequency  
Uninsured / Underinsured Motorist

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Frequency	Annual Change	24 pt.	12 pt.	6 pt.
06/02	.6576 %	-10.52 %	.6835 %		
09/02	.6710	-6.88	.6925		
12/02	.6856	-2.25	.7015		
03/03	.6986	2.99	.7107		
06/03	.7408	12.65	.7201		
09/03	.7618	13.53	.7295		
12/03	.7446	8.61	.7390		
03/04	.7669	9.78	.7487		
06/04	.7762	4.78	.7585		
09/04	.8012	5.17	.7685		
12/04	.8349	12.13	.7786		
03/05	.8457	10.28	.7888		
06/05	.8169	5.24	.7991	.7561 %	
09/05	.7841	-2.13	.8096	.7714	
12/05	.7483	-10.37	.8202	.7871	
03/06	.7648	-9.57	.8309	.8031	
06/06	.7911	-3.16	.8418	.8194	
09/06	.8377	6.84	.8528	.8360	
12/06	.8626	15.27	.8640	.8530	.8546 %
03/07	.8595	12.38	.8753	.8703	.8735
06/07	.8944	13.06	.8868	.8879	.8929
09/07	.9160	9.35	.8984	.9059	.9126
12/07	.9383	8.78	.9102	.9243	.9328
03/08	.9494	10.46	.9221	.9431	.9535
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			5.35 %	8.37 %	9.15 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Severity  
Uninsured / Underinsured Motorist

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Severity	Annual Change	24 pt.	12 pt.	6 pt.
06/02	\$3,356	-18.17 %	\$2,880		
09/02	3,211	-12.39	2,890		
12/02	3,139	-7.62	2,901		
03/03	2,919	-10.84	2,911		
06/03	2,664	-20.62	2,921		
09/03	2,548	-20.65	2,932		
12/03	2,794	-10.99	2,943		
03/04	2,874	-1.54	2,953		
06/04	2,971	11.52	2,964		
09/04	2,802	9.97	2,975		
12/04	2,624	-6.08	2,985		
03/05	2,807	-2.33	2,996		
06/05	2,746	-7.57	3,007	\$3,073	
09/05	2,968	5.92	3,018	3,082	
12/05	3,222	22.79	3,029	3,091	
03/06	3,064	9.16	3,040	3,101	
06/06	3,205	16.72	3,051	3,110	
09/06	3,335	12.37	3,062	3,120	
12/06	3,268	1.43	3,073	3,130	\$3,456
03/07	3,386	10.51	3,084	3,139	3,337
06/07	3,401	6.12	3,095	3,149	3,222
09/07	3,207	-3.84	3,106	3,158	3,111
12/07	3,003	-8.11	3,117	3,168	3,004
03/08	2,780	-17.90	3,129	3,178	2,900
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			1.45 %	1.23 %	-13.09 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Uninsured / Underinsured Motorist

Year Ending	Actual Paid Pure		Exponential Curve of Best Fit			
	Premium	Annual Change	24 pt.	12 pt.	6 pt.	
06/02	\$22.07	-26.78 %	\$19.68			
09/02	21.55	-18.40	20.01			
12/02	21.52	-9.69	20.35			
03/03	20.39	-8.19	20.69			
06/03	19.74	-10.56	21.04			
09/03	19.41	-9.93	21.39			
12/03	20.80	-3.35	21.75			
03/04	22.04	8.09	22.11			
06/04	23.06	16.82	22.48			
09/04	22.45	15.66	22.86			
12/04	21.91	5.34	23.24			
03/05	23.74	7.71	23.63			
06/05	22.43	-2.73	24.03	\$23.23		
09/05	23.27	3.65	24.43	23.78		
12/05	24.11	10.04	24.84	24.33		
03/06	23.43	-1.31	25.26	24.90		
06/06	25.36	13.06	25.68	25.49		
09/06	27.94	20.07	26.11	26.08		
12/06	28.19	16.92	26.55	26.69	\$29.54	
03/07	29.11	24.24	26.99	27.32	29.15	
06/07	30.42	19.95	27.45	27.96	28.77	
09/07	29.37	5.12	27.91	28.61	28.39	
12/07	28.18	-0.04	28.37	29.28	28.02	
03/08	26.39	-9.34	28.85	29.97	27.65	
			Regression			
			24 pt.	12 pt.	6 pt.	
			Avg Annual Percent Change Based on Best Fit:	6.88 %	9.70 %	-5.15 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Frequency  
Collision

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Frequency	Annual Change	24 pt.	12 pt.	6 pt.
06/02	5.6821 %	-0.87 %	5.3277 %		
09/02	5.5908	-4.51	5.3014		
12/02	5.4071	-10.14	5.2752		
03/03	5.2949	-8.25	5.2492		
06/03	5.2151	-8.22	5.2233		
09/03	5.0711	-9.30	5.1975		
12/03	5.1027	-5.63	5.1718		
03/04	5.1225	-3.26	5.1463		
06/04	5.0642	-2.89	5.1208		
09/04	5.0729	0.04	5.0955		
12/04	5.0035	-1.94	5.0704		
03/05	4.9420	-3.52	5.0453		
06/05	4.8077	-5.06	5.0204	4.6979 %	
09/05	4.7639	-6.09	4.9956	4.7274	
12/05	4.7153	-5.76	4.9710	4.7570	
03/06	4.6420	-6.07	4.9464	4.7869	
06/06	4.7597	-1.00	4.9220	4.8170	
09/06	4.8306	1.40	4.8977	4.8472	
12/06	4.9182	4.30	4.8735	4.8776	4.9239 %
03/07	4.9337	6.28	4.8494	4.9082	4.9441
06/07	5.0028	5.11	4.8255	4.9391	4.9643
09/07	4.9658	2.80	4.8017	4.9701	4.9847
12/07	4.9982	1.63	4.7779	5.0013	5.0051
03/08	5.0292	1.94	4.7544	5.0327	5.0256
			<b>Regression</b>		
			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-1.96 %	2.53 %	1.65 %
State Credibility based on 4,124 Paid Claims					
In Year Ending 3/2008:			63 %	63 %	63 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Severity  
Collision

Year Ending	Actual Paid Severity	Annual Change	Exponential Curve of Best Fit		
			24 pt.	12 pt.	6 pt.
06/02	\$2,786	3.76 %	\$2,859		
09/02	2,803	2.94	2,876		
12/02	2,756	0.77	2,894		
03/03	2,910	6.17	2,912		
06/03	2,888	3.66	2,930		
09/03	3,005	7.21	2,948		
12/03	3,064	11.18	2,966		
03/04	3,065	5.33	2,984		
06/04	3,087	6.89	3,003		
09/04	3,055	1.66	3,021		
12/04	3,109	1.47	3,040		
03/05	3,049	-0.52	3,059		
06/05	3,128	1.33	3,077	\$3,124	
09/05	3,098	1.41	3,096	3,134	
12/05	3,180	2.28	3,116	3,144	
03/06	3,181	4.33	3,135	3,153	
06/06	3,136	0.26	3,154	3,163	
09/06	3,205	3.45	3,174	3,173	
12/06	3,142	-1.19	3,193	3,183	\$3,157
03/07	3,197	0.50	3,213	3,192	3,175
06/07	3,234	3.13	3,233	3,202	3,192
09/07	3,144	-1.90	3,253	3,212	3,210
12/07	3,223	2.58	3,273	3,222	3,228
03/08	3,269	2.25	3,293	3,232	3,246
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			2.49 %	1.24 %	2.24 %
State Credibility based on 4,124 Paid Claims					
In Year Ending 3/2008:			63 %	63 %	63 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Pure Premium  
Collision

Year Ending	Actual Paid Pure		Exponential Curve of Best Fit		
	Premium	Annual Change	24 pt.	12 pt.	6 pt.
06/02	\$158.33	2.88 %	\$152.30		
09/02	156.70	-1.71	152.48		
12/02	149.01	-9.44	152.66		
03/03	154.07	-2.60	152.85		
06/03	150.59	-4.89	153.03		
09/03	152.39	-2.75	153.21		
12/03	156.34	4.92	153.39		
03/04	156.99	1.90	153.58		
06/04	156.34	3.82	153.76		
09/04	154.98	1.70	153.95		
12/04	155.55	-0.51	154.13		
03/05	150.68	-4.02	154.32		
06/05	150.38	-3.81	154.50	\$146.78	
09/05	147.61	-4.76	154.68	148.15	
12/05	149.93	-3.61	154.87	149.54	
03/06	147.64	-2.02	155.06	150.95	
06/06	149.27	-0.74	155.24	152.36	
09/06	154.83	4.89	155.43	153.79	
12/06	154.53	3.07	155.61	155.23	\$155.45
03/07	157.72	6.83	155.80	156.69	156.95
06/07	161.79	8.39	155.99	158.16	158.47
09/07	156.13	0.84	156.17	159.64	160.01
12/07	161.09	4.25	156.36	161.14	161.56
03/08	164.39	4.23	156.55	162.65	163.12
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			0.48 %	3.81 %	3.93 %
State Credibility based on 4,124 Paid Claims					
In Year Ending 3/2008:			63 %	63 %	63 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Frequency  
Comprehensive

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Frequency	Annual Change	24 pt.	12 pt.	6 pt.
06/02	10.5397 %	-8.93 %	10.4157 %		
09/02	10.2352	-12.66	10.2486		
12/02	9.9452	-14.19	10.0841		
03/03	9.8901	-10.83	9.9223		
06/03	9.6224	-8.70	9.7631		
09/03	9.6970	-5.26	9.6064		
12/03	9.5232	-4.24	9.4522		
03/04	9.3447	-5.51	9.3005		
06/04	9.3417	-2.92	9.1513		
09/04	8.8354	-8.89	9.0044		
12/04	8.7170	-8.47	8.8600		
03/05	8.7521	-6.34	8.7178		
06/05	8.4934	-9.08	8.5779	8.6120 %	
09/05	8.4207	-4.69	8.4402	8.4690	
12/05	8.4495	-3.07	8.3048	8.3284	
03/06	8.0697	-7.80	8.1715	8.1901	
06/06	8.1420	-4.14	8.0404	8.0541	
09/06	7.9711	-5.34	7.9114	7.9203	
12/06	7.8709	-6.85	7.7844	7.7888	7.8788 %
03/07	7.8295	-2.98	7.6595	7.6595	7.7138
06/07	7.4831	-8.09	7.5366	7.5323	7.5523
09/07	7.2972	-8.45	7.4156	7.4072	7.3942
12/07	7.2357	-8.07	7.2966	7.2842	7.2394
03/08	7.1522	-8.65	7.1795	7.1632	7.0878
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-6.27 %	-6.48 %	-8.11 %
State Credibility based on 6,166 Paid Claims In Year Ending 3/2008:			76 %	76 %	76 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Loss Trends - Severity  
Comprehensive

Year Ending	Actual Paid Severity	Annual Change	Exponential Curve of Best Fit		
			24 pt.	12 pt.	6 pt.
06/02	\$650	-9.72 %	\$671		
09/02	652	-6.59	673		
12/02	654	-6.17	674		
03/03	655	-2.53	676		
06/03	682	4.92	678		
09/03	690	5.83	679		
12/03	703	7.49	681		
03/04	720	9.92	683		
06/04	720	5.57	684		
09/04	703	1.88	686		
12/04	710	1.00	688		
03/05	713	-0.97	690		
06/05	673	-6.53	691	\$675	
09/05	677	-3.70	693	678	
12/05	696	-1.97	695	682	
03/06	675	-5.33	696	685	
06/06	703	4.46	698	688	
09/06	702	3.69	700	692	
12/06	692	-0.57	702	695	\$676
03/07	697	3.26	703	699	685
06/07	665	-5.41	705	702	695
09/07	685	-2.42	707	706	705
12/07	715	3.32	709	709	715
03/08	747	7.17	710	713	725
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			1.00 %	2.00 %	5.74 %
State Credibility based on 6,166 Paid Claims					
In Year Ending 3/2008:			76 %	76 %	76 %



**APPENDIX C**  
**PREMIUM TRENDS**

Allstate Property & Casualty Insurance Company  
 Private Passenger Auto  
 Arkansas

Premium Trends  
 Bodily Injury

Year Ending	Average Written Premium @ CRL	Annual Change	Exponential Curve of Best Fit 6 pt.
12/05	169.87	0.00	
03/06	164.28	0.00	
06/06	161.90	0.00	
09/06	159.10	0.00	
12/06	155.30	-8.58	\$154.88
03/07	153.44	-6.60	153.30
06/07	151.28	-6.56	151.73
09/07	149.75	-5.88	150.18
12/07	148.26	-4.53	148.64
03/08	147.83	-3.66	147.12
Regression			6 pt.
Avg Annual Percent Change Based on Best Fit:			-4.03 %

Allstate Property & Casualty Insurance Company  
 Private Passenger Auto  
 Arkansas

Premium Trends  
 Property Damage

Year Ending	Average Written Premium @ CRL	Annual Change	<u>Exponential Curve of Best Fit</u> 6 pt.
12/05	153.42	0.00	
03/06	149.82	0.00	
06/06	147.47	0.00	
09/06	145.35	0.00	
12/06	142.36	-7.21	\$142.23
03/07	140.76	-6.05	140.79
06/07	139.19	-5.61	139.36
09/07	137.98	-5.07	137.94
12/07	136.43	-4.17	136.54
03/08	135.28	-3.89	135.15
Regression			6 pt.
Avg Annual Percent Change Based on Best Fit:			-4.00 %

Allstate Property & Casualty Insurance Company  
 Private Passenger Auto  
 Arkansas

Premium Trends  
 Medical

Year Ending	Average Written Premium @ CRL	Annual Change	<u>Exponential Curve of Best Fit</u>
12/05	34.03	0.00	
03/06	33.06	0.00	
06/06	32.17	0.00	
09/06	31.59	0.00	
12/06	30.74	-9.67	\$30.78
03/07	30.39	-8.08	30.36
06/07	29.94	-6.93	29.95
09/07	29.60	-6.30	29.55
12/07	29.16	-5.14	29.15
03/08	28.72	-5.50	28.76
<u>Regression</u>			<u>6 pt.</u>
Avg Annual Percent Change Based on Best Fit:			-5.29 %

Allstate Property & Casualty Insurance Company  
 Private Passenger Auto  
 Arkansas

Premium Trends  
 Uninsured / Underinsured Motorist

Year Ending	Average Written Premium @ CRL	Annual Change	Exponential Curve of Best Fit
			6 pt.
12/05	61.83	0.00	
03/06	61.46	0.00	
06/06	61.99	0.00	
09/06	61.94	0.00	
12/06	62.07	0.39	\$62.07
03/07	62.18	1.17	62.14
06/07	62.14	0.24	62.21
09/07	62.31	0.60	62.28
12/07	62.34	0.43	62.35
03/08	62.42	0.39	62.41
Regression			6 pt.
Avg Annual Percent Change Based on Best Fit:			0.44 %

Allstate Property & Casualty Insurance Company  
Private Passenger Auto  
Arkansas

Premium Trends  
Collision

Year Ending	Average Written Premium @ CRL	Annual Change	<u>Exponential Curve of Best Fit</u>
12/05	371.31	0.00	
03/06	367.87	0.00	
06/06	368.03	0.00	
09/06	366.84	0.00	
12/06	366.26	-1.36	\$366.53
03/07	368.13	0.07	368.27
06/07	370.08	0.56	370.01
09/07	372.49	1.54	371.77
12/07	373.84	2.07	373.53
03/08	374.61	1.76	375.30
<u>Regression</u>			<u>6 pt.</u>
Avg Annual Percent Change Based on Best Fit:			1.91 %

Allstate Property & Casualty Insurance Company  
 Private Passenger Auto  
 Arkansas

Premium Trends  
 Comprehensive

Year Ending	Average Written Premium @ CRL	Annual Change	Exponential Curve of Best Fit 6 pt.
12/05	223.22	0.00	
03/06	221.06	0.00	
06/06	219.44	0.00	
09/06	217.79	0.00	
12/06	216.84	-2.86	\$217.10
03/07	217.67	-1.53	217.74
06/07	218.50	-0.43	218.38
09/07	219.47	0.77	219.03
12/07	220.02	1.47	219.68
03/08	219.76	0.96	220.33
Regression			6 pt.
Avg Annual Percent Change Based on Best Fit:			1.19 %

**APPENDIX D**  
**DETERMINATION OF THE**  
**UNDERWRITING PROFIT**  
**PROVISION**



# **DETERMINATION OF THE UNDERWRITING PROFIT PROVISION**

**ALLSTATE INSURANCE GROUP**

*April, 2007*

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## **Section 1: The Fair and Reasonable Return**

### **Standards for Fair Returns**

The level of return that constitutes a fair return for regulated business is a legal question that the Supreme Court of the United States has ruled on in two landmark cases; Federal Power Commission, et al. v. Hope Natural Gas Co., 320 U.S. 591 (1944) and Bluefield Waterworks & Improvement Co. v. Public Service Commission of West Virginia, et al., 262 U.S. 679 (1923).

In Hope Natural Gas, the court adopted the capital attraction standard, under which the following questions are asked: Is the current rate of return excessive? Is the industry attracting capital and holding it? How risky is the business in comparison with others? Is the industry over-capitalized? Would the industry make better use of its capital if rates were more adequate? The court explained in its decision:

"From the investor or company point of view it is important that there be enough revenue not only for operating expenses, but also for the capital costs of the business. These include service on the debt and dividends on the stock ... By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."<sup>1</sup>

In the Bluefield Waterworks case, the court recognized and applied the Relative Risk Standard, stating that a regulated enterprise is entitled to such rates as will permit it to earn the same return as other businesses having corresponding risks. The court explained:

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<sup>1</sup> Hope Natural Gas, 320 U.S. at 603 (citations omitted).

"A public utility is entitled to such rates as will permit it to earn a return upon the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties, but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return . . . should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties."<sup>2</sup>

Accordingly, for a return to be a fair return, it must meet the following standards that have been promulgated by the United States Supreme Court:

1. The return to the firm should be sufficient to attract capital.
2. The return to the shareholder should be commensurate with returns on alternative investments of comparable risk.
3. The return to the firm should be commensurate with returns to other unregulated firms of comparable risk.

### **Return on Equity**

The return to the firm is measured by the return on its equity and is equal to net income divided by the book value of the firm's equity. The book value of a firm's equity is calculated in accordance with Generally Accepted Accounting Principles (GAAP). Publicly held companies are required to report financial statements in accordance with GAAP. Federal regulations mandate that financial

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<sup>2</sup> Bluefield Waterworks, 262 U.S. at 692.

statements be prepared in accordance with GAAP so that all who are interested in the financial condition of the firm, equity owners, creditors, customers, and particularly those who are making investment decisions whether to buy or sell the firm's capital stock, have adequate information.

It is essential that in making such decisions the financial condition of the firm can be compared with the financial condition of other companies. For that reason, it is essential that financial statements used for this purpose, i.e. to measure the value of the firm as an ongoing business enterprise, be stated on a comparable accounting basis. Similarly for such purposes, independent auditors are required to certify that the financial statements are prepared in accordance with GAAP.

### **Cost of Equity Capital**

Whereas the return on equity is an accounting concept, the cost of equity capital is a market-based concept. A firm's cost of equity capital is the rate of return that investors expect to earn on the market value of the investment.

The cost of equity capital differs from the historic rate of return on equity in two fundamental ways.

1. The numerator of a historic rate of return reflects the income that actually materialized in a specific accounting period. The actual, historic income may be significantly different from the income that investors expected and that was the basis for the investment decision.
2. The base for calculating a rate of return on equity is the book value of the firm (GAAP), whereas the base for the cost of equity capital is the market value of the firm. The market value of the average firm usually exceeds its book value by significant amounts.

As will be shown later in this paper, the return on equity for a firm is simply a function of the cost of equity capital, the market-to-book ratio, the firm's dividend payout ratio, and the return to the shareholders on income retained by the firm. If all earnings were paid out in dividends, then the

ratio of the return on equity to the cost of equity capital would equal the market-to-book ratio. This makes intuitive sense, since the return on equity is a return on the book value, and the cost of equity capital is a return on the market value; if the market value exceeds the book value, then the return on equity must exceed the cost of equity capital. When the dividend payout ratio is less than 100%, the relationship is more complicated, but essentially remains the same. In general, because the market value of the average firm exceeds its book value, a fair rate of return on market value cannot equal a fair rate of return on book value.

It is sometimes claimed that it is inappropriate for a firm to earn a greater return (return on equity) than is earned by the investor (cost of equity capital). However, it must be reiterated that the firm's goal is to provide the appropriate return to the investor; if it cannot do this, then it will have trouble raising capital. Recall that the first item in the list of standards for a fair return to the firm promulgated by the Supreme Court was that it should be "sufficient to attract capital."

The disconnect between a return on the book value of the firm and a return on the market value of the firm is more obvious in some non-insurance companies. For example, some web-based companies that provide a service rather than a product (eBay for example) have very few physical assets and consequently have a comparatively miniscule book value. A firm such as this might have a market value that is ten times larger than its book value; for it to target the same return on book value that the firm needs to provide on market value would result in a drastic shortage in a return to the investors and the inability to provide the cost of equity capital.

This issue, while less drastic in the insurance industry, is still present and needs to be accounted for. The degree to which the market value exceeds the book value dictates the degree to which the return on equity exceeds the cost of equity capital.

Also, it should be noted that, although the return on equity appears to be larger than the cost of equity capital, the actual dollar value being earned by the investor is greater than that being earned by the firm if the firm's market-to-book ratio exceeds 1.00, due to the extra return to the shareholder on income retained by the company. For example, if a firm with a market-to-book

ratio of 1.50 earns \$1,000 and pays 50% of earnings in dividends, then the \$1,000 of income for the firm becomes \$1,250 (see the Appendix for an explanation of this calculation) for the investor. If the firm's book value is \$10,000, this would translate to a return on equity of 10% ( $=1,000/10,000$ ) and a return to the shareholder of 8.33% ( $=1,250/15,000$ ). The shareholder's return appears smaller because of the larger denominator in the calculation, but on a dollar-basis, the return is actually larger. Thus, it should not be perceived that the firm is attempting to earn more than is calculated to be the necessary cost of equity capital, but rather it is a consequence of mathematics and differing definitions of returns that results in the seeming disparity.

### **Estimating the Cost of Equity Capital**

Modern financial theory teaches that investors demand higher returns from risky investments. The higher return is necessary to induce investors to assume the risk. Therefore, for our purposes, it is necessary to estimate the financial risk of property/casualty insurance.

According to traditional capital market theory, the return on any given stock is partly driven by the return on the overall market and partly driven by idiosyncratic factors that are not correlated with the overall market. The relationship or co-variability between a given stock's return and the return on the market is measured by a statistic called "beta". Equilibrium returns, according to theory, are linearly related to risk as measured by beta. Intuitively, beta is a measure of the tendency of the return on a stock to move with the market portfolio and provides an indication of the volatility of a security's return relative to the market as a whole. A security with a beta of one is a security with average market risk. A beta of 1.5 indicates that when the return on the market portfolio exceeds the risk-free return by 10%, then the return on the security tends to exceed the risk-free return by 15%; and when the return on the market is 10% less than the risk-free return, the return on the security tends to be 15% less than the risk-free return. Thus, a beta value that is greater than 1.00 indicates a greater than average risk. A beta of 0.5, on the other hand, indicates that when the return on the market portfolio exceeds the risk-free return by 10%, then the return on the security tends to exceed the risk-free return by 5%; and when the return on the market portfolio is 10% less than the risk-free return, the return on the security tends to be 5% less than the risk-free return. Thus, a beta less than one indicates less than average risk.

The capital asset pricing model (CAPM) has been widely used to estimate the cost of equity capital. CAPM is intuitively appealing and simple in its logic. CAPM holds that the return on a stock should reflect the co-variability of the stock with the market portfolio, because this component of risk cannot be diversified away by investors. According to CAPM the return on a stock should not reflect the idiosyncratic component of the return, which can be diversified away by holding an appropriately structured portfolio. The CAPM cost of equity capital estimate requires only three values: an estimate of the firm's beta, a risk-free rate of return, and the expected return on the total market portfolio. The CAPM cost of capital is then simply determined as the sum of the risk-free rate plus a risk premium equal to the product of the stock's beta coefficient and the expected return on the market portfolio in excess of the risk-free rate. Expressed mathematically, the CAPM formula is:

$$r = r_f + \beta(r_m - r_f),$$

where  $r_f$  is the risk-free rate of return,  $r_m$  the expected equity-market rate of return, and  $r$  the stock's expected rate of return.  $\beta$  measures the riskiness of the stock's return relative to that of the equity market.

Since the late 1980's, researchers have observed that CAPM's ability to explain and predict the average returns of many investment opportunities can be improved by using a multifactor asset pricing model. The most widely recognized multifactor model is the "Fama-French three-factor model."<sup>3</sup> Fama and French have shown that from the 1960's both small stocks and value stocks have returned more than what the traditional CAPM has predicted. In addition to the usual market-risk premium ( $r_m - r_f$ ), they utilize two other variables: size premium ( $\pi_s$ ) and value premium ( $\pi_h$ ).<sup>4</sup>

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<sup>3</sup> Fama, Eugene F., and Kenneth R. French, 1992, "The Cross-Section of Expected Stock Returns," *Journal of Finance* 47: 427-465.

Fama, Eugene F., and Kenneth R. French, 1993, "Common Risk Factors In the Returns on Stocks and Bonds," *Journal of Financial Economics* 39: 3-56.

Fama, Eugene F., and Kenneth R. French, 1996, "Size and Book-to-Market Factors in Earnings and Returns," *Journal of Finance* 50: 131-155.

<sup>4</sup> The notation is from a working paper of J. David Cummins and Richard D. Phillips, "Estimating the Cost of Equity Capital for Property-Liability Insurers."

The size premium is the excess of the return of a portfolio of small-cap stocks over that of a portfolio of large-cap stocks. The value premium is the excess of the return of a portfolio of high book-value-to-market-value stocks over that of a portfolio of low book-value-to-market-value stocks.<sup>5</sup> Shown in Appendix 1, Exhibit 1 are the long-term averages of the market-risk, small-stock, and value-stock premia from the Fama-French database, which derives from the database of the Center for Research in Security Prices. The Fama-French model regresses a stock's monthly return against monthly returns from the three factors, or in equation form:

$$r - r_f = \alpha + \beta_m (r_m - r_f) + \beta_s \pi_s + \beta_h \pi_h + \varepsilon$$

As before,  $r_f$  is the risk-free rate of return for the month observed. But  $r$  is now the observed return of the stock for that month. To predict returns we use expected values, but the regression equation explains actual, random observations (hence the error term  $\varepsilon$ ). Similarly,  $r_m$  is the actual return of the equity market. The variables  $\pi_s$  and  $\pi_h$  measure by how much small-cap stocks outperformed large-cap stocks, and by how much high book-to-market stocks outperformed low ones. Negative values indicate underperformance. Though an intercept term  $\alpha$  is estimated, economic theory states that in the long run it should be zero. Hence, in predicting stock returns it is ignored.

Thus, three betas are estimated, which measure the stock's sensitivity to the three factors. Note that the  $\pi$ -variables are not related to the risk-free return  $r_f$ , since they are differences of the returns on one equity portfolio from the returns on another equity portfolio.

The Fama-French model is a multi-factor model that reduces to the CAPM if  $\beta_s$  and  $\beta_h$  are constrained to zero. Therefore, it must explain more stock-return variance than does the CAPM. In a subsequent paper<sup>6</sup>, Fama and French argued that the R-squared of their model is markedly better than that for CAPM, and that  $\beta_s$  and  $\beta_h$  are significantly different from zero, even after

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<sup>5</sup> The details of how Fama and French define these portfolios, how they periodically rebalance them, and their historic performance are freely available at <http://mba.tuck.dartmouth.edu/pages/faculty/ken.french>.

<sup>6</sup> Fama, Eugene F. and Kenneth R. French, 1993, "Common Risk Factors in the Returns on Stocks and Bonds," *Journal of Financial Economics* 39: 3-56.

controlling for the overall market.<sup>7</sup> Extensive research since 1992 has shown that factors other than the CAPM market systematic risk factor play an important role in explaining the cross-section of expected stock returns. As Fama and French note:

“...the available evidence suggests that the three-factor model...is a parsimonious description of returns and average returns. The model captures much of the variation in the cross-section of average stock returns, and it absorbs most of the anomalies that have plagued the CAPM.”<sup>8</sup>

The Fama-French model has been subject to the most extensive testing and validation of any multiple factor model.

In estimating the beta coefficients of asset pricing models such as the CAPM and Fama-French models, it is often important to utilize a technique known as the sum-beta adjustment (Ibbotson, *SBBI Valuation Edition 2004*, 109-114). The sum-beta method is used to obtain unbiased estimates of the beta coefficients of the risk factors of asset pricing models, when either the individual stock and/or some of the stocks that comprise the risk factors are infrequently traded. Research shows that there is a downward bias in the estimate of the risk factors for shares that trade infrequently.<sup>9</sup> Although Allstate’s stock is frequently traded, we cannot directly compare Allstate’s estimated risk factors to those of other companies without first adjusting for the amount of trading in each firm’s stock. The adjustment is quite simple – unbiased estimates of the beta coefficients are obtained – in the case of the Fama-French model, by regressing the excess return of the stock on the contemporaneous risk factors and the previous month’s factors.<sup>10</sup> In symbols, the sum-beta version of the Fama-French model is:

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<sup>7</sup> R-squared is a widely accepted measure of the goodness-of-fit of a regression model. It measures the proportion of the variability in the dependent variable of the model (in this case, the excess return of a stock) that is explained by the model.

<sup>8</sup> Fama, Eugene F. and Kenneth R. French, 1996, “Multifactor Explanations of Asset Pricing Anomalies,” *The Journal of Finance* 51: 56.

<sup>9</sup> Dimson, Elroy, 1979, “Risk Measurement When Shares are Subject to Infrequent Trading,” *Journal of Financial Economics* 7: 197-226.

<sup>10</sup> In applying the sum-beta method, it is important for reasons of consistency to apply the model to stocks that trade frequently as

$$r - r_f = \alpha + \beta_{m0}(r_{m0} - r_{f0}) + \beta_{m1}(r_{m1} - r_{f1}) + \beta_{s0}\pi_{s0} + \beta_{s1}\pi_{s1} + \beta_{h0}\pi_{h0} + \beta_{h1}\pi_{h1} + \varepsilon$$

In this version there are six beta terms, and their subscripts are augmented with 0 and 1. The stock's excess return is thereby related to the market, size, and value returns of the current period (period 0), as well as to those of the previous period (period 1). Otherwise, all the variables are defined as they were in the three-factor Fama-French model previously discussed.

After estimating the long-term relationships between the stock's excess return and the factors, the unbiased beta coefficient for each factor is obtained by adding the current and lagged beta — hence the term “sum-beta.” With unbiased estimates of the beta coefficients, the cost of equity capital is then determined by multiplying the long-term average risk premium for each factor by the appropriate sum-beta and then summing across the three factors.

### **Full-Information Betas**

Until now Allstate has estimated its beta by comparison with, and adjustment of, the betas of other property/casualty insurers. As Ibbotson remarks (*SBBI Valuation Edition 2004*, 115f):

“Unfortunately, this type of analysis includes only the “pure play” companies in the calculation of beta. Many of the largest companies in the United States are conglomerates, making it difficult or impossible to include these companies in the industry average. ... One solution to the conglomerate problem is the full information approach developed by Kaplan and Peterson. The full information approach seeks to include in the calculation of the industry beta data from all companies participating in a given industry. The full information approach is a cross-sectional regression that solves for betas for a variety of industries based on the exposure a given company has to that industry.”

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well as to infrequently traded stocks. In the former case, the sum-beta adjustment does not significantly affect the cost of capital estimates.

Allstate follows the lead of Cummins and Phillips in their application of the full-information adjustment to the Fama-French model.<sup>11</sup> From the CRSP data, betas are estimated for rolling sixty-month periods for the thousands of companies in the CRSP database. For more than five thousand of these companies, the S&P/Compustat database provides sales figures by North American Industry Classification System (NAICS) segment. This allows us to define 26 high-level, homogenous business segments, one of which is property/casualty insurance. Each firm can then be treated as a unique mixture of these business segments. In other words, we can decompose the Fama-French betas of the companies in the sample into Fama-French betas of idealized business segments, in particular, those of the property/casualty segment. The details of this procedure are given in the earlier cited working paper of Cummins and Phillips, but in brief, we estimate the industry-segment betas of the following seemingly-unrelated-regression (SUR)<sup>12</sup> model:

$$\begin{aligned}\beta_{mi} &= \sum_j \beta_{mj} \omega_{ij} + \varepsilon_{mi} \\ \beta_{si} &= \sum_j \beta_{sj} \omega_{ij} + \gamma_s \ln(MV_i) + \varepsilon_{si} \\ \beta_{hi} &= \sum_j \beta_{hj} \omega_{ij} + \gamma_h \ln(BV_i / MV_i) + \varepsilon_{hi}\end{aligned}$$

Subscript  $i$  indexes the actual companies, subscript  $j$  the industry segments. The independent variable  $\omega_{ij}$  is the participation of the  $i^{\text{th}}$  firm in the  $j^{\text{th}}$  segment, and summing it over all  $j$  values with  $i$  constant equals one. For example, Allstate's exposure is about 18% in the life-insurance segment and 82% in the property/casualty segment. From the firm Fama-French betas (the betas with the  $i$  subscript), the model estimates the industry-segment betas (the full-information betas, those with the  $j$  subscript). The gamma terms level the size ( $s$ ) and value ( $h$ ) attributes of companies in order to make their industry-group betas independent of size and value. The SUR

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<sup>11</sup> J. David Cummins and Richard D. Phillips, "Estimating the Cost of Equity Capital for Property-Liability Insurers."

<sup>12</sup> Seemingly unrelated regression is an advanced modeling technique discussed in most econometric textbooks. For a standard treatment see Judge, George G., R.C. Hill, W.E. Griffiths, H. Lütkepohl, and T.-C. Lee, *Introduction to the Theory and Practice of Econometrics*, Second Edition, New York, John Wiley & Sons, 1988, chapter 11.

feature estimates and incorporates the covariance between the triad of error terms. Allstate decomposed sum-betas and weighted the error terms of the regression according to the market value of the companies, as did Cummins and Phillips.

### **Allstate's Cost of Equity Capital**

Investors expect higher returns from equity investments because equity investments are riskier than risk-free investments, such as Treasury Bills. This additional return over and above a risk-free return is commonly referred to as a risk premium.

The attached Appendix 1, Exhibit I presents the three risk premia necessary to apply the Fama-French model. The three risk premia are long-term averages beginning with July 1926 data and ending in June of the year shown in the exhibit. Data before July 1926 are not readily available. The CRSP data go back only that far, and Ibbotson Associates takes it as the starting point for all its series.

The market-risk premium reflects the degree to which the return on a broad base of stocks has exceeded the risk-free return. Since this risk premium compensates investors for systematic portfolio risk, it is based on a weighted portfolio of all the stocks (currently more than 7,000) in the CRSP database, a portfolio that encompasses the New York and American stock exchanges, the NASDAQ, and the over-the-counter market.

The small-stock premium reflects the degree to which the returns for small companies have exceeded the returns for large companies and adjusts the estimated cost of equity capital for the risk factor associated with firm size.

The value-stock premium reflects the degree to which the returns for companies whose book values are large relative to their market values have exceeded the returns for companies whose book values are correspondingly small. It adjusts the estimated cost of equity capital for the risk factor associated with a firm's ratio of book value to market value. Fama and French form, and quarterly rebalance, the small and large portfolios of CRSP stocks according to the median size.

For every month since July 1926, they calculate the difference of the return of the large-stock portfolio from that of the small-stock portfolio. The process is similar for the value-stock premium, except that they use only the upper thirty percent and lower thirty percent of stocks, ranked by their book-to-market ratios.

Appendix 1, Exhibit II presents the property/casualty insurance industry betas and coefficients necessary to apply the Fama-French model. As previously described, these values are based on CRSP data for thousands of firms, subdivided into twenty-six business segments.

Appendix 1, Exhibit III summarizes the same elements of Allstate's reported financial statements. But only the two "Log" columns will carry forward into the cost-of-capital calculation. These "Log" values will multiply with the model-estimated gammas, so that the size and value components of the cost of capital will be tailored to Allstate within the property/casualty insurance segment.

Appendix 1, Exhibit IV summarizes the Fama-French model estimates of the market-risk, size-risk, and value-risk betas. Calculations are shown for rolling, five-year periods ending June 2002 through June 2006. Note that nothing unique to Allstate flows into the market-risk beta, but the size-risk and value-risk components are specific to Allstate.

Allstate's methodology utilizes an averaging of the betas in an attempt to increase stability, as the beta values can fluctuate from year to year. A 3-year average is currently used, which also lends a degree of responsiveness to the beta value. However, both the 3- and 5-year averages will be monitored and considered prospectively in order to prevent large fluctuations from year to year.

The return on 28-day Treasury Bills is used to represent the risk-free return. This value, obtained from the Federal Reserve, is the annualized return. Since such Bills mature at the end of the period, they are as free from market-price fluctuation as they are from default.

The cost of equity capital is a determinant of the underwriting profit provision used by Allstate for ratemaking purposes.

### **Allstate's Fair Return**

As previously discussed, there are important differences between a firm's cost of equity capital and a fair return on equity. One of those differences arises because the cost of equity capital is in relation to the firm's market value and a return on equity is in relation to the firm's book value (GAAP).

The calculation of the fair rate of return to the firm (the return on equity) requires, in addition to the investors' cost of equity capital, the firm's dividend payout ratio, its expected ratio of market value to book value, and the return to investors on income retained by the company.

The dividend payout ratio is the proportion of net income that is paid to shareholders in the form of dividends and stock repurchases. Dividends paid and stock repurchases made by the company in a given year are based on the previous year's net income. Therefore, the dividend payout ratio is the ratio of the sum of dividends and stock repurchases to the previous year's net income. Appendix 1, Exhibit V displays Allstate's dividend payout ratio for each year since 1997, which is based on the net income from 1996, the first year Allstate was fully independent of Sears.

Property/casualty insurers also have market values that exceed book values. For example, the median market-to-book ratio for the Fire, Marine and Casualty Insurance Industry in Ibbotson's 2006 Cost of Capital Yearbook was 1.49.

Appendix 1, Exhibit VI presents historical market-to-book ratios for Allstate Corporation, and the 10-year moving average has been calculated. Market-to-book ratios can fluctuate dramatically from year to year, so Allstate selected the 10-year average as an estimate of the expected market-to-book ratio.

Appendix 1, Exhibit VII displays the calculation of Allstate's fair rate of return.

Allstate believes that it needs to earn the rate of return on GAAP equity calculated in Appendix 1, Exhibit VII at this point in time. We believe that this rate of return is implied by theory, supported by data, and is reasonable in light of the returns that other comparable firms earn. Further, this rate of return is consistent with the standards of fair returns that have been enunciated by the U. S. Supreme Court.

### **Weighted Average Cost of Capital**

Insurance operations are not entirely financed by equity capital; debt is also used as a vehicle to raise funds. Therefore the cost of both equity and debt must be incorporated into the methodology. Once the appropriate cost of equity capital is determined and converted to a book-value basis, it is combined with the cost of debt, and the Weighted Average Cost of Capital (WACC) is determined.

Appendix 1, Exhibit VIII displays the calculation of the Weighted Average Cost of Capital. In this calculation, the cost of equity capital is converted to a return on the book value of equity, which is then combined with the cost of debt.

## Section 2: Converting Cost of Equity Capital to Return on Equity

Investors purchase shares of a firm and expect to receive a return on their investment that is commensurate with the risk involved. This return is paid to the shareholders in two ways: dividends issued and change in share value. When the firm earns income during a year, there are two things that the firm can do with that income: issue dividends to shareholders or reinvest the income in the business for the purposes of growth. Thus, it is the reinvestment of income in the business that must provide for the change in share value.

The return demanded by the shareholder is a return on share price and thus is based on the market value of the firm. However, the equity available to the firm is the Generally Accepted Accounting Principles (GAAP) valuation of the equity, or the “book value” of the equity. The market value generally exceeds the book value of the firm due to several intangible valuables such as brand image, personnel expertise, and the growth opportunities of the firm. Therefore, it is necessary to calculate the return on the book value of equity that the firm must earn in order to provide the necessary return on market value for the shareholder.

Let  $E_i$  equal the net expected income to the *firm* in year  $i$ ,  
 $I_i$  equal the net expected income to the *shareholders* in year  $i$ ,  
 $Z$  equal the ratio of the growth in market value to the income retained,  
 $d$  equal the dividend payout ratio,  
 $r_i$  equal the return on the book value of equity in year  $i$ ,  
 $k_i$  equal the return on the market value of equity (a.k.a. cost of equity capital) in year  $i$ ,  
 $BV_i$  equal the book value of equity at the end of year  $i$ ,  
 $MV_i$  equal the market value of equity at the end of year  $i$ ,  
and  $m_i$  equal the ratio of market value to book value at the end of year  $i$ .

The return on equity is equal to the income received by the firm in a given year divided by the beginning-of-year GAAP book value of equity:

$$r_i = \frac{E_i}{BV_{i-1}}$$

or:

$$E_i = r_i * BV_{i-1} \quad (1)$$

The cost of equity capital is equal to the income received by the shareholders in a given year divided by the market value of the equity, or:

$$k_i = \frac{I_i}{MV_{i-1}}$$

The income received by the shareholders in a given year is equal to the dividends received plus some return (the Z factor will be discussed below) on the income retained by the firm, or

$$I_i = d(E_i) + (1 - d)E_i * Z$$

Using these two formulas, we can derive the following equation:

$$E_i = \frac{MV_{i-1} * k_i}{Z + d(1 - Z)} \quad (2)$$

By setting equations (1) and (2) equal to each other, we get:

$$r_i * BV_{i-1} = \frac{MV_{i-1} * k_i}{Z + d(1 - Z)}$$

After much rearranging and substituting m for MV/BV we get:

$$r_i = \frac{m_{i-1} * k_i}{d + (1 - d)Z} \quad (3)$$

With this equation we can calculate the needed return on the book value of equity to produce the appropriate return to shareholders on the market value of equity. Equation (3) shows that the return

on equity is a function of the cost of equity capital, the dividend payout ratio, the ratio of market value to book value, and the return to shareholders on income retained by the firm.

It is difficult to determine what the appropriate factor for “Z” should be, since the change in share value due to retained earnings by the firm is a function of anticipated growth opportunities by investors. Allstate believes that the most appropriate estimate of this ratio is the expected future ratio of market value to book value, since this ratio already takes into account the present value of anticipated growth opportunities. Given this assumption, equation (3) becomes:

$$r = \frac{m * k}{d + (1 - d) * m} \quad (4)$$

This is the equation that Allstate uses to determine the appropriate return on equity for a given cost of equity capital. Notably, equation (4) can likewise be derived by application of the Dividend Discount Model (discussed in many Finance textbooks), given appropriate assumptions.

### **Section 3: Development of the Underwriting Profit Provision** **From a Given Weighted Average Cost of Capital**

Underwriting profit is defined in *Actuarial Standards of Practice, No. 30* as “Premiums less losses, loss adjustment expenses, underwriting expenses, and policyholder dividends.”<sup>13</sup> Thus, a provision for underwriting profit is a portion of the actuarially developed rate, and is often expressed as a percentage of the rate.<sup>14</sup> The underwriting profit provision is an estimate of future profits; because actual losses and expenses can differ from those expected, the actual realized underwriting profit may not equal the target profit provision.

In the past, development of the underwriting profit provision for insurance companies was a task that involved no underlying theory, but rather constituted the simple task of selecting a round number. From 1921 until the 1960’s, a 5% underwriting profit provision was used for most lines.<sup>15</sup> This approach, however, was not based on financial theory and neglected investment income and income taxes. As pricing techniques have become more sophisticated in the incorporation of financial theory, the development of the underwriting profit provision has become more complicated and increasingly important. Allstate’s method of determining the appropriate underwriting profit provision, which is described in detail in this paper, involves determining the *total* profit needed to meet the demand of investors and subtracting out the profit received from investment income to arrive at the underwriting profit needed from insurance operations and, ultimately, from the premium collected.

Section 1: *The Fair and Reasonable Return* describes the step-by-step process by which the investor’s cost of capital was calculated and converted to Allstate Corporation’s needed Weighted Average Cost of Capital (WACC). In order to obtain the needed WACC, Allstate must include an appropriate underwriting profit provision in its ratemaking methodology. The development of the appropriate underwriting profit provision is shown below.

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<sup>13</sup> *Actuarial Standards of Practice, No. 30*; page 2

<sup>14</sup> *Ibid*; page 2

<sup>15</sup> The notable exception is Workers Compensation, which used a 2.5% profit load (Robbin, 1992)

Appendix 2, Exhibit 1 displays the flow of calculations from a given WACC to the underwriting profit provision; below is a detailed discussion of each step in the process of calculating an underwriting profit provision based on a given WACC. Please see the exhibits attached in Appendix 2 for supporting data used in the calculation of the underwriting profit provision, as catalogued in Appendix 2, Exhibit 1.

### **Detail Supporting the Underwriting Profit Calculations**

#### **Step (1): Weighted Average Cost of Capital**

The targeted Weighted Average Cost of Capital (WACC) for the Allstate Corporation is based on the calculated cost of equity to the investor and the cost of debt. The cost of equity is first converted into a return on the book value of equity (ROE), and the ROE is then combined with the cost of debt to get the WACC. Refer to Section 1: *The Fair and Reasonable Return* above for the explanation and derivation of the WACC.

#### **Step (2): Estimated Investment Income on Equity to Total Capital**

The equity of an insurance company, while designated for other specific purposes, earns investment income while it is held by the company. The percentage used in the calculations represents the anticipated net investment income and anticipated capital gains, both realized and unrealized, as a ratio to year-end GAAP equity. Henceforth, unless otherwise noted, the term “equity” will refer to the equity of the Allstate Corporation as a whole. Funds raised through the issuing of debt are assumed to have been used for insurance operations and growth opportunities and are not considered available for investment purposes.

Appendix 2, Exhibit 2, Page 1 outlines the procedure that was used to calculate the estimated investment income as a ratio to total capital. Investment income returns are generally calculated on an average-equity basis, thus requiring an adjustment to be relative to year-end equity. This procedure assumes that the difference between the starting equity and the ending equity is the return on equity, less dividends. The average of the starting equity and the ending equity is then

determined, and a ratio of the average equity to the ending equity is calculated and applied to the average equity investment income return.

In addition to investment income from Allstate's equity portfolio, net income from Allstate Financial is included. Since Allstate Financial is a subsidiary of Allstate Insurance Company, it is therefore an investment of Allstate Insurance Company, and its income should be included with other investment income.

Because the WACC calculations are relative to total capital (equity and debt), the investment income on GAAP equity must be converted to a percentage relative to total capital. This number, found in line (12), is the estimated investment income as a percent of total capital.

This procedure requires five important numbers: the dividend payout ratio, the return on GAAP equity, the investment income on average equity funds, income from Allstate Financial, and the ratio of year-end GAAP equity to total capital. The sources of these five inputs are described below.

#### *Dividend Payout Ratio*

Appendix 1, Exhibit 5 details the derivation of the dividend payout ratio. In this calculation, stock repurchases are considered with dividends in the total payout. The result of a stock repurchase is to increase the value of each remaining share. Since the market value is unchanged, and the number of shares outstanding has decreased, the value per share increases. Thus, similar to a dividend, the shareholder receives income, despite the fact that total market value and the present value of growth opportunities for the company remain unchanged. The dividend payout ratio is obtained by summing the Total Payout, column (5), and the GAAP Net Income, column (2), and calculating the ratio of these two sums. Because the amount of dividends paid and stock repurchases made in a given year are based on the income earned in the previous year, the GAAP Net Income is lagged by one year in determining the dividend payout ratio. Data starting in 1996 is used to calculate the average, as that is the data available since Allstate became a publicly traded firm in 1995.

*Return on GAAP Equity*

As mentioned in Step (1) above, the Return on GAAP Equity is calculated to obtain the appropriate cost of equity for the investor. The details of this procedure were outlined above in Section 1: *The Fair and Reasonable Return*.

*Investment Income on Average Equity Funds, Income from Allstate Financial*

Appendix 2, Exhibit 2, Page 2 is a summary of the various sources of investment income that, when totaled, equal the estimated investment income rate of return on average equity funds. Percentages are broken out by source between investment income and capital gains; realized and unrealized capital gains are combined.

The WACC calculated above in Section 1: *The Fair and Reasonable Return* is a return to investors in Allstate Corporation, and the calculation is performed using data from the insurance industry and from Allstate Corporation as a whole. Therefore, income from all components of Allstate Corporation is considered in the determination of the target underwriting profit provision; Property-liability operations, corporate investments, and Allstate Financial are included. Consideration of income from all components of Allstate Corporation recognizes the fact that Allstate Insurance Company need not provide all required income for the corporation. The target underwriting profit provision is thus offset by income produced by other sources.

Appendix 2, Exhibit 2, Page 3 details the calculation of the estimated investment income rate of return on average equity funds for each source of income. Property-liability operations and corporate investments are listed separately. The percentages shown are calculated by taking the ratio of the investment income to the average total asset base. The asset base includes both equity and policyholder supplied funds. It is difficult to calculate separate returns for equity and policyholder supplied funds, therefore the investment income percent for each is assumed to be equal to the investment income percent for the asset base as a whole.

Appendix 2, Exhibit 2, Page 6 details the calculation of the year-end and average total asset base. The calculated asset base is the sum of the equity with bonds at market value, unearned premium

reserves, and loss reserves, less premium installments receivable and deferred policy acquisition costs. Premium installments receivable are booked premiums that have not yet been received by the company; deferred policy acquisition costs are an asset that are allowed for accounting and tax purposes under the Generally Accepted Accounting Principles (GAAP) to be carried forward in order to spread the up-front costs of business acquisition over the tenure of the business being acquired. In both cases, the asset is not something that can be invested by the company and thus is not included in the asset base.

Appendix 2, Exhibit 2, Page 4 shows the inclusion of Allstate Financial income. A 3-year weighted average of the ratio of after-tax Allstate Financial income to the beginning-of-year total capital is used. This denominator is used so that the resulting percentage can be appropriately added to the investment income percentage, which is also relative to beginning-of-year total capital.

*Ratio of GAAP Equity to Total Capital*

Appendix 2, Exhibit 2, Page 5 shows the breakdown of total capital between equity and debt.

The ratio of equity to total capital is used to convert investment income on equity to a percentage relative to total capital.

**Step (3): After-tax Operating Profit to Total Capital**

*Actuarial Standards of Practice, No. 30* defines Operating Profit as “The sum of underwriting profit, miscellaneous (non-investment) income from insurance operations, and investment income from insurance operations.”<sup>16</sup> Consequently, the amount of income required from insurance operations is reduced by the estimated investment income from equity.

**Step (4): Ratio of Premium to Total Capital**

The WACC, as discussed in Section 1: *The Fair and Reasonable Return*, is a weighted average of the cost of equity and the cost of debt, and is thus the needed return on total capital.

Therefore, in order to remain mathematically consistent, the ratio of premium to total capital must be used to convert the needed return on total capital to a return on premium. This ratio should not be confused with the commonly quoted premium-to-equity ratio (or “leverage ratio”) that often serves as a measure of the relative amount of risk to which capital is exposed. Even a

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<sup>16</sup> *Actuarial Standards of Practice, No. 30*; page 2

highly-leveraged, riskier company with small amounts of equity can have a ratio of premium to total capital near 1.00.

We calculate the total capital for the Allstate Insurance Group as a whole, except that Allstate New Jersey (ANJ), Allstate Floridian Group (AFIC) and California (CA) are not included in the Allstate Insurance Group number, and each has a separately calculated premium to total capital ratio. The different premium-to-capital ratios are used due to unique capital situations in New Jersey, Florida, and California. Regardless of the specific ratio used, all target the same return on capital – the WACC for Allstate Corporation.

Appendix 2, Exhibit 3, Page 1 lists the most recent four years of premium-to-total-capital ratios for Allstate Insurance Group. Allstate believes that the most recent year's ratio is the best estimate of the expected future ratio. Appendix 2, Exhibit 3, Page 2 shows the calculation of the ratio of premium to total capital for Allstate Insurance Group excluding ANJ, AFIC, and CA.

#### **Step (5): Total After-tax Operating Profit to Premium**

The after-tax operating profit in Step (3) is expressed as a percentage of total capital; for ratemaking purposes, the operating profit is converted into a percent of premium. Since the operating profit needed is expressed as a percent of *total capital*, but is built into the rates as a percent of *premium*, the percent needs to be adjusted by the ratio of premium to total capital.

For example, if a company had \$1,000 of capital and required a 10% return on capital, or \$100, that it needed from insurance operations, and the company had \$2,000 of premium, then a 5% charge on premium ( $\$100/\$2000$ ) would be sufficient. Thus, a 10% return on capital would require a  $(10\%)/(\$2,000/\$1,000) = 5\%$  charge on premium.

#### **Step (6): Investment Gain from Policy Cash Flow**

Premiums are collected, expenses are incurred, and losses are paid in different time frames. Generally the differences in cash flow timing work favorably for the insurance company: premiums are collected over a short period of time, while expenses and, more notably, losses are paid out over a longer period of time. This difference in cash inflow and outflow allows the

insurer to earn investment income on the premium supplied by the policyholder. Because of this additional income, the amount of income needed from insurance operations through underwriting profit can be reduced.

Allstate uses a discounted cash flow (DCF) method to calculate the impact of cash flow timing differences.<sup>17</sup> This method uses the investment income rate on average equity, discussed previously in Step (2) and shown on line (7) of Appendix 2, Exhibit 2, Page 2, to calculate a discounted present value of premiums received, and losses and expenses paid. Note that premiums, expenses, and losses are all discounted to the *average time that the profit is being earned*, which is the average time that the policies for a given year are in force. For example, for a line of business with 6-month policy terms, a given policy year will have policies in effect from time = 0 to time = 1.5, since policies written on the last day of the year are in effect for 6 months after the end of the year. Thus the average earned time is at time = .75. Similarly, for a line of business with a 12-month policy term, the average earned time would be at time = 1.00.

#### **Step (7): After-tax Underwriting Profit Provision (at Present Value)**

As mentioned in Step 6 above, the amount of underwriting income required from insurance operations can be reduced for the investment gains resulting from the timing of policy cash flows. Thus, the investment gains from policy cash flows are subtracted from the total after-tax operating profit to get the after-tax underwriting profit provision.

#### **Step (8): Tax Rate**

The standard federal income tax rate for corporations is 35%.

#### **Step (9): Pre-tax Underwriting Profit Provision (at Present Value)**

In order to receive the appropriate after-tax underwriting income, a pre-tax underwriting profit provision must be targeted. To calculate this, the after-tax underwriting profit provision is divided by one minus the income tax rate. This is the underwriting profit provision used in the development of the rate level indication.

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<sup>17</sup> DCF is one of the two examples given in *Actuarial Standards of Practice, No. 30* as appropriate methods for recognizing investment income from insurance operations (page 4).

# Appendix 1

The Fair and Reasonable Return

FAMA-FRENCH RISK PREMIA

Monthly Avg until June	Market-Risk Premium*	Small-Stock Premium*	Value-Stock Premium*
1997	8.16%	2.69%	4.75%
1998	8.34%	2.53%	4.81%
1999	8.43%	2.34%	4.52%
2000	8.41%	2.61%	4.12%
2001	8.03%	2.65%	4.70%
2002	7.67%	2.78%	4.92%
2003	7.61%	2.80%	4.76%
2004	7.76%	2.94%	4.80%
2005	7.75%	2.91%	4.92%
2006	7.74%	2.92%	4.96%

All time series commence from July 1926.

\*The risk premia have been annualized.

Source: <http://mba.tuck.dartmouth.edu/pages/faculty/ken.french>

PROPERTY/CASUALTY INDUSTRY SEGMENT

Betas

60 Months ending June	Market-Risk Beta	Allstate Small- Stock Beta	Allstate Value- Stock Beta	Market-Value Coefficient	Book-to-Market Coefficient
1998	1.087	1.897	0.704	-0.214	0.317
1999	1.165	1.753	1.018	-0.184	0.269
2000	1.292	1.404	1.153	-0.158	0.452
2001	1.192	1.756	1.321	-0.182	0.313
2002	0.938	1.500	1.118	-0.167	0.243
2003	0.770	1.400	0.838	-0.158	0.128
2004	0.742	1.154	0.654	-0.145	0.212
2005	0.575	1.562	0.582	-0.173	0.264
2006	0.747	1.435	0.344	-0.153	0.343

ALLSTATE CORPORATION

NAICS Code 524126

Allstate Compustat Data

*(\$ Million)*

Report Date	Market Value	Book Value	Total Sales	Prop/Cas Sales	Prop/Cas Portion	Log Market Value	Log Book-to-Market
Dec-97	\$38,462.50	\$15,280	\$24,914	\$21,137	84.84%	10.5574	-0.9231
Dec-98	31,588.79	16,953	25,795	21,836	84.65%	10.3606	-0.6224
Dec-99	19,379.84	15,824	24,188	20,112	83.15%	9.8720	-0.2027
Dec-00	31,857.39	17,009	26,791	21,871	81.64%	10.3690	-0.6275
Dec-01	24,029.08	16,519	27,395	22,197	81.03%	10.0870	-0.3748
Dec-02	26,002.34	16,841	28,780	23,361	81.17%	10.1659	-0.4344
Dec-03	30,267.75	20,766	30,129	24,677	81.90%	10.3178	-0.3768
Dec-04	35,490.89	21,684	33,837	28,354	83.80%	10.4770	-0.4927
Dec-05	35,072.02	19,510	35,244	29,346	83.27%	10.4652	-0.5865

Source: Standard & Poor's/Compustat

ALLSTATE CORPORATION

Betas

**Market Risk Component:**

(1) Period	(2) Prop/Cas Market Beta
2002	0.938
2003	0.770
2004	0.742
2005	0.575
2006	0.747
3-yr Avg	0.688
5-yr Avg	0.754
<b>Selected</b>	<b>0.688</b>

**Size Risk Component:**

(3) Period	(4) Prop/Cas Size Beta	(5) Market Value Coefficient	(6) Log Market Value	(7)=(4) + (5)*(6) Size Risk Beta
2002	1.500	-0.167	10.0870	-0.185
2003	1.400	-0.158	10.1659	-0.206
2004	1.154	-0.145	10.3178	-0.342
2005	1.562	-0.173	10.4770	-0.251
2006	1.435	-0.153	10.4652	-0.166
3-yr Avg				-0.253
5-yr Avg				-0.230
<b>Selected</b>				<b>-0.253</b>

**Value Risk Component:**

(8) Period	(9) Prop/Cas Value Beta	(10) Book-to-Mkt Coefficient	(11) Log Book- to-Market	(12)=(9)+(10)*(11) Value Risk Beta
2002	1.118	0.243	-0.3748	1.027
2003	0.838	0.128	-0.4344	0.782
2004	0.654	0.212	-0.3768	0.574
2005	0.582	0.264	-0.4927	0.452
2006	0.344	0.343	-0.5865	0.143
3-yr Avg				0.390
5-yr Avg				0.596
<b>Selected</b>				<b>0.390</b>

Note: Each time period is a 60-month period ending June in the year shown.

ALLSTATE CORPORATION

Estimated Cost of Equity Capital

Cost of Equity Capital:

	Value	Source
(1) Long-term Average Market Risk Premium:	7.74%	App. 1, Exh. 1
(2) Selected Beta:	0.688	App. 1, Exh. 4, Pg. 1
(3) P/C Industry Market Risk Premium:	5.33%	=(1) * (2)
(4) Long-term Size Risk Premium:	2.92%	App. 1, Exh. 1
(5) Selected Size Beta:	-0.253	App. 1, Exh. 4, Pg. 1
(6) Allstate Size Risk Premium:	-0.74%	=(4) * (5)
(7) Long-term Value Risk Premium:	4.96%	App. 1, Exh. 1
(8) Selected Value Beta:	0.390	App. 1, Exh. 4, Pg. 1
(9) Allstate Value Risk Premium:	1.93%	=(7) * (8)
(10) Total Risk Premium:	6.52%	=(3) + (6) + (9)
(11) Risk-free Return:	5.247%	BPD*
(12) Cost of Equity Capital:	11.77%	=(10) + (11)

\*The risk-free return is the 28-day Treasury bill rate (secondary market), according to the Bureau of Public Debt, as of March 22, 2007 (CUSIP 912795ZC8, Investment Rate)  
<http://www.publicdebt.treas.gov/AI/OFBills>

ALLSTATE CORPORATION

Dividend Payout Ratio

(1)	(2)	(3)	(4)	(5) = (3)+(4)	(6) = (5)/(2)
Year	Prior Year GAAP Net Income*	Dividends	Stock Repurchases (Net)	Total Payout	Total Payout Ratio
1997	\$2,075	417	1,277	1,694	0.82
1998	3,105	450	1,400	1,850	0.60
1999	3,294	482	864	1,346	0.41
2000	2,720	506	1,385	1,891	0.70
2001	2,211	547	612	1,159	0.52
2002	1,158	594	383	977	0.84
2003	1,134	648	-48	600	0.53
2004	2,705	779	1,111	1,890	0.70
2005	3,181	846	2,203	3,049	0.96
2006	1,765	885	1,516	1,765	** 1.00
Total	23,348	6,154	10,703	16,221	0.69

Source: 2006 Allstate Annual Report - page 110

\*Dividends and Stock Repurchases for a given year are determined based on the previous year's income. Therefore, GAAP Net Income is lagged by one year so that the appropriate ratio is calculated.

\*\*While additional payout was provided from equity funds in 2006, the dividend payout ratio is concerned with percentage of income paid towards dividends and stock repurchases. Therefore, the 2006 payout ratio is capped at 1.00.

ALLSTATE CORPORATION

Historical Market-to-book Ratios

Years	Allstate
Dec-97	2.35
Dec-98	1.75
Dec-99	1.08
Dec-00	1.74
Dec-01	1.38
Dec-02	1.47
Dec-03	1.47
Dec-04	1.62
Dec-05	1.73
Dec-06	1.85
10-yr Avg:	1.64
<b>Selected:</b>	<b>1.64</b>

Source: MSN Online Reports

<http://moneycentral.msn.com/investor/invsub/results/compare.asp?Page=TenYearSummary&Symbol=AL>

ALLSTATE CORPORATION

Fair Return to the Firm

The relationship between the cost of equity capital and the fair return to the firm is as follows:

$$r_i = \frac{m_{i-1} * k_i}{d + (1 - d) * m_{i-1}}$$

where,

	Amount	Source
k = Cost of equity capital =	11.77%	App. 1, Exh. 4, Pg. 2
d = Dividend payout ratio =	0.69	App. 1, Exh. 5
m = Selected market to book ratio =	1.64	App. 1, Exh. 6
r = Fair return to firm,	16.10%	Calculated

ALLSTATE CORPORATION

Weighted Average Cost of Capital

(1) Pre-tax Cost of Debt (millions)*	322.0
(2) Tax Rate	35%
(3) After-tax Cost of Debt (millions) $(=(1)*(1-(2)))$	209.3
(4) Book Value of Debt (millions)**	4,662
(5) Cost of Debt $(=(3)/(4))$	4.49%
(6) Book Value of Equity (millions)***	21,846
(7) Return on Equity (from App. 1, Exh. 7)	16.10%
(8) Total Capital $(=(4)+(6))$	26,508
(9) <b>Weighted Average Cost of Capital</b> $(= [(4)*(5)+(6)*(7)]/(8))$	<b>14.06%</b>

Source: Allstate Corporation 2006 Annual Report

\*Page 163: Notes on Debt Outstanding

\*\*Page 162: Total Debt Outstanding, 2006

\*\*\*Page 10: "Total Shareholders' Equity"

# Appendix 2

Development of the Underwriting Profit Provision  
From a Given Weighted Average Cost of Capital

ALLSTATE INSURANCE GROUP

Arkansas  
Private Passenger Auto

Development of the Underwriting Profit  
Provision from a Given Weighted Average Cost of Capital

	Liability	Physical Damage	Total	Source
(1) Weighted Average Cost of Capital	14.06%	14.06%	14.06%	App. 1, Exh. 8
(2) Estimated Investment Income on Equity to Total Capital*	4.78%	4.78%	4.78%	App. 2, Exh. 2, Pg. 1
(3) After-tax Operating Profit to Total Capital*	9.28%	9.28%	9.28%	=(1) - (2)
(4) Ratio of Premium to Total Capital*	1.03	1.03	1.03	App. 2, Exh. 3, Pg. 2
(5) After-tax Operating Profit to Premium	9.01%	9.01%	9.01%	=(3)/(4)
(6) Investment Gain from Policy Cash Flow	2.44%	0.58%	1.64%	App. 2, Exh. 4, Pg. 1
(7) After-tax Underwriting Profit Provision (at Present Value)	6.57%	8.43%	7.37%	=(5) - (6)
(8) Tax Rate	35%	35%	35%	FIT**
(9) Pre-tax Underwriting Profit Provision (at Present Value)	10.11%	12.97%	11.34%	=(7)/[1-(8)]

\*Total Capital = Equity + Debt

\*\*This is the standard federal income tax rate for corporations

ALLSTATE INSURANCE GROUP

Calculation of Investment Income on Equity to Total Capital

	Amount	Source
(1) Dividend Payout Ratio	69%	App. 1, Exh. 5
(2) Return on GAAP Equity	16.10%	App. 1, Exh. 7
(3) Beginning of Year Equity to Beginning of Year Equity	100%	Given
(4) Portion of Return on GAAP Equity Paid Out in Dividends	11.11%	=(1)*(2)
(5) End of Year Equity to Beginning of Year Equity	105.0%	=(3) + [(2)-(4)]
(6) Avg Equity	102.5%	=[(3)+(5)]/2
(7) Investment Income on Average Equity Funds	3.95%	App. 2, Exh. 2, Pg. 2
(8) Investment Income on Average Equity Funds to Beginning of Year Equity	4.05%	=(6)*(7)
(9) Ratio GAAP equity to total capital	82.41%	App. 2, Exh. 2, Pg. 5
(10) Investment Income on equity as a percent of total capital	3.34%	=(8)*(9)
(11) Allstate Financial Income as a percent of total capital	1.44%	App. 2, Exh. 2, Pg. 4
<u>(12) Total Investment Income on equity as a percent of total capital</u>	<u>4.78%</u>	=(10)+(11)

\*The Fair and Reasonable Return paper

ALLSTATE INSURANCE GROUP

Projected After-tax Net Rate of Return to Average Asset Base

<u>Source</u>	<u>After Tax</u> <u>Rate of Return</u>	<u>Source</u>
Net Capital Gains	<b>0.46%</b>	
P/L Operations	0.46%	App. 2, Exh. 2, Pg. 3
Corporate	0.00%	App. 2, Exh. 2, Pg. 3
Net Investment Income	<b>3.49%</b>	
P/L Operations	3.27%	App. 2, Exh. 2, Pg. 3
Corporate	0.22%	App. 2, Exh. 2, Pg. 3
<b><u>Total</u></b>	<b>3.95%</b>	

## ALLSTATE INSURANCE GROUP

## Investment Income Projections

(\$ In Thousands)

	Annualized Investment Plan Return on Average Invested Assets* (1)	2006 Average Asset Base (2)	Percent Return On Asset Base (3)=(1)/(2)
Property-Liability Operations			
After-tax investment income net of investment expense	1,485,742		3.27%
After-tax capital gains, realized & unrealized	210,564		0.46%
Total	1,696,307	45,499,277	3.73%
Corporate Investments			
After-tax investment income net of investment expense	101,851		0.22%
After-tax capital gains, realized & unrealized	58		0.00%
Total	101,909	45,499,277	0.22%

\*From Investment Department, 2007 forecast

ALLSTATE INSURANCE GROUP

After-tax Allstate Financial Income to Average Asset Base

(\$ In Millions)

(1) <u>Year</u>	(2) Beginning of Year <u>Total Capital</u>	(3) After-tax Allstate Financial <u>Income**</u>	(4) <u>(3) / (2)</u>
2004	\$25,641.0	\$246	0.96%
2005	\$27,157.0	\$416	1.53%
2006	\$25,486.0	\$464	1.82%
Total	\$78,284.0	\$1,126	1.44%

\*\* The Allstate Corporation 2006 Annual Statement, page 10

ALLSTATE INSURANCE GROUP

Total Capital

(\$ In Millions)

	2006	% of Total Capital
(1) GAAP Equity*	\$21,846	82.41%
(2) Debt**	\$4,662	17.59%
(3) Total Capital [(1)+(2)]	\$26,508	100.00%

Source: Allstate Corporation 2006 Annual Report

\*Page 10: Shareholders' Equity

\*\*Page 162: Debt Outstanding

ALLSTATE INSURANCE GROUP

Asset Base  
2003-2006

(\$ In Millions)

(1) Year	(2) Equity with Bonds at Market Value	(3) Unearned Premium Reserves	(4) Loss Reserves	(5) Premium Installments Receivable	(6) Deferred Policy Acquisition Costs	(7) (2)+(3)+(4)- (5)-(6) Asset Base with Bonds at Market Value	(8) [prior year(7) +(7)]/2 Average Asset Base with Bonds at Market Value
2003	\$20,565.0	\$9,048.9	\$17,713.8	\$4,302.8	\$1,325.5	\$41,699.4	\$43,195.0
2004	\$21,823.0	\$9,624.3	\$19,337.7	\$4,635.0	\$1,459.5	\$44,690.5	\$45,404.7
2005	\$20,186.0	\$9,978.2	\$22,116.6	\$4,678.3	\$1,483.6	\$46,118.9	\$45,499.3
2006	\$21,846.0	\$10,380.5	\$18,865.7	\$4,727.9	\$1,484.6	\$44,879.7	

Note: Market value includes an adjustment for federal income taxes.  
From the Allstate Corporation and Subsidiary Combining Statement of Financial Position: 12/31/06

ALLSTATE INSURANCE GROUP

Group Ratio of Premium to Total Capital

(\$ In Millions)

<u>Year</u>	<u>Earned Premium</u>	<u>GAAP Equity</u>	<u>Debt</u>	<u>Total Capital*</u>	<u>Premium to Total Capital Ratio</u>
2003	\$24,677	\$20,565	\$5,076	\$25,641	0.96
2004	\$25,989	\$21,823	\$5,334	\$27,157	0.96
2005	\$27,039	\$20,186	\$5,300	\$25,486	1.06
2006	\$27,369	\$21,846	\$4,662	\$26,508	1.03
	Latest Year	1.03			

\*Total Capital = GAAP Equity + Debt

Sources: The Allstate Corporation 2006 Annual Report

## ALLSTATE INSURANCE GROUP

## Entity Ratio of Premium to Total Capital

(\$ In Millions)

Entity	GAAP Equity*	Debt	Total Capital	Earned Premium	Premium to Total Capital Ratio
Total Group	21,846,000,000	4,662,000,000	26,508,000,000	27,369,000,000	1.03
ANJ/AFIC/CA	3,313,545,151	707,120,182	4,020,665,333	4,158,562,645	1.03
Remainder	18,532,454,849	3,954,879,818	22,487,334,667	23,210,437,355	1.03

\*As of 12/31/06

ALLSTATE INSURANCE COMPANY

Private Passenger Auto

Calculation of Total Coverages Investment Income  
From Policy Cash Flow

	Investment Income	Weight*	Source
(1) Liability Coverages	2.44%	57.1%	App. 2, Exh. 4, Pg. 2
(2) Physical Damage Coverages	0.58%	42.9%	App. 2, Exh. 4, Pg. 3
(3) Total Coverages	<b>1.64%</b>	100.0%	Weighted Average

\*The weight given to the coverages comes from premium volume

ALLSTATE INSURANCE COMPANY  
PRIVATE PASSENGER AUTO - LIABILITY

**Arkansas**

Calculation of Present Value, as of the Average Earning Date  
of a Policy year, of all Income and Outgo @ 3.95%  
force of interest, assuming an Operating Profit of 9.01%  
and six month Policy Terms

Years From Start of Policy Year	Arkansas Cumulative Percent of Losses Paid	Arkansas Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted * to avg time of profit @ 3.95%	Discounted Payments
1	37.8%	37.80%	0.68	1.0028	37.91%
2	80.5%	42.70%	1.39	0.9750	41.63%
3	88.2%	7.70%	2.45	0.9351	7.20%
4	93.6%	5.40%	3.46	0.8985	4.85%
5	97.5%	3.90%	4.45	0.8640	3.37%
6	98.8%	1.30%	5.45	0.8306	1.08%
Subsequent	100.0%	1.20%	7.49	0.7663	0.92%
Total		100.0%			96.96%
Expected Losses and Loss Expense Ratio					65.19%
Present Value of Loss and Loss Expense Payments					63.21%
Taxes		2.90%	0.72	1.0012	2.90%
Licenses and Fees		0.10%	0.72	1.0012	0.10%
Commissions		12.60%	0.58	1.0067	12.68%
Other Acquisition		4.20%	0.56	1.0075	4.23%
General Expense		4.90%	0.63	1.0048	4.92%
Profit		10.11%	0.75	1.0000	10.11%
Total Present Value of Outgo					98.15%
Premiums		100.0%	0.60	1.0059	100.59%
Difference, Present Value of Income Less Present Value of Outgo					2.44%

\*exp (0.0395 x (timing of profit being earned - timing of cash flow))

ALLSTATE INSURANCE COMPANY  
PRIVATE PASSENGER AUTO - PHYSICAL DAMAGE

**Arkansas**

Calculation of Present Value, as of the Average Earning Date  
of a Policy year, of all Income and Outgo @ 3.95%  
force of interest, assuming an Operating Profit of 9.01%  
and six month Policy Terms

Years From Start of Policy Year	Arkansas Cumulative Percent of Losses Paid	Arkansas Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted * to avg time of profit @ 3.95%	Discounted Payments
1	67.4%	67.4%	0.64	1.0044	67.70%
2	100.3%	32.9%	1.16	0.9839	32.37%
3	100.1%	-0.2%	2.31	0.9402	-0.19%
4	100.1%	0.0%	3.35	0.9024	0.00%
5	100.0%	-0.1%	5.14	0.8408	-0.08%
6	100.0%	0.0%	6.34	0.8019	0.00%
Subsequent	100.0%	0.0%	6.89	0.7846	0.00%
Total		100.0%			99.80%
Expected Losses and Loss Expense Ratio					62.23%
Present Value of Loss and Loss Expense Payments					62.11%
Taxes		2.90%	0.72	1.0012	2.90%
Licenses and Fees		0.10%	0.72	1.0012	0.10%
Commissions		12.60%	0.58	1.0067	12.68%
Other Acquisition		4.20%	0.56	1.0075	4.23%
General Expense		5.00%	0.63	1.0048	5.02%
Profit		12.97%	0.75	1.0000	12.97%
Total Present Value of Outgo					100.01%
Premiums		100.0%	0.60	1.0059	100.59%
Difference, Present Value of Income Less Present Value of Outgo					0.58%

\*exp (0.0395 x (timing of profit being earned - timing of cash flow))

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY  
PRIVATE PASSENGER AUTO  
ARKANSAS**

**ATTACHMENT C  
REVISION OF RATING PLAN FACTORS AND RATE ADJUSTMENT FACTORS**

**Revision to the Allstate Easy Pay Plan Discount Factors and Your Choice Auto ® Value Plan Factors**

With this filing, Allstate is revising the Allstate Easy Pay Plan Discount. For renewal policies, if an insured is enrolled in the Allstate Easy Pay Plan as of 30 days prior to the beginning of an upcoming renewal policy period, a 5% discount will be applied to the premium for Bodily Injury, Property Damage, Medical, Collision and Comprehensive coverages for that renewal period. At new business, those customers who enroll in the Allstate Easy Pay Plan at the time the policy is written will also receive a 5% discount to Bodily Injury, Property Damage, Medical, Collision and Comprehensive coverages.

The Allstate Easy Pay Plan is mandatory for the Allstate Your Choice Auto ® Value Plan Package. Therefore, the rating factor for that package has been updated to 0.87 to reflect this change to the Allstate Easy Pay Plan Discount percentage.

**Rate Level Impact from the Allstate Easy Pay Plan Discount Factor Revisions and Your Choice Auto ® Value Plan Factor Revisions**

The rate level impact of the above rating plan factor revisions is shown below. These impacts have been measured using an extension of exposures method and a recent snapshot of policyholders in AP&C. Please note that these impacts are not the total impacts. The total rate level impacts by coverage are shown in the Summary subsection of this attachment.

<b>Coverage</b>	<b>Rate Level Impact</b>
Bodily Injury	-0.9%
Property Damage	-0.9%
Medical	-0.9%
Collision	-1.0%
Comprehensive	-0.9%

**Revision of Rate Adjustment Factors**

To achieve the selected rate level changes for the rating program, Rate Adjustment Factors (RAF) will be revised for the following coverages: Bodily Injury, Property Damage, Medical, Uninsured/Underinsured Motorists, Collision, and Comprehensive. These selections along with the revision of rating plan factors shown on Page 1 will achieve the selected rate level changes shown in **Attachment A**.

Coverage	Current RAF	Proposed RAF	Change
Bodily Injury	1.029	1.184	+15.1%
Property Damage	1.029	1.176	+14.1%
Medical	1.029	1.350	+31.2%
Uninsured Motorists	1.000	1.023	+2.0%
Underinsured Motorists	1.000	1.020	+2.0%
Collision	1.029	1.039	+1.0%
Comprehensive	1.028	1.038	+1.0%

A RAF is applied to the territorial base rate uniformly by coverage. A revision of a RAF is equivalent to a territorial base rate change that does not vary across territories.

Please also note that the changes above are not the total rate level impacts for the program. The total impacts are shown in the next subsection and reflect the changes from both the revision to rating plan factors as well as the revision to Rate Adjustment Factors.

**Summary of Rate Level Impact**

The combined impact of the rating plan factor revisions and RAF revisions is shown below.

Coverage	Rating Plan Factor Changes	RAF Change	Total Change
Bodily Injury	-0.9%	+15.1%	<b>+14.0%</b>
Property Damage	-0.9%	+14.1%	<b>+13.0%</b>
Medical	-0.9%	+31.2%	<b>+30.0%</b>
Uninsured Motorists	N/C	+2.0%	<b>+2.0%</b>
Underinsured Motorists	N/C	+2.0%	<b>+2.0%</b>
Collision	-1.0%	+1.0%	<b>0.0%</b>
Comprehensive	-0.9%	+1.0%	<b>0.0%</b>

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY  
PRIVATE PASSENGER AUTO  
ARKANSAS**

**ATTACHMENT D  
RULE REVISION**

With this filing, Allstate is making a minor revision to Rule 58 in Arkansas AP&C Auto. An explanation of this change can be found below.

**Rule 58 – Premier/Premier Plus Discount**

Allstate is making a rule modification to the Premier/Premier Plus Discount (Rule 58). The current wording in sections D.1.b and D.1.c. does not address the situation when the sum of payments for accidents equals the accident threshold. The proposed wording clarifies that if the sum of the payments for accidents equals the accident threshold, the accidents are applicable. Please note that this has always been the intent of the rule and, from a systems perspective, this is the way the rule was originally implemented. Therefore, this is purely a clerical modification.

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY  
PRIVATE PASSENGER AUTO  
ARKANSAS**

**ATTACHMENT E  
SUMMARY OF MANUAL CHANGES**

**Rule Pages**

Index, Page 3:

Clerical correction to reference to Rule 62

Rule 58, Page 58-3 – Premier/Premier Plus Discount:

Changed wording in Sections D.1.b and D.1.c.

**Rate Pages**

RP-2A, Premium Calculation:

Revised Rate Adjustment Factors for all coverages

RP-3A, Premium Calculation – New Car Expanded Protection:

Revised Rate Adjustment Factors for Collision and Comprehensive

RP-19A, Rating Factors:

- Revised Allstate Easy Pay Plan Discount Factors.
- Revised Your Choice Auto ® Value Plan Factors

**ALLSTATE PROPERTY & CASUALTY INSURANCE COMPANY  
PRIVATE PASSENGER AUTO  
ARKANSAS**

Response to letter dated July 8, 2008 regarding Filing #R20122

- 1. The APCS must be submitted via SERFF and the RF-1 must be completed as well. The rules in the filing do not appear to comply with Ark. Code Ann. 23-63-111.**

The APCS is included with this submission. In addition, filing form RF-1 is included with this submission.

Not-at-fault accidents are not utilized in tiering for policyholders in Allstate Property & Casualty Insurance Company and therefore do not lower or negatively affect the risk rating of that insured. Not-at-fault accidents are considered solely for the purpose of a discount application.

**FORM RF-1 Rate Filing Abstract NAIC LOSS COST DATA ENTRY DOCUMENT**

1.	This filing transmittal is part of Company Tracking #	R20122
2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	

Company Name		Company NAIC Number	
3.	A. Allstate Property & Casualty Insurance Company	B.	008-17230

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. 19.0 Personal Auto	B.	19.0001 Private Passenger Auto (PPA)

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(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
<b>Bodily Injury</b>	<b>42.5</b>	<b>14.0</b>	N/A	N/A	N/A	N/A	N/A
<b>Property Damage</b>	<b>40.3</b>	<b>13.0</b>	N/A	N/A	N/A	N/A	N/A
<b>Medical</b>	<b>136.6</b>	<b>30.0</b>	N/A	N/A	N/A	N/A	N/A
<b>Uninsured/Underinsured Motorists</b>	<b>12.2</b>	<b>2.0</b>	N/A	N/A	N/A	N/A	N/A
<b>Collision</b>	<b>-2.5</b>	<b>0.0</b>	N/A	N/A	N/A	N/A	N/A
<b>Comprehensive</b>	<b>-34.4</b>	<b>0.0</b>	N/A	N/A	N/A	N/A	N/A
<b>TOTAL OVERALL EFFECT</b>	<b>12.4</b>	<b>6.0</b>					

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
2006	11,719 (earned exposures)	N/A	N/A	9,467,907	5,825,563 (includes ALAE)	0.62	0.57
2007	25,138 (earned exposures)	N/A	N/A	20,118,863	12,302,595 (includes ALAE)	0.61	0.61

7.

Expense Constants	Selected Provisions
A. Total Production Expense	4.2%
B. General Expense	Liab - 4.9% Phys Dmg - 5.0%
C. Taxes, License & Fees	3.0%
D. Underwriting Profit & Contingencies	Liab- 10.1% Phys Dmg-13.0%
E. Other (explain)	ULAE: Liab-18.8% Phys Dmg-14.8% (ULAE is a percentage of losses)
F. TOTAL	

8.	<u>N</u>	Apply Lost Cost Factors to Future filings? (Y or N)	
9.	<u>18.4%</u>	Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):	<u>45</u>
10.	<u>-2.6%</u>	Estimated Maximum Rate Decrease for any Insured (%). Territory (if applicable):	<u>43</u>

**Private Passenger Auto Premium Comparison Survey Form**  
FORM APCS - last modified August 2005

NAIC Number: 17230  
 Company Name: Allstate Property & Casualty Insurance Company  
 Contact Person: Carrie Deppe  
 Telephone No.: 1-800-366-2958 Ext. 22774  
 Email Address: cdepp@allstate.com  
 Effective Date: 9/15/2008

**Assumptions to Use:**  
 1 **Liability** -Minimum \$25,000 per person  
 2 **Bodily Injury** \$50,000 per accident  
     \$25,000 per accident  
 3 **Property Damage** \$100 deductible per accident  
 4 **Comprehensive & Collision** \$250 deductible per accident  
 5 **The insured has elected to accept:**  
     Uninsured motorist property and bodily injury equal to liability coverage  
     Underinsured bodily injury equal to liability coverage  
 6 **Personal Injury Protection** of \$5,000 for medical, loss  
     wages according to statute and \$5,000 accidental  
 7 **If male and female rates are different, use the highest of the two**

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

DISCOUNTS OFFERED:  
 PASSIVE RESTRAINT/AIRBAG 10-30 %  
 AUTO/HOMEOWNERS 10 %  
 GOOD STUDENT 10-20 %  
 ANTI-THEFT DEVICE 0 %  
 Over 55 Defensive Driver Discount 10 %  
 \$250/\$500 Deductible Comp./Coll. varies - see RP-21A %

Vehicle	Coverages	Gender	Age	Fayetteville				Trumann				Little Rock				Lake Village				Pine Bluff			
				Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female
				18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66
1999 Chevrolet Silverado 1500 2WD "LS" regular cab 119" WB	Minimum Liability			\$403	\$483	\$171	\$186	\$459	\$551	\$192	\$210	\$497	\$599	\$205	\$223	\$410	\$492	\$174	\$189	\$683	\$822	\$276	\$305
	Minimum Liability with Comprehensive and Collision			\$974	\$1,359	\$409	\$404	\$1,061	\$1,472	\$437	\$437	\$1,283	\$1,444	\$421	\$429	\$1,136	\$1,610	\$487	\$471	\$1,398	\$1,913	\$559	\$572
	100/300/50 Liability with Comprehensive and Collision			\$893	\$1,231	\$375	\$375	\$979	\$1,342	\$403	\$408	\$979	\$1,329	\$393	\$404	\$1,027	\$1,437	\$438	\$429	\$1,317	\$1,779	\$524	\$544
2003 Ford Explorer "XLT" 2WD, 4 door	Minimum Liability			\$378	\$449	\$165	\$180	\$432	\$514	\$186	\$204	\$465	\$556	\$196	\$215	\$383	\$455	\$167	\$182	\$652	\$779	\$270	\$299
	Minimum Liability with Comprehensive and Collision			\$1,207	\$1,716	\$500	\$493	\$1,313	\$1,856	\$533	\$533	\$1,283	\$1,799	\$507	\$516	\$1,429	\$2,058	\$603	\$583	\$1,706	\$2,380	\$675	\$690
	100/300/50 Liability with Comprehensive and Collision			\$1,089	\$1,530	\$450	\$450	\$1,191	\$1,664	\$483	\$489	\$1,173	\$1,626	\$465	\$477	\$1,272	\$1,812	\$535	\$523	\$1,576	\$2,172	\$622	\$643
2003 Honda Odyssey "EX"	Minimum Liability			\$340	\$404	\$150	\$163	\$386	\$459	\$168	\$183	\$416	\$498	\$178	\$193	\$347	\$412	\$153	\$166	\$569	\$678	\$238	\$263
	Minimum Liability with Comprehensive and Collision			\$1,058	\$1,498	\$434	\$431	\$1,151	\$1,622	\$463	\$466	\$1,131	\$1,581	\$507	\$454	\$1,248	\$1,790	\$520	\$508	\$1,489	\$2,073	\$585	\$600
	100/300/50 Liability with Comprehensive and Collision			\$952	\$1,333	\$391	\$393	\$1,041	\$1,451	\$420	\$427	\$1,030	\$1,424	\$406	\$419	\$1,110	\$1,575	\$462	\$456	\$1,368	\$1,882	\$538	\$557
2005 Toyota Camry LE 3.0L 4 door Sedan	Minimum Liability			\$417	\$496	\$180	\$195	\$473	\$564	\$201	\$220	\$512	\$613	\$213	\$232	\$427	\$509	\$183	\$199	\$697	\$832	\$288	\$317
	Minimum Liability with Comprehensive and Collision			\$1,462	\$2,084	\$582	\$582	\$1,593	\$2,261	\$624	\$631	\$1,564	\$2,204	\$599	\$615	\$1,731	\$2,494	\$700	\$688	\$2,050	\$2,877	\$786	\$810
	100/300/50 Liability with Comprehensive and Collision			\$1,304	\$1,841	\$520	\$525	\$1,428	\$2,007	\$560	\$571	\$1,411	\$1,969	\$542	\$560	\$1,528	\$2,183	\$617	\$613	\$1,863	\$2,589	\$715	\$743
2003 Cadillac Seville "STS" 4 door Sedan	Minimum Liability			\$331	\$394	\$146	\$159	\$377	\$450	\$163	\$178	\$407	\$487	\$173	\$189	\$336	\$400	\$148	\$160	\$563	\$674	\$234	\$258
	Minimum Liability with Comprehensive and Collision			\$1,880	\$2,760	\$780	\$748	\$2,018	\$2,950	\$818	\$797	\$1,928	\$2,797	\$759	\$753	\$2,293	\$3,399	\$973	\$916	\$2,523	\$3,650	\$994	\$988
	100/300/50 Liability with Comprehensive and Collision			\$1,642	\$2,391	\$679	\$658	\$1,771	\$2,567	\$716	\$704	\$1,703	\$2,449	\$669	\$670	\$1,984	\$2,919	\$837	\$796	\$2,242	\$3,214	\$881	\$884
1998 Chevrolet Cavalier LS 4D Sedan	Minimum Liability			\$411	\$490	\$177	\$192	\$468	\$559	\$199	\$217	\$506	\$607	\$210	\$230	\$419	\$499	\$180	\$195	\$698	\$835	\$286	\$317
	Minimum Liability with Comprehensive and Collision			\$975	\$1,351	\$399	\$403	\$1,070	\$1,474	\$430	\$439	\$1,067	\$1,459	\$420	\$434	\$1,128	\$1,584	\$468	\$464	\$1,421	\$1,932	\$558	\$581
	100/300/50 Liability with Comprehensive and Collision			\$897	\$1,228	\$368	\$375	\$990	\$1,348	\$399	\$411	\$995	\$1,344	\$392	\$410	\$1,023	\$1,420	\$424	\$425	\$1,339	\$1,800	\$526	\$554



**ALLSTATE PROPERTY & CASUALTY INSURANCE COMPANY  
PRIVATE PASSENGER AUTO  
ARKANSAS**

Response to letter dated August 1, 2008 regarding Filing #R20122

- 1. This will acknowledge receipt of the captioned filing. Please insert a range in lieu of varies in the discount section of the APCS.**

A revised APCS is included with this submission. A discount amount or range of discount amounts is now included for each listed discount offering.

**Private Passenger Auto Premium Comparison Survey Form**  
FORM APCS - last modified August 2005

NAIC Number: 17230  
 Company Name: Allstate Property & Casualty Insurance Company  
 Contact Person: Carrie Deppe  
 Telephone No.: 1-800-366-2958 Ext. 22774  
 Email Address: cdepp@allstate.com  
 Effective Date: 9/15/2008

**Assumptions to Use:**  
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**Submit to:** Arkansas Insurance Department  
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DISCOUNTS OFFERED:  
 PASSIVE RESTRAINT/AIRBAG 10-30 %  
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 GOOD STUDENT 10-20 %  
 ANTI-THEFT DEVICE 0 %  
 Over 55 Defensive Driver Discount 10 %  
 \$250/\$500 Deductible Comp./Coll. 10-31 %

Vehicle	Coverages	Gender	Age	Fayetteville				Trumann				Little Rock				Lake Village				Pine Bluff			
				Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female
				18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66
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1998 Chevrolet Cavalier LS 4D Sedan	Minimum Liability			\$411	\$490	\$177	\$192	\$468	\$559	\$199	\$217	\$506	\$607	\$210	\$230	\$419	\$499	\$180	\$195	\$698	\$835	\$286	\$317
	Minimum Liability with Comprehensive and Collision			\$975	\$1,351	\$399	\$403	\$1,070	\$1,474	\$430	\$439	\$1,067	\$1,459	\$420	\$434	\$1,128	\$1,584	\$468	\$464	\$1,421	\$1,932	\$558	\$581
	100/300/50 Liability with Comprehensive and Collision			\$897	\$1,228	\$368	\$375	\$990	\$1,348	\$399	\$411	\$995	\$1,344	\$392	\$410	\$1,023	\$1,420	\$424	\$425	\$1,339	\$1,800	\$526	\$554