

SERFF Tracking Number: ARKS-125950244 State: Arkansas
Filing Company: 13188 - WESTERN SURETY COMPANY State Tracking Number: #70534 \$100
Company Tracking Number: 03112508R
TOI: 17.1 Other Liability-Occ Only Sub-TOI: 17.1019 Professional Errors and Omissions Liability
Product Name: n/a
Project Name/Number: /

Filing at a Glance

Company: 13188 - WESTERN SURETY COMPANY

Product Name: n/a SERFF Tr Num: ARKS-125950244 State: Arkansas
TOI: 17.1 Other Liability-Occ Only SERFF Status: Closed State Tr Num: #70534 \$100
Sub-TOI: 17.1019 Professional Errors and Omissions Liability Co Tr Num: 03112508R State Status: Fees verified and received
Filing Type: Rate Co Status: Reviewer(s): Betty Montesi, Edith Roberts
Author: Disposition Date: 01/02/2009
Date Submitted: 12/16/2008 Disposition Status: Filed
Effective Date Requested (New): Effective Date (New):
Effective Date Requested (Renewal): Effective Date (Renewal):
State Filing Description:

General Information

Project Name: Status of Filing in Domicile:
Project Number: Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 01/02/2009
State Status Changed: 01/02/2009 Deemer Date:
Corresponding Filing Tracking Number:
Filing Description:

Company and Contact

Filing Contact Information

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

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Product Name: n/a
Project Name/Number: /

NA, AR 00000

Filing Company Information

13188 - WESTERN SURETY COMPANY	CoCode: 13188	State of Domicile: Arkansas
No Address	Group Code:	Company Type:
City, AR 99999	Group Name:	State ID Number:
(999) 999-9999 ext. [Phone]	FEIN Number: 99-9999999	

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Filing Fees

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

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Product Name: n/a
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	01/02/2009	01/02/2009

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Liability

Product Name: n/a
Project Name/Number: /

Disposition

Disposition Date: 01/02/2009

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125950244 State: Arkansas
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 Product Name: n/a
 Project Name/Number: /

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	ARKS-125950244		Yes

SERFF Tracking Number: ARKS-125950244 *State:* Arkansas
Filing Company: 13188 - WESTERN SURETY COMPANY *State Tracking Number:* #70534 \$100
Company Tracking Number: 03112508R
TOI: 17.1 Other Liability-Occ Only *Sub-TOI:* 17.1019 Professional Errors and Omissions
Liability

Product Name: n/a
Project Name/Number: /

Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125950244 State: Arkansas
Filing Company: 13188 - WESTERN SURETY COMPANY State Tracking Number: #70534 \$100
Company Tracking Number: 03112508R
TOI: 17.1 Other Liability-Occ Only Sub-TOI: 17.1019 Professional Errors and Omissions Liability
Product Name: n/a
Project Name/Number: /

Supporting Document Schedules

Unsatisfied -Name: Uniform Transmittal Document-Property & Casualty	Review Status: Filed	01/02/2009
Comments:		
Unsatisfied -Name: NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Review Status: Filed	01/02/2009
Comments:		
Unsatisfied -Name: NAIC loss cost data entry document	Review Status: Filed	01/02/2009
Comments:		
Satisfied -Name: ARKS-125950244	Review Status:	01/02/2009
Comments:		
Attachment: ARKS-125950244.pdf		

ARKS-125950244

✓ ER

Effective March 1, 2007

Property & Casualty Transmittal Document

Reset Form

1. Reserved for Insurance Dept. Use Only

FILED

Dec 16 2008

PROPERTY AND CASUALTY

ARKANSAS INSURANCE DEPARTMENT

2. Insurance Department Use only

a. Date the filing is received: # 70534

b. Analyst: # 100.00

c. Disposition:

d. Date of disposition of the filing:

e. Effective date of filing:

New Business	RECEIVED
Renewal Business	

f. State Filing #:

g. SERFF Filing #: DEC 16 2008

h. Subject Codes

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

3. Group Name

CNA Surety	Group NAIC #
	218

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Western Surety Company	SD	13188	46-0204900	

5. Company Tracking Number 03112508R

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

6. Name and address	Title	Telephone #s	FAX #	e-mail
Beverly Callihan	Rate/Form Filing Analyst	(605)330-4670	(605)330-7401	beverly.callihan@cnaSurety.com
PO Box 5077 Sioux Falls, SD 57117-5077		(800)331-6053 ext. 4670		

7. Signature of authorized filer *Beverly Callihan*

8. Please print name of authorized filer Beverly Callihan

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

9. Type of Insurance (TOI)	17.1 Other Liability-Claims Made Only
10. Sub-Type of Insurance (Sub-TOI)	17.1019 Professional Errors and Omissions Liability
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	Tax Preparers' Professional Liability
13. Filing Type	<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)
14. Effective Date(s) Requested	New: 1/15/09 Renewal: 1/15/09
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	
17. Reference Organization # & Title	
18. Company's Date of Filing	12/10/08
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document—

20. This filing transmittal is part of Company Tracking # 03112508R

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

The coverage limits and deductible have not changed for this program in more than 15 years and due to inflation are clearly outdated. To increase our ability to compete in this segment of the market, Western Surety Company is submitting changes to our Tax Preparers' Professional Liability program. The changes include, updating the forms, revising the rates and adding new coverage options. The form changes are discussed in form filing # 03112508F. The current rates were filed with the Arkansas Department of Insurance on November 22, 1992 for the standard rates and November 23, 1992 for the association rates. We are requesting a January 15, 2009 effective date.

Included in this filing are two copies of: this transmittal document, a detailed Filing Memorandum, a Rate Change Calculations exhibit, a Five-Year Experience and Expense report for Arkansas and countrywide, copies of the current and proposed rate pages. We have also included a check for \$100.00 to cover filing fees and a self-addressed, postage-paid envelope for your convenience.

[View Complete Filing Description](#)

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

Check #: 00000070534

Amount: \$100.00

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

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

PC TD-1 pg 2 of 2

RATE/RULE FILING SCHEDULE

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

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

1.	This filing transmittal is part of Company Tracking #	03112508R
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	03112508F
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Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	prior approval
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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)
Western Surety Co.		-41%	\$1,450	56	\$14,739		

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

5. Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)		
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		

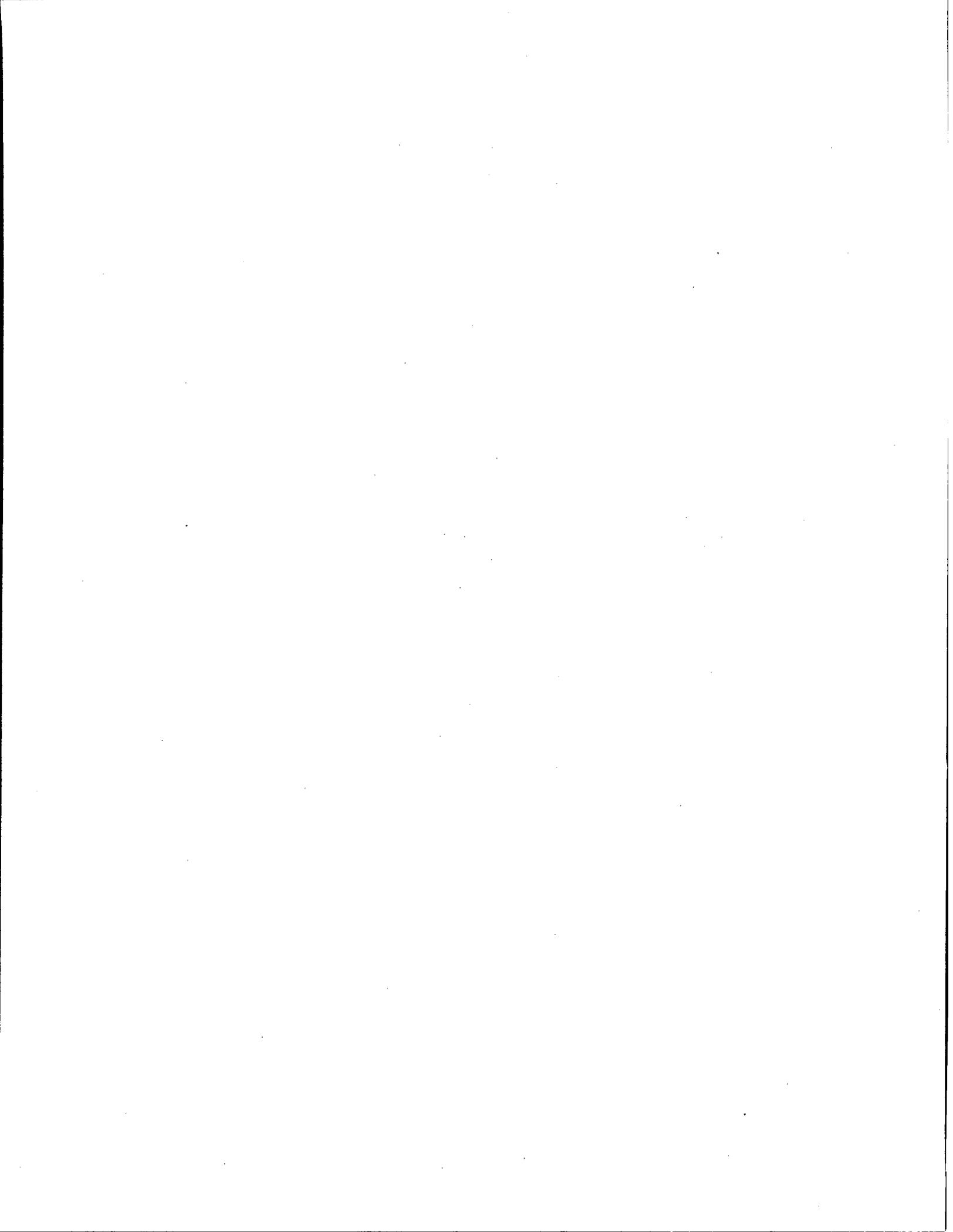
6.	Overall percentage of last rate revision	32%
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7.	Effective Date of last rate revision	11/22/92
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8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	prior approval
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9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	TAX-1 2-TAX	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02	TAX-3	<input checked="" type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

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**Western Surety Company
Tax Preparers' Rate/Rule/Form Filing**

FILING MEMORANDUM

Introduction:

The coverage limits and deductible have not changed for this program in more than 15 years and due to inflation are clearly outdated. To increase our ability to compete in this segment of the market, Western Surety Company is submitting changes to our Tax Preparers' Professional Liability program. The changes include, updating the forms, revising the rates and adding new coverage options. The forms for this claims-made other liability product were last filed in December of 2001 and the current rates were filed with the Arkansas Department of Insurance on November 22, 1992 for the standard rates and November 23, 1992 for the association rates. We are requesting a January 15, 2009 effective date.

Form Changes:

Form changes for this program are discussed in form filing # 03112508F.

Coverage Changes to the Existing Program:

- Deductible increased from \$100 to \$250
- Single loss limits that are equal to the current aggregate limits
- Aggregate limits that are double the new single loss limits of the policy

New Components of the Program:

Our company would like to add the following new components to the Tax Preparers' Professional Liability program:

- \$50,000 single / \$100,000 aggregate and \$100,000 single / \$200,000 aggregate policy limits
- Bookkeeping Services option
- Retroactive Coverage
 - One year Retroactive Coverage included with the purchase of a policy
 - Two year option for an additional premium
- Association rates to enrolled agents

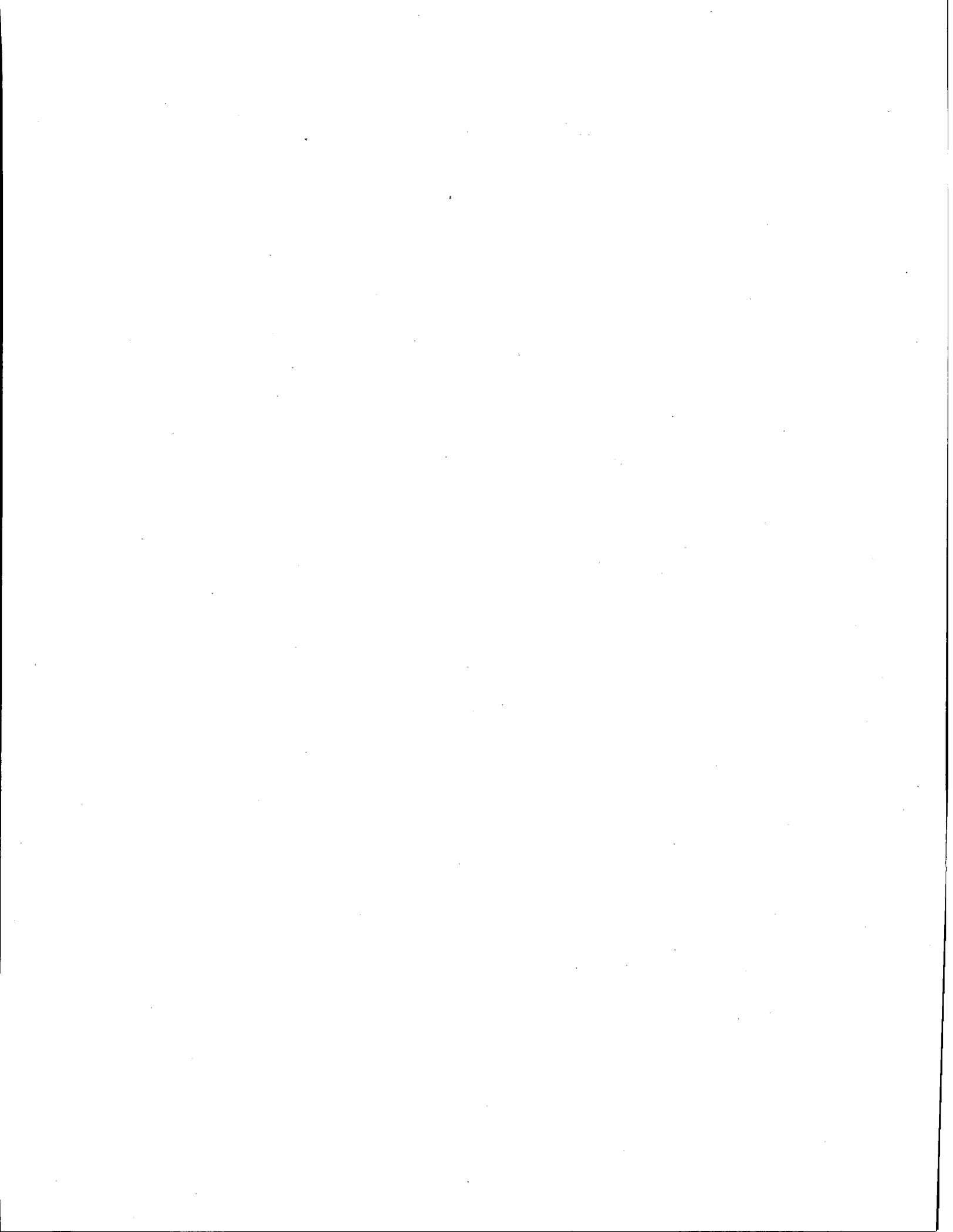
Aggregate Limits and Additional Policy Limits:

Currently, our policies have an aggregate limit of \$10,000 or \$25,000. We would like to add single loss limits as well as aggregate limits that are double the proposed single loss limit. Also, we would like to add two additional policy limits to our program of \$50,000 and \$100,000. The current and proposed policy limits are:

Current Policy Limits		Proposed Policy Limits	
Single Loss Limit / Aggregate Limit		Single Loss Limit / Aggregate Limit	
\$ - /	\$10,000	\$10,000 /	\$20,000
\$ - /	\$25,000	\$25,000 /	\$50,000
		\$50,000 /	\$100,000
		\$100,000 /	\$200,000

Offering Association Rates to Enrolled Agents:

Enrolled Agents are tax preparers who have obtained a special IRS designation. We believe that they along with association members represent a better class of risk and an even better risk if they are both an association member and an enrolled agent.



Western Surety Company
Tax Preparers' Rate/Rule/Form Filing
Page 2

Western Surety Company would like to consolidate the separate standard and association rates by converting our rates for associations to a rating factor.

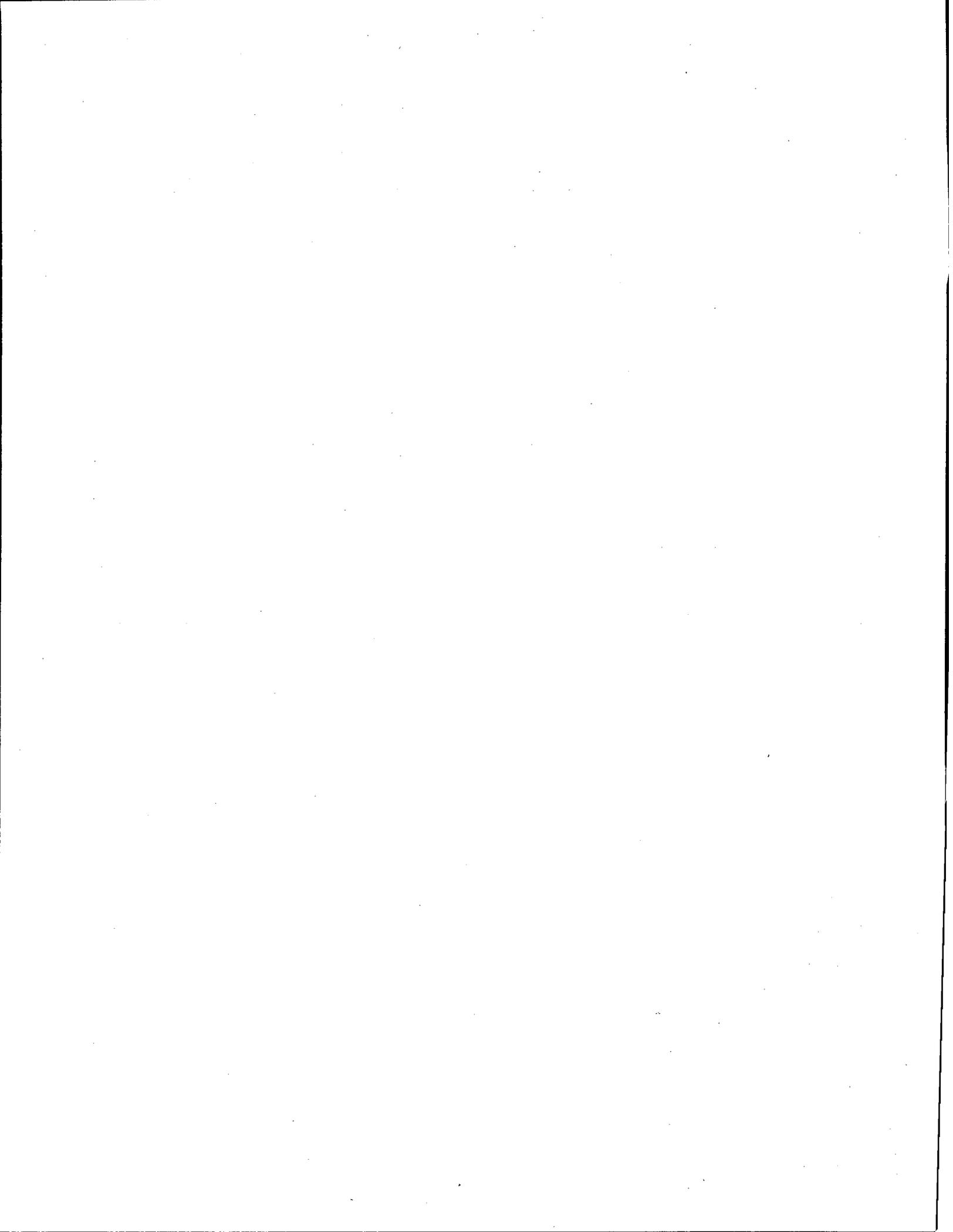
Arkansas Tax Preparers' Business:

The 2007 earned premium for this program in the state of Arkansas was \$14,739, with no losses. For the five-year period of 2003-2007, we experienced a loss ratio of 3.8%. The number of policy holders affected by the changes to this program is approximately 56.

Impact of Rate Changes on Arkansas Policy Holders:

The rate change was calculated by converting premiums to a rate per \$1000 per coverage for both the current and proposed premiums. The higher aggregate limits produce a lower rate per \$1000.

The impact of the deductible increase was calculated using the countrywide losses for 2007. The losses were then recalculated to take into account the proposed additional deductible. The deductible increase produces additional premium of \$13,203 which amounts to a 4.2% increase. When this increase is added to the average of the rate changes for the \$10,000 and \$25,000 standard rates and the \$10,000 and \$25,000 association rates, an overall rate decrease of 41% is calculated for this program. Please see the Rate Change Calculations included in this filing.



Western Surety Company
 Tax Preparers' Professional Liability
 Rate Change Calculations

Premium Rate Change

Standard Rates (\$10,000 policy):

1a. Current Aggregate Limit		\$10,000
1b. Current Premium Charged for (1a)		\$165.00
1c. Equivelant Rate per \$1000 of coverage for (1a)	(1b) / (1a)	\$16.50
1d. Proposed Aggregate Limit		\$20,000
1e. Proposed Premium Charged for (1d)		\$182.00
1f. Equivelant Rate per \$1000 of coverage for (1d)	(1e) / (1d)	\$9.10
1g. Premium Rate Change (1f) - (1c)		(\$7.40)
1h. Premium Rate Change Percentage (1g) / (1c)		-44.8%

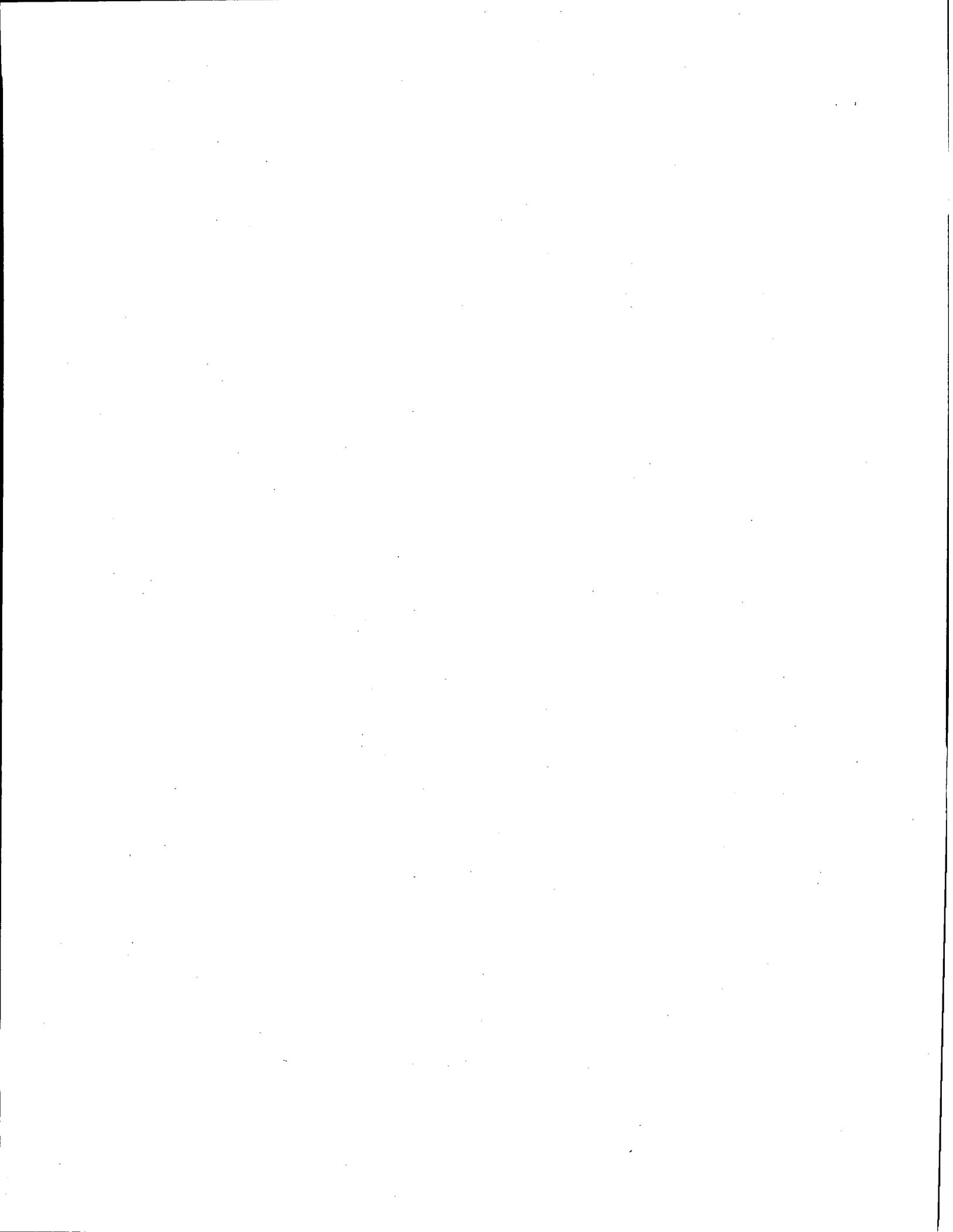
Standard Rates (\$25,000 policy):

2a. Current Aggregate Limit		\$25,000
2b. Current Premium Charged for (2a)		\$330.00
2c. Equivelant Rate per \$1000 of coverage for (2a)	(2b) / (2a)	\$13.20
2d. Proposed Aggregate Limit		\$50,000
2e. Proposed Premium Charged for (2d)		\$363.00
2f. Equivelant Rate per \$1000 of coverage for (2d)	(2e) / (2d)	\$7.26
2g. Premium Rate Change (2f) - (2c)		(\$5.94)
2h. Premium Rate Change Percentage (2g) / (2c)		-45.0%

Association Rates (\$10,000 policy):

3a. Current Aggregate Limit		\$10,000
3b. Current Premium Charged for (3a)		\$150.00
3c. Equivelant Rate per \$1000 of coverage for (3a)	(3b) / (3a)	\$15.00
3d. Proposed Aggregate Limit		\$20,000
3e. Proposed Premium Charged for (3d)		\$163.80
3f. Equivelant Rate per \$1000 of coverage for (3d)	(3e) / (3d)	\$8.19
3g. Premium Rate Change (3f) - (3c)		(\$6.81)
3h. Premium Rate Change Percentage (3g) / (3c)		-45.4%

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Western Surety Company
 Tax Preparers' Professional Liability
 Rate Change Calculations

Premium Rate Change

Association Rates (\$25,000 policy):

4a. Current Aggregate Limit	\$25,000
4b. Current Premium Charged for (4a)	\$300.00
4c. Equivalent Rate per \$1000 of coverage for (4a)	\$12.00 (4b) / (4a)
4d. Proposed Aggregate Limit	\$50,000
4e. Proposed Premium Charged for (4d)	\$326.70
4f. Equivalent Rate per \$1000 of coverage for (4d)	\$6.53 (4e) / (4d)
4g. Premium Rate Change (4f) - (4c)	(\$5.47)
4h. Premium Rate Change Percentage (4g) / (4c)	-45.6%

5. Average Percentage Premium Change for the program
 ((1g) + (2g) + (3g) + (4g)) / ((1c) + (2c) + (3c) + (4c))

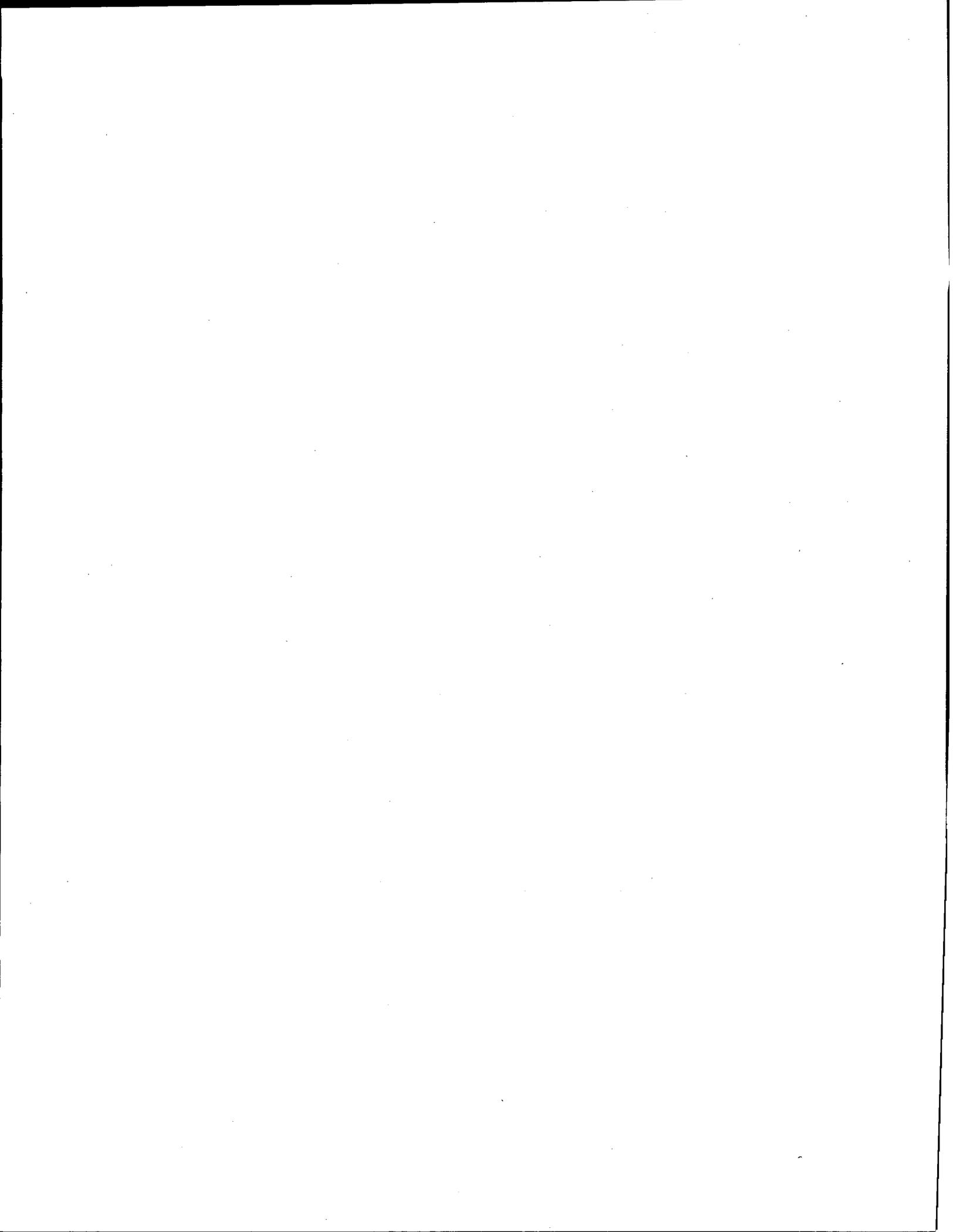
-45.2%

Deductible Rate Change

6a. Countrywide paid losses for 2007 net \$100 deductible	\$311,510
6b. Change in losses with increased deductible of \$250	(\$13,203)
6c. Premium change resulting from increase in deductible	\$13,203
6d. Percentage Premium Change \$13,203 / \$311,510	4.2%

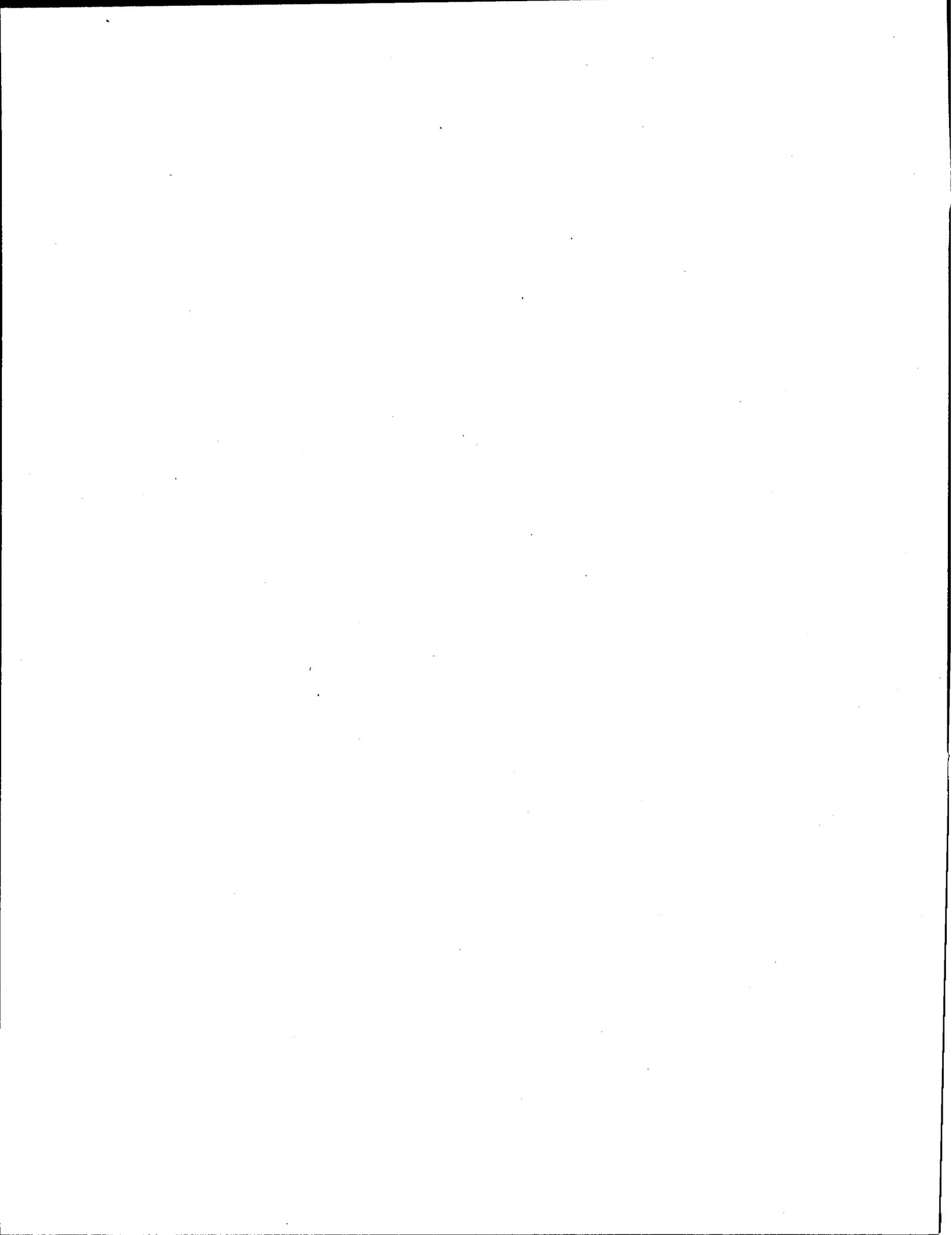
Overall Percentage Rate Change/Impact (5) + (6d)

-41%



Five Year Experience and Expense Report

Western Surety Company	2007 Amt.	%	2006 Amt.	%	2005 Amt.	%	2004 Amt.	%	2003 Amt.	%	Total All Years	%
Arkansas Other Liability												
1. Direct Premiums Earned	\$ 42,309		\$ 42,360		\$ 36,982		\$ 34,446		\$ 33,426		\$ 189,503	
2. Direct Losses Incurred	\$ (8,432)	-19.93%	\$ (5,034)	-11.88%	\$ (34,361)	-92.96%	\$ (27,210)	-78.99%	\$ 60,863	182.08%	\$ (14,174)	-7.48%
3. Direct Defense Cost Expense Incurred	\$ 1,805	4.27%	\$ (101)	-0.24%	\$ 1,445	3.91%	\$ (61,303)	-177.97%	\$ 76,741	229.58%	\$ 18,587	9.81%
4. Direct Loss Adjusting Expenses Incurred	\$ 1,481	3.50%	\$ 2,347	5.54%	\$ 950	2.57%	\$ 3,069	8.91%	\$ 4,021	12.03%	\$ 11,868	6.26%
5. Direct Loss & Loss Expenses Incurred (2,3,4)	\$ (5,146)	-12.15%	\$ (2,788)	-6.58%	\$ (31,966)	-86.48%	\$ (85,444)	-248.05%	\$ 141,625	423.70%	\$ 16,281	8.59%
6. Direct Com & Brokerage	\$ 12,835	30.34%	\$ 15,761	37.21%	\$ 12,591	34.06%	\$ 10,445	30.32%	\$ 8,295	24.82%	\$ 59,927	31.62%
7. Other Acq., Field Supr. & Coll. Exp. Incurred	\$ 2,983	7.05%	\$ 2,830	6.68%	\$ 3,223	8.72%	\$ 5,470	15.88%	\$ 5,883	17.60%	\$ 20,389	10.76%
8. General Expenses Incurred	\$ 4,464	10.55%	\$ 4,321	10.20%	\$ 4,827	13.06%	\$ 1,884	5.47%	\$ 2,206	6.60%	\$ 17,702	9.34%
9. Taxes, Lic & Fees Incurred	\$ 1,473	3.48%	\$ 1,863	4.40%	\$ 1,803	4.88%	\$ 1,645	4.78%	\$ 1,560	4.67%	\$ 8,344	4.40%
10. Total Exp Paid (6,7,8,9)	\$ 21,754	51.42%	\$ 24,774	58.49%	\$ 22,444	60.72%	\$ 19,444	56.45%	\$ 17,944	53.68%	\$ 106,361	56.13%
11. Direct Premiums Written	\$ 40,444		\$ 47,698		\$ 41,189		\$ 37,785		\$ 32,669		\$ 199,785	
Countrywide Other Liability												
1. Direct Premiums Earned	\$ 4,055,000		\$ 4,892,000		\$ 4,816,000		\$ 4,277,000		\$ 4,074,000		\$ 22,114,000	
2. Direct Losses Incurred	\$ (282,000)	-6.95%	\$ (227,000)	-4.64%	\$ (682,000)	-14.16%	\$ 1,163,000	27.19%	\$ 389,000	9.55%	\$ 361,000	1.63%
3. Direct Defense Cost Expense Incurred	\$ 89,000	2.19%	\$ 542,000	11.08%	\$ (374,000)	-7.77%	\$ (303,000)	-7.08%	\$ 159,000	3.90%	\$ 113,000	0.51%
4. Direct Loss Adjusting Expenses Incurred	\$ 142,000	3.50%	\$ 271,000	5.54%	\$ 124,000	2.57%	\$ 381,000	8.91%	\$ 490,000	12.03%	\$ 1,408,000	6.37%
5. Direct Loss & Loss & Loss Expenses Incurred (2,3,4)	\$ (51,000)	-1.28%	\$ 586,000	11.98%	\$ (932,000)	-19.35%	\$ 1,241,000	29.02%	\$ 1,038,000	25.48%	\$ 1,882,000	8.51%
6. Direct Comm. & Brokerage	\$ 1,129,000	27.84%	\$ 1,317,000	26.92%	\$ 1,971,000	40.93%	\$ 1,539,000	35.98%	\$ 1,429,000	35.08%	\$ 7,385,002	33.40%
7. Other Acq., Field Supr. & Collection Exp. Incurred	\$ 286,000	7.05%	\$ 327,000	6.68%	\$ 420,000	8.72%	\$ 679,000	15.88%	\$ 717,000	17.60%	\$ 2,429,000	10.98%
8. General Expenses Incurred	\$ 428,000	10.55%	\$ 499,000	10.20%	\$ 629,000	13.06%	\$ 234,000	5.47%	\$ 269,000	6.60%	\$ 2,059,000	9.31%
9. Taxes, Lic & Fees Incurred	\$ 122,000	3.01%	\$ 144,000	2.94%	\$ 172,000	3.57%	\$ 153,000	3.58%	\$ 121,000	2.97%	\$ 712,000	3.22%
10. Total Exp. Paid (6,7,8,9)	\$ 1,843,000	45.45%	\$ 2,287,000	46.75%	\$ 3,192,000	66.28%	\$ 2,605,000	60.91%	\$ 2,536,000	62.25%	\$ 12,483,003	56.36%
11. Direct Premiums Written	\$ 3,745,000		\$ 4,194,000		\$ 5,367,000		\$ 4,539,000		\$ 4,305,000		\$ 22,150,000	

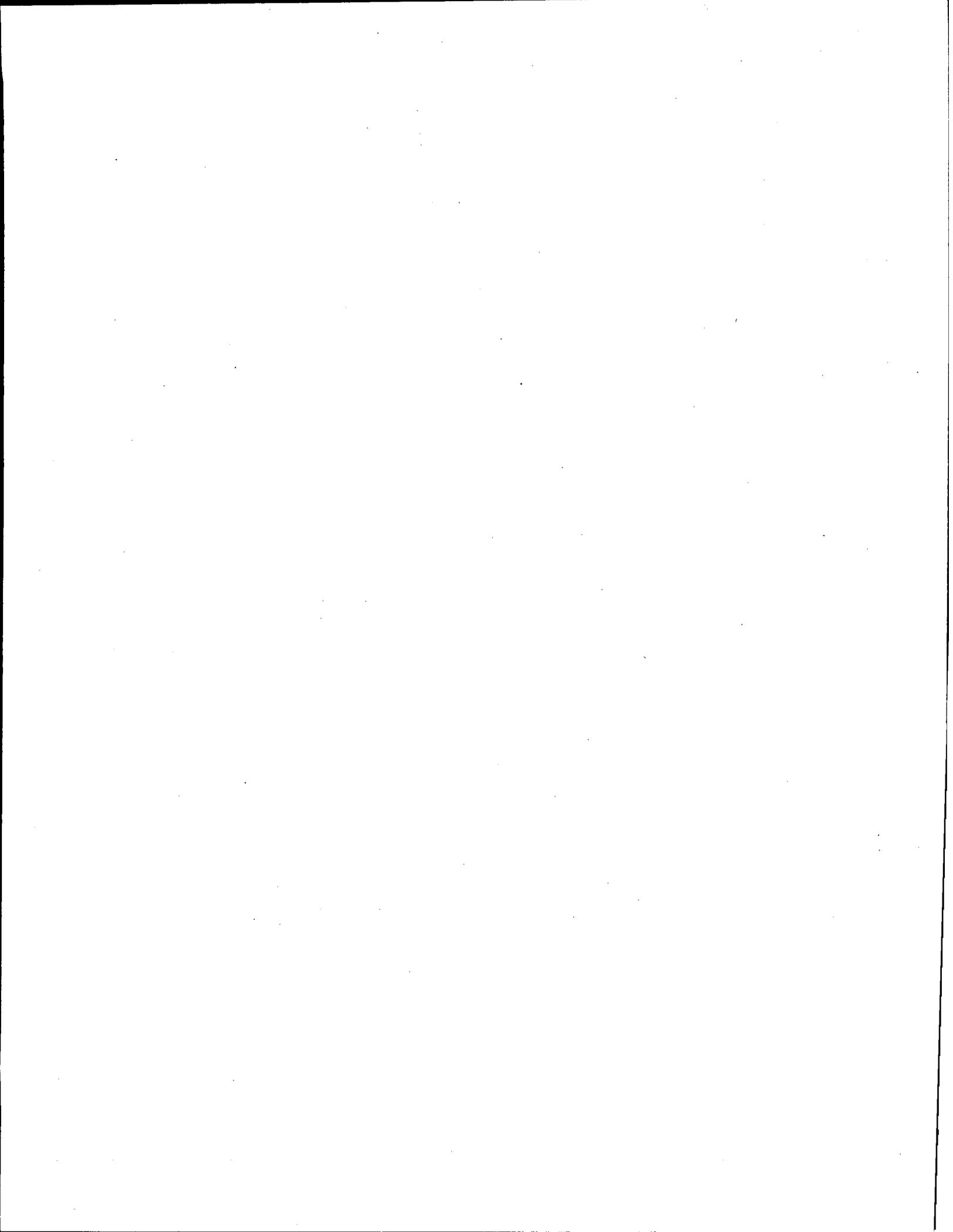


Western Surety Company
 Estimated Investment Earnings on Unearned Premium Reserves & Loss Reserves

The data on this exhibit was obtained from the company's Annual Statement and Insurance Expense Exhibit for 2007, 2006, 2005, 2004 and 2003.

(A) UNEARNED PREMIUM RESERVE:		
(1) Direct Earned Premium at present rate level for latest calendar year		315,538,149
(2) Mean Unearned premium Reserve (A.1) x 0.593		187,114,122
(3) Deduction for Prepaid Expenses:		
A. Commission and Brokerage	27.47%	
B. 50% of Other Acquisition Cost	3.91%	
C. 50% of General Expense	5.85%	
D. Taxes, Licenses and Fees	3.48%	
E. Total	40.71%	
(4) (A. 2) x (A. 3E)		76,174,159
(5) Net Subject to Investment (A. 2) - (A. 4)		110,939,963
(B) DELAYED REMISSION OF PREMIUM (AGENTS' BALANCES):		
(1) Direct Earned Premium @ 12/31 latest calendar year	315,538,149	
(2) Average Agents' Balances	0.009	
(3) Delayed Remission (B.1) x (B.2)		2,839,843
(C) EXPECTED LOSS AND LOSS ADJUSTMENT RESERVE:		
(1) Direct Earned Premium @ 12/31 latest calendar year	315,538,149	
(2) Expected Mean Loss Reserves (c.1) x .593		187,114,122
(D) NET SUBJECT TO INVESTMENT:		
(A.5) - (B.3) + (C.2)		295,214,242
(E) AVERAGE RATE OF RETURN ON INVESTED ASSETS:		4.34%
(F) INVESTMENT EARNINGS ON NET SUBJECT TO INVESTMENT:		
(D) x (E)		12,812,298
(G) AVERAGE RATE OF RETURN (INVESTED EARNINGS) AS A PERCENT OF DPE:		
(F) / (A.1)		4.06%
(H) AVERAGE RATE OF RETURN AS A PERCENT OF DIRECT EARNED PREMIUM AFTER FEDERAL INCOME TAX:		
(G) X .65		2.64%

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Sources: Based on Company Data - Allocated Appropriately
Explanatory Notes:

(A) UNEARNED PREMIUM RESERVE:

Line A.1

The Direct Earned Premium at present rate level for Surety Line latest Calendar year

(A.1) A/S: P.20GT, Column 2, Line 24

315,538,149

Line A.2

The Mean Unearned Premium Reserve is determined by multiplying the direct earned premium in Line (A.1) by the countrywide ratio of the mean unearned premium reserve to the net earned premium for Surety.

(2) Mean Unearned Premium Reserve (A.1) x .593

A. Net Earned Premium @ 12/31 latest calendar year

B. Unearned Premium Reserves @ 12/31 latest calendar year

C. Unearned Premium Reserves @ 12/31 penultimate calendar year

D. Mean Unearned Premium Reserve $1/2[(B) + (C)]$

E. Ratio (D)/(A)

385,773,910
232,155,890
225,007,645
228,581,767
0.593

(A) A/S:Pt. 1, Col. 4, Line 24, page 6

(B) A/S:Pt. 1, Col. 3, Line 24, page 6

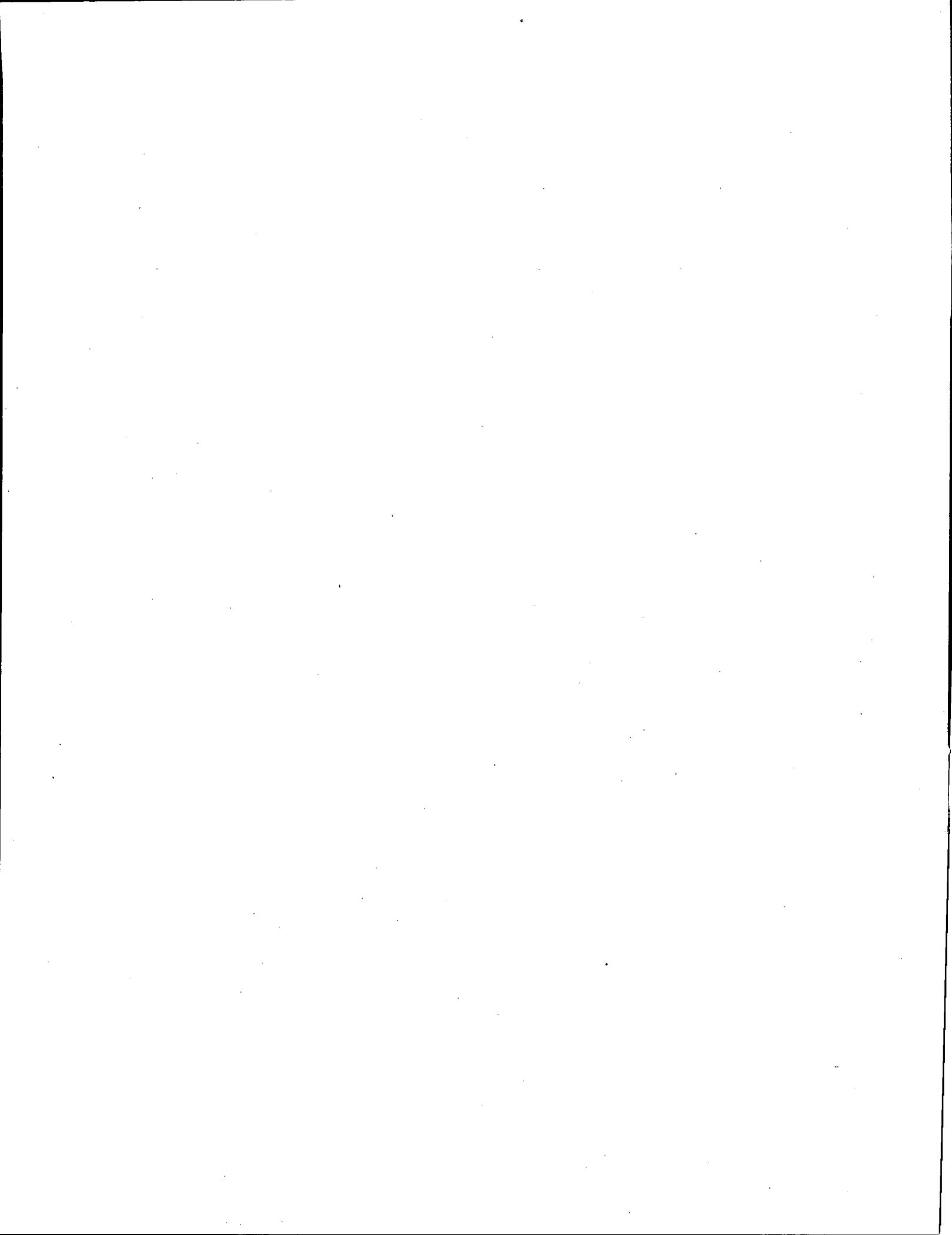
(C) A/S:Pt. 1, Col. 2, Line 24, page 6

Line A.3

Production (commission) costs and a large part of the other company expenses in connection with the writing and handling of Surety bonds, exclusive of claim adjustment expenses, are incurred when the bond is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedures as shown.

(A), (B), (C), & (D) are from Supp:Pt. III, Line 24, Calendar Years 2007, 2006, 2005, 2004 & 2003

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(B) DELAYED REMISSION OF PREMIUM (AGENTS' BALANCES):

Line B.2

This deduction is necessary because of delay in collection and remission of premium to the company beyond the effective dates of the bonds. Funds for the unearned premium reserve required during the initial days of all bonds must be taken from the company's surplus. Agents' balances or uncollected premiums for premiums due less than 90 days amount to .009 of net earned premiums. The .009 is based on the following:

(2) Average Agents' Balances

- A. Net Earned Premium @ 12/31 latest calendar year
- B. Net Agents' Balances @ 12/31 latest calendar year
- C. Net Agents' Balances @ 12/31 prior calendar year
- D. Mean Agents' Balances $1/2[(B) + (C)]$
- E. Ratio $(D)/(A)$

385,773,910
34,170,267
35,089,831
34,630,049
0.090

(A) A/S:Pt. 1, Col.4, Line 24, page 6

(B) A/S:Page 2, Line 13.1, Col. 3

(C) A/S:Page 2, Line 13.1, Col. 4

The above percentage must be multiplied by a factor of .094 to include the effect of agents' balances or uncollectable premiums overdue for more than 90 days. The .094 is based on the ratios of agents' balances due: (Less than 90 days + Over 90 days) / Earned Premium. The two factors combined amount to .090 x .094

0.009

F. Net Agents' Balances @ 12/31 latest calendar year / Earned Premium

G. Net Agents' Balances @ 12/31 prior calendar year / Earned Premium

H. Mean Agents' Balances $1/2[(F) + (G)]$

0.089

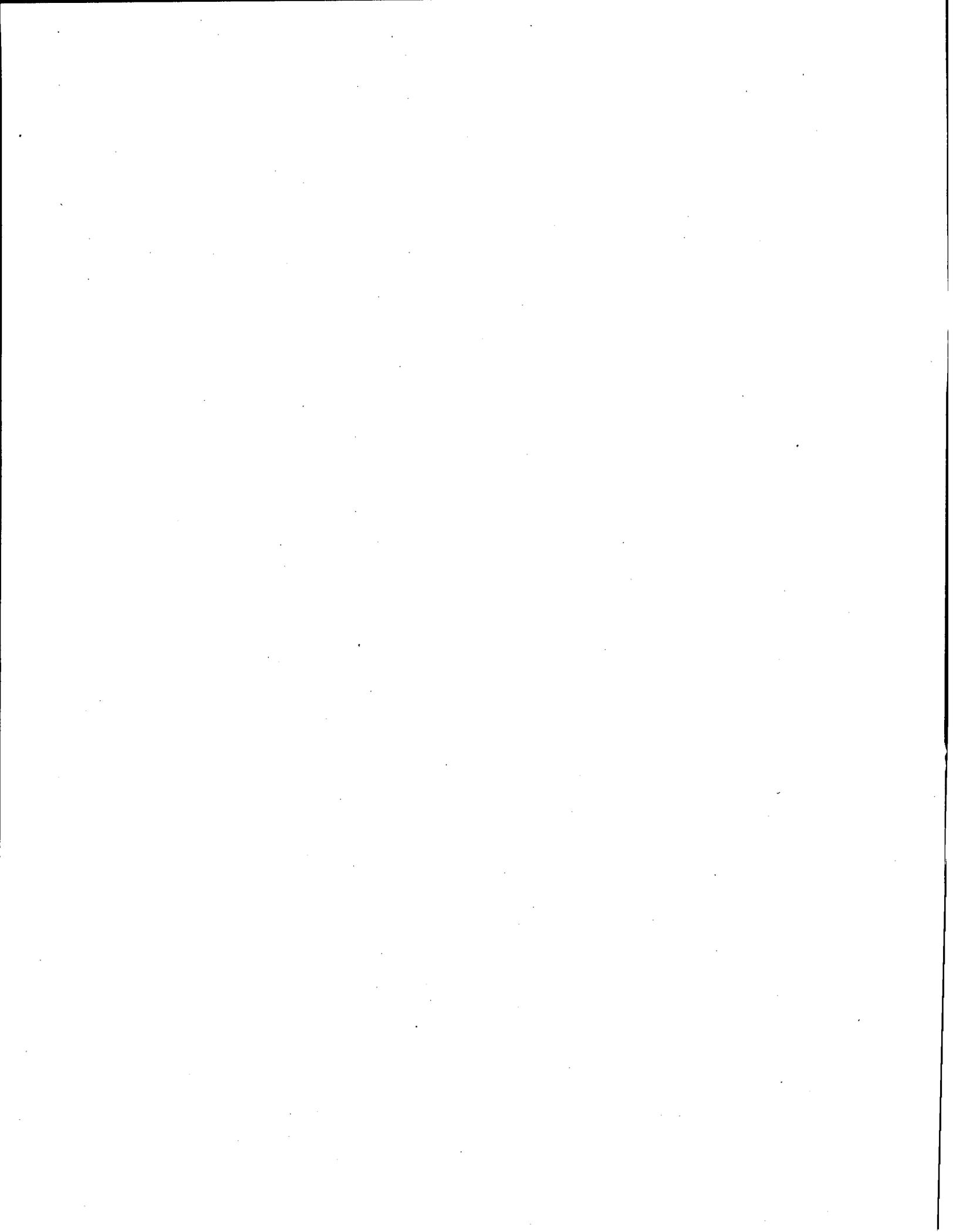
0.099

0.094

(F) (A/S:P.2, Line 13.1, Col. 3)/(A/S:Pt. 1, Col. 4, Line 24, page 6)

(G) (A/S:P.2, Line 13.1, Col. 4)/(A/S:Pt. 1, Col. 4, Line 24, page 6)

(*) Net Agents Balances are prorated at .91 (2006) and .92 (2007) for Surety (Part 1).



(C) EXPECTED LOSS AND LOSS ADJUSTMENT RESERVE:
Line C.2

The expected mean loss reserve was selected based on company expense data. The ratio used has all LAE omitted.

A. Commission and Brokerage	27.47%
B. 50% of Other Acquisition Cost	3.91%
C. 50% of General Expense	5.85%
D. Taxes, Licenses and Fees	3.48%
F. Total	40.71%
G. [1-(F)]	59.3%

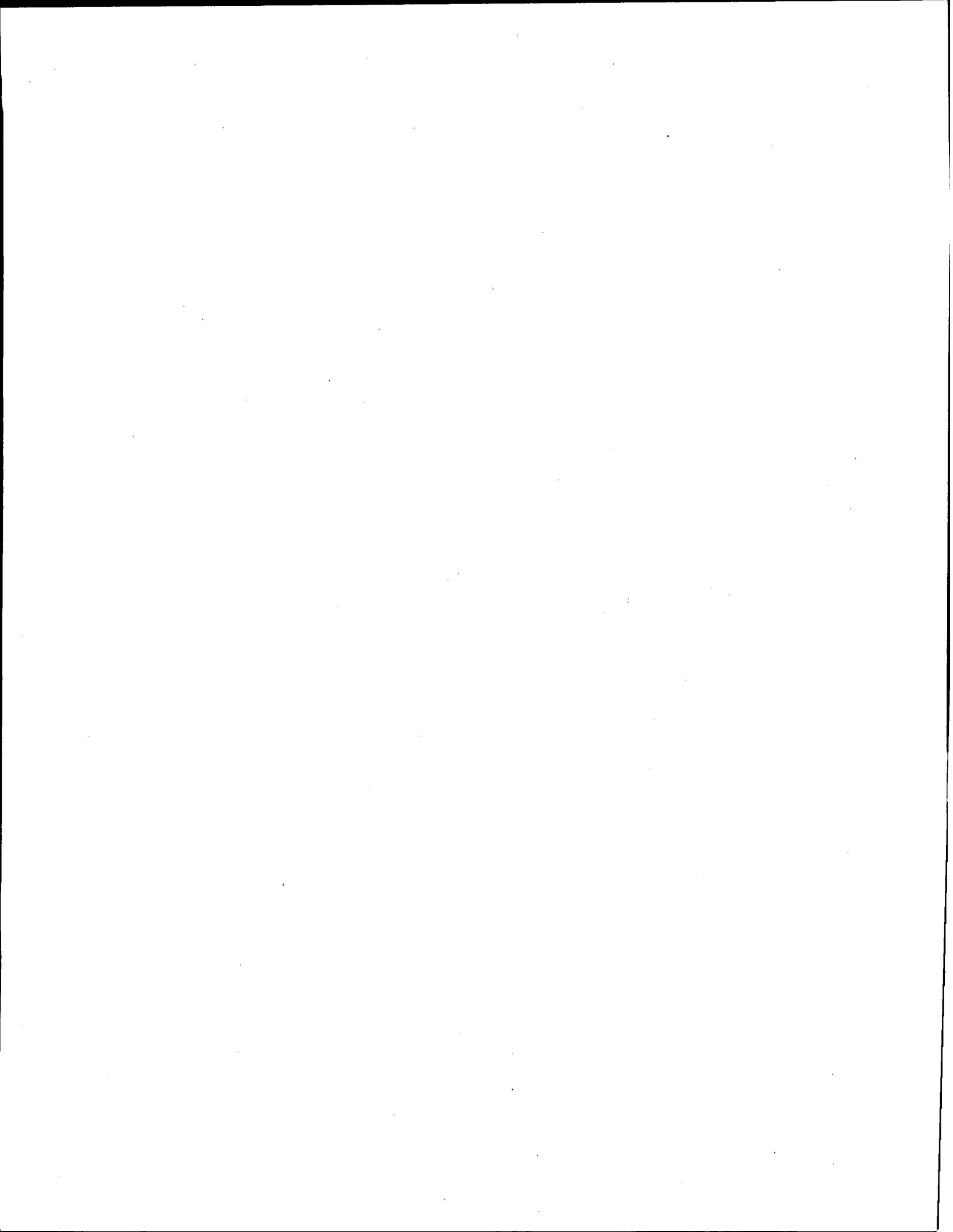
(E) AVERAGE RATE OF RETURN ON INVESTED ASSETS:
Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets as follows:

(1) Net Investment Income Earned @ 12/31 latest calendar year	40,585,975
(2) Net Investment Income Earned @ 12/31 prior calendar year	38,899,857
Total	<u>79,485,832</u>
(3) Cash & Invested Assets @ 12/31 latest calendar year	983,676,671
(4) Cash & Invested Assets @ 12/31 prior calendar year	857,381,927
Total	<u>1,841,058,598</u>
(5) Rate of Return Ratio (1)/(3)	4.13%
(6) Rate of Return Ratio (2)/(4)	4.54%
(7) Total Rate of Return Ratio	4.31%

(1) A/S:p.4, Line 11, Col. 1
 (2) A/S:p.4, Line 11, Col. 2
 (3) A/S:p.2, Line 10, Col. 3
 (4) A/S:p.2, Line 10, Col. 4

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TAX-1

* First Revision, 4-93

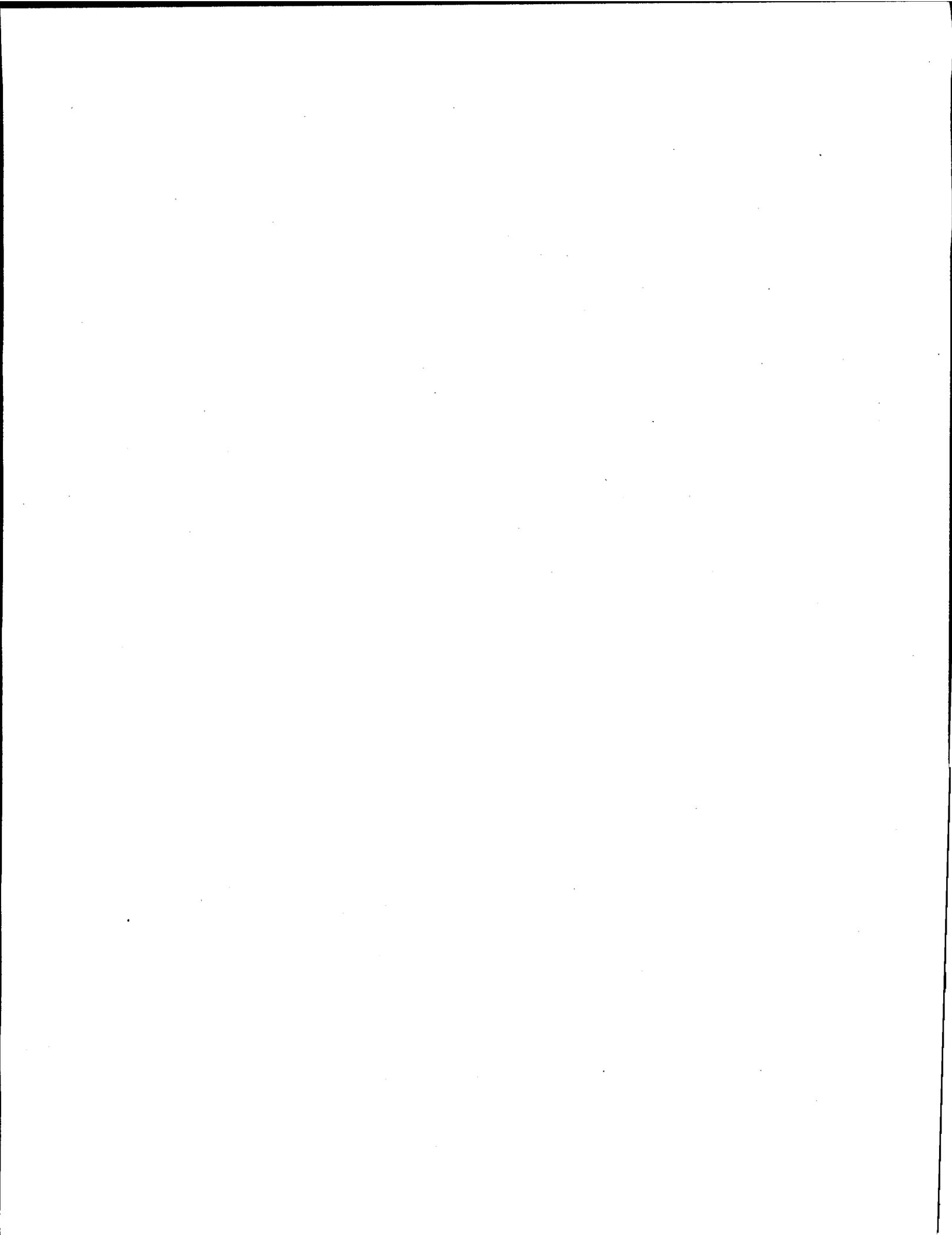
ARKANSAS

Tax Preparers' Professional Liability Insurance

This is a claims-made policy with a one-year term and a \$100 deductible. The limits and annual premiums below are for a firm with 3 employees or less. For each employee over 3, an additional annual charge applies, as listed.

Limit	Premium +	Each Over 3
\$10,000	* \$165	* \$40
\$25,000	* \$330	* \$80

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TAX-2

First Edition, 4-93

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ARKANSAS

Tax Preparers' Professional Liability Insurance

This is a claims-made policy with a one-year term and a \$100 deductible. The annual premiums below are only for the members of tax preparers' associations, but the specific association should represent a better class of risk. These premiums should only be used for associations preapproved by Underwriting Management.

ASSOCIATION MEMBERS' PREMIUMS

Limit	3 or Less Employees Premium +	Each Employee Over 3
\$10,000	\$150	\$35
\$25,000	\$300	\$70

See page TAX-1 for rates applicable to non-members or associations not qualifying for this discount.

Tax Preparers' Professional Liability Insurance

This is a claims-made policy with a one-year term and is subject to a \$250 single loss / \$500 annual aggregate deductible. The limits and annual premiums below are for a firm with 8 employees or less. For each employee over 8, an additional annual charge applies as listed.

# Employees	\$10,000/\$20,000	\$25,000/\$50,000
1 — 3	\$182	\$363
4	\$226	\$451
5	\$270	\$539
6	\$314	\$627
7	\$358	\$715
8	\$402	\$803
Over 8	\$44	\$88

# Employees	\$50,000/\$100,000	\$100,000/\$200,000
1 — 3	\$556	\$737
4	\$686	\$909
5	\$817	\$1,086
6	\$947	\$1,260
7	\$1,078	\$1,434
8	\$1,209	\$1,608
Over 8	\$131	\$174

ASSOCIATIONS and ENROLLED AGENTS

Members of tax preparer professional associations and enrolled agents represent a preferred risk class.

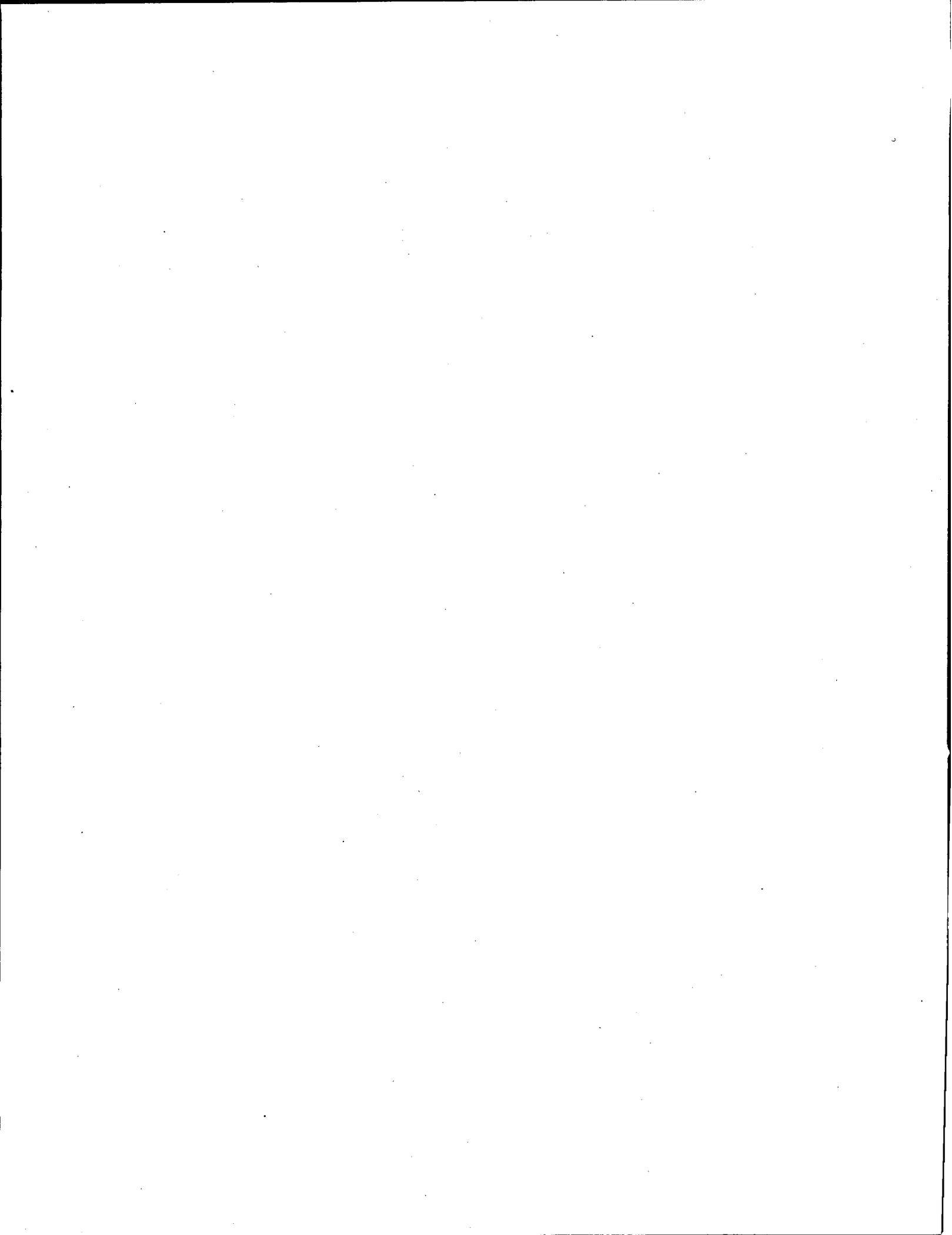
Multiply the Policy premium by the discount factor listed below.

- Enrolled Agent 0.9
- Association 0.9
- Enrolled Agent & Association 0.85

The factors listed above are only for enrolled agents and members of tax preparers' associations.

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Proposed Rate Page

2-TAX

First Edition, MODEL

Tax Preparers' Professional Liability Insurance

The following coverage options are available for additional annual premiums.

	\$10,000/\$20,000	\$25,000/\$50,000
Retroactive - 1 Yr.	Included	Included
Retroactive - 2 Yr.	\$125	\$250
Bookkeeping Option		
Factor for 1-10%	1.15	1.15
Factor for 11-25%	1.25	1.25
Factor for 25% +	1.33	1.33
Extended Reporting factor	0.5	0.5

	\$50,000/\$100,000	\$100,000/\$200,000
Retroactive - 1 Yr.	Included	Included
Retroactive - 2 Yr.	\$375	\$500
Bookkeeping Option		
Factor for 1-10%	1.15	1.15
Factor for 11-25%	1.25	1.25
Factor for 25% +	1.33	1.33
Extended Reporting factor	0.5	0.5

Bookkeeping Option:

Subject to Underwriting approval, a bookkeeping services endorsement may be purchased by the insured. The premium is based on the percentage of the insured's business classified as bookkeeping, ranging from 1-10%, 11-25% and more than 25%.

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Proposed Rate Page

First Edition, MODEL

TAX-3

Tax Preparers' Professional Liability Insurance

Extended Reporting Period:

Subject to Underwriting approval, an extended reporting period endorsement may be purchased by the insured to take effect subsequent to the date of the policy's cancellation or termination. The insured may purchase this extended reporting period endorsement for either one, two or three years.

The premium is 50% of the last annual premium of the policy for each year of extended reporting purchased, to a maximum of three years or 150%.

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