

SERFF Tracking Number: AMMH-126159999 State: Arkansas  
Filing Company: American Modern Home Insurance Company State Tracking Number: EFT \$100  
Company Tracking Number: 20071226-13  
TOI: 30.1 Dwelling Fire/Personal Liability Sub-TOI: 30.1000 Dwelling Fire/Personal Liability  
Product Name: DP-1 Program (077)  
Project Name/Number: DP-1 Program (077) rate filing/20071226-13

## Filing at a Glance

Company: American Modern Home Insurance Company

Product Name: DP-1 Program (077)

SERFF Tr Num: AMMH-126159999 State: Arkansas

TOI: 30.1 Dwelling Fire/Personal Liability

SERFF Status: Closed

State Tr Num: EFT \$100

Sub-TOI: 30.1000 Dwelling Fire/Personal Liability

Co Tr Num: 20071226-13

State Status: Fees verified and received

Filing Type: Rate

Co Status:

Reviewer(s): Becky Harrington, Betty Montesi, Brittany Yielding

Author: Jessica Housley

Disposition Date: 05/20/2009

Date Submitted: 05/20/2009

Disposition Status: Filed

Effective Date Requested (New): 09/15/2009

Effective Date (New): 09/15/2009

Effective Date Requested (Renewal): 09/15/2009

Effective Date (Renewal):

09/15/2009

State Filing Description:

## General Information

Project Name: DP-1 Program (077) rate filing

Status of Filing in Domicile:

Project Number: 20071226-13

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 05/20/2009

State Status Changed: 05/20/2009

Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

American Modern Home Insurance Company is submitting a rate filing for its DP-1 Program.

## Company and Contact

### Filing Contact Information

Jessi Housley, Filing Analyst

[jhousley@amig.com](mailto:jhousley@amig.com)

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7000 Midland Blvd. (800) 759-9008 [Phone]  
Amelia, OH 45102 (513) 947-4820[FAX]

**Filing Company Information**

American Modern Home Insurance Company CoCode: 23469 State of Domicile: Ohio  
7000 Midland Blvd. Group Code: 361 Company Type: Property and  
Casualty  
Amelia, OH 45102 Group Name: State ID Number:  
(800) 759-9008 ext. [Phone] FEIN Number: 31-0715697  
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## Filing Fees

Fee Required? Yes  
Fee Amount: \$100.00  
Retaliatory? No  
Fee Explanation: \$100 per rate filing  
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
American Modern Home Insurance Company	\$100.00	05/20/2009	28008169

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	05/20/2009	05/20/2009

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## Disposition

Disposition Date: 05/20/2009  
 Effective Date (New): 09/15/2009  
 Effective Date (Renewal): 09/15/2009  
 Status: Filed  
 Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
American Modern Home Insurance Company	5.600%	5.510%	\$34,293	955	\$622,561	11.670%	0.000%

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<b>Item Type</b>	<b>Item Name</b>	<b>Item Status</b>	<b>Public Access</b>
<b>Supporting Document</b>	Form RF-2 Loss Costs Only (not for workers' compensation)	Filed	No
<b>Supporting Document</b>	H-1 Homeowners Abstract	Filed	No
<b>Supporting Document</b>	HPCS-Homeowners Premium Comparison Survey	Filed	No
<b>Supporting Document</b>	NAIC loss cost data entry document	Filed	No
<b>Supporting Document</b>	explanatory	Filed	No
<b>Supporting Document</b>	Indications	Filed	No
<b>Rate</b>	Arkansas DP-1 Program Manual	Filed	No

<i>SERFF Tracking Number:</i>	<i>AMMH-126159999</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>American Modern Home Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>20071226-13</i>		
<i>TOI:</i>	<i>30.1 Dwelling Fire/Personal Liability</i>	<i>Sub-TOI:</i>	<i>30.1000 Dwelling Fire/Personal Liability</i>
<i>Product Name:</i>	<i>DP-1 Program (077)</i>		
<i>Project Name/Number:</i>	<i>DP-1 Program (077) rate filing/20071226-13</i>		

## Rate Information

Rate data applies to filing.

<b>Filing Method:</b>	File and Use
<b>Rate Change Type:</b>	Increase
<b>Overall Percentage of Last Rate Revision:</b>	-1.150%
<b>Effective Date of Last Rate Revision:</b>	03/15/2008
<b>Filing Method of Last Filing:</b>	File and Use

## Company Rate Information

<b>Company Name:</b>	<b>Overall % Indicated Change:</b>	<b>Overall % Rate Impact:</b>	<b>Written Premium Change for this Program:</b>	<b># of Policy Holders Affected for this Program:</b>	<b>Written Premium for this Program:</b>	<b>Maximum % Change (where required):</b>	<b>Minimum % Change (where required):</b>
American Modern Home Insurance Company	5.600%	5.510%	\$34,293	955	\$622,561	11.670%	0.000%

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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Arkansas DP-1 Program Manual		Replacement	AR077DW09.pdf

**ARKANSAS  
AMERICAN MODERN HOME INSURANCE COMPANY  
DP-1 PROGRAM**

**GENERAL RULES**

**1. DEFINITIONS**

- A. Dwelling – a structure used as the insured's primary residence containing not more than 4 dwelling units or more than 2 stories.
- B. Vacant/Unoccupied Dwelling – a dwelling that is unoccupied and/or being held for sale, whether or not the contents have been removed.
- C. Seasonal Dwelling - a dwelling that is not the primary residence of the insured, but one that is used on an intermittent basis by the insured and his (her) immediate family.
- D. Rental Dwelling – a dwelling that is rented to others for residential purposes. Insurance is written to cover the interest of the owner of a rented dwelling.
- E. Single Building
  - a. All buildings or sections of buildings which communicate through unprotected openings.
  - b. Buildings which are separated by a space shall be considered separate buildings.
  - c. Buildings or sections of buildings which are separated by an eight (8) inch masonry party wall which pierces or rises to the underside of the roof shall be considered separate buildings. Communication between buildings through masonry party walls described above shall be protected by at least a Class "A" Fire Door installed in a masonry wall section.
- F. Construction Types – The three different construction types are defined below.
  - a. Frame (1) - Exterior walls of wood or other combustible construction, including walls with metal, stucco, or metal lath and plaster on combustible supports. Aluminum or plastic siding over frame.
  - b. Masonry Veneer (2) - Exterior wall of combustible construction veneered with masonry materials. Rated as masonry.
  - c. Masonry (3) - Exterior walls constructed of masonry materials such as adobe, brick, concrete, concrete block, stone, tile or similar materials or non-combustible materials on non-combustible supports.
- G. Public Fire Protection  
Except in areas otherwise classified, all dwellings within the corporate limits shall take the fire protection classification of the municipality. All dwellings located outside of the corporate limits of a municipality shall be considered as unprotected, unless the fire protection in the district in which the dwelling is located is specifically classified.
- H. Supplemental Heating Device  
Wood, coal, or pellet burning stoves, space heaters, fireplace inserts or any other heating device that is not centralized.

**2. POLICY FORMS**

Coverage will be written on the Dwelling Property - Basic Form contained within this filing, which will consist of:

- A. Policy form, plus,
- B. Declaration page, plus
- C. Required endorsements, if any

**3. POLICY TERM**

All premiums and rates contained in the Rate Section of this manual are annual unless otherwise indicated. A Dwelling Policy must be written for a specified term not to exceed one year. For the purpose of maintaining common anniversary dates, it is permissible to write a Dwelling Policy for a term of less than one year on a pro rata basis.

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**ARKANSAS  
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DP-1 PROGRAM**

4. CHANGES

- A. All changes requiring adjustments of premium shall be computed pro rata.
- B. If a policy is amended and results in a premium adjustment of less than \$5.00, such adjustment may be waived. If there is a decrease in coverage requested by the company, the full return premium will be refunded to the Insured.

5. TRANSFER OR ASSIGNMENT

Subject to the rules of this manual and any necessary adjustment of premium, a dwelling policy may be endorsed to effect transfer to another location within the same state; or assignment from one insured to another in the event of transfer of title of the dwelling.

6. CANCELLATION

If a policy or form of coverage is cancelled or reduced at the request of the insured or by the Company, the return premium shall be calculated pro rata of the premium, subject to any applicable minimum premiums.

7. MINIMUM WRITTEN AND EARNED PREMIUM

No policy shall be written for less than the minimum written and earned premiums shown on the rate pages.

8. WHOLE DOLLAR PREMIUM

The premium shall be rounded to the nearest whole dollar separately for each coverage provided by the policy.

A premium of \$.50 or more shall be rounded up to the next higher whole dollar.

This procedure shall apply to all interim premium adjustments, including endorsements and cancellations.

9. MANUAL PREMIUM REVISION

A manual premium revision, meaning any revision of premium applicable to the Dwelling Programs including changes due to reclassification of community or district, shall be made in accordance with the following procedures. The revision shall apply to any policy or endorsement with the effective date of the renewal of the policy or anniversary date of annual installment policy.

10. DEDUCTIBLES

Coverages may be subject to the application of deductibles as shown on the rate pages.

11. INSPECTION FEE (ZK)

A \$35.00 inspection fee will apply to all new business policies.

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**ARKANSAS  
AMERICAN MODERN HOME INSURANCE COMPANY  
DP-1 PROGRAM**

**ELIGIBILITY AND COVERAGES**

I. DP-1 Program

A. Eligible Risks

- (1) Owner Occupied
- (2) Seasonal
- (3) Rental

B. Property Coverages

- (1) Coverage A - Dwelling
- (2) Coverage B - Other Structures - Increase Optional
- (3) Coverage C - Personal Property - Optional
- (4) Coverage D - Fair Rental Value (Rental Program)

C. Other Coverages

Automatically included when coverage on the dwelling is provided

- (1) Other Structures - Up to 10% of Coverage A (Reduces Coverage A)
- (2) Debris Removal
- (3) Improvements, Alterations and Additions (Reduces Coverage C)
- (4) World-Wide Coverage (Reduces Coverage C)
- (5) Rental Value (Reduces Coverage A)
- (6) Reasonable Repairs
- (7) Property Removed
- (8) Fire Department Service Charge

D. Perils Insured Against

- (1) Fire - Included
  - a. Fire or Lightning
  - b. Internal Explosion
- (2) Extended Coverage - Included
  - a. Windstorm or Hail
  - b. Explosion
  - c. Riot or Civil Commotion
  - d. Aircraft
  - e. Vehicles
  - f. Smoke
  - g. Volcanic Eruption
- (3) Vandalism or Malicious Mischief – Optional (Owner Occupied and Rental Risks)
- (4) Terrorism (Rental Risks)

E. Optional Coverages

The policy may be written to include:

- (1) Additional Living Expense (not available on seasonal or rental)
- (2) Other Structures
- (3) Residence Burglary (not available on seasonal)
- (4) Windstorm and Hail Buy-Back for Antennas

F. Liability Coverages - Owner Occupied - Optional For **Renewal business on Seasonal**

- (1) Coverage L – Personal Liability
  - a. Animal Liability Sub-Limit - Included when Personal Liability is purchased
  - b. Animal Liability Exclusion - Optional
- (2) Coverage M – Medical Payments to Others
- (3) Additional Coverages
 

Automatically included when liability coverage is purchased.

  - a. Claim Expenses
  - b. First Aid Expenses
  - c. Damage to Property of Others

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DP-1 PROGRAM**

- G. Liability Coverages – Rental and Seasonal - Optional **For New business on Seasonal**
- (1) Premises Liability
  - (2) Premises Medical Payments
  - (3) Terrorism (Rental Only)

II. Vacant Program

A. Eligible Risks

- (1) Vacant/Unoccupied dwellings

B. Property Coverages

- (1) Coverage A – Dwelling
- (2) Coverage B - Other Structures – Increase Optional

C. Other Coverages

Automatically included when coverage on the dwelling is provided

- (1) Other Structures - Up to 10% of Coverage A (Reduces Coverage A)
- (2) Debris Removal
- (3) Rental Value (Reduces Coverage A)
- (4) Reasonable Repairs
- (5) Property Removed
- (6) Fire Department Service Charge

D. Perils Insured Against

- (1) Fire - Included
  - a. Fire or Lightning
  - b. Internal Explosion
- (2) Extended Coverage - Included
  - a. Windstorm or Hail
  - b. Explosion
  - c. Riot or Civil Commotion
  - d. Aircraft
  - e. Vehicles
  - f. Smoke
  - g. Volcanic Eruption
- (3) Vandalism or Malicious Mischief - Optional

E. Optional Coverages

The policy may be written to include:

- (1) Windstorm and Hail Buy-Back for Antennas

F. Liability Coverages - Optional

- (1) Premises Liability
- (2) Premises Medical Payments

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**ARKANSAS  
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DP-1 PROGRAM**

**RATE SECTION**

**TERRITORY DEFINITION**

Unless otherwise indicated, the rates and/or premiums apply to the entire state.

**Territory 60**

Remainder of State

**Territory 61**

Pulaski County

**Territory 62**

Desha County  
Jefferson County  
Mississippi County  
Poinsett County  
White County  
Washington County

**Territory 63**

Benton County  
Carroll County  
Crawford County  
Madison County  
Sebastian County

**Territory 64**

Clark County  
Faulkner County  
Garland County  
Hot Spring County  
Saline County

**DEDUCTIBLES**

DP-1 and Vacant Dwelling Programs

The rates and/or premiums shown herein for all coverages on the dwelling are subject to a \$500 All Peril deductible. The deductible is applicable per home, per loss occurrence.

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**ARKANSAS  
AMERICAN MODERN HOME INSURANCE COMPANY  
DP-1 PROGRAM**

**BASE PREMIUM COMPUTATION**  
(Does not apply to Vacant)

1. Determine the value of the Dwelling = Dwelling limit. (round up to an even thousand)
2. Multiply the Flat Base Rate, Coverage Relativity, Territory Relativity, UVRC\* Relativity that corresponds to the Dwelling Limit and Protection Class Relativity.  
(Base Rate \* Coverage Relativity \* Territory Relativity \* UVRC Relativity \* Protection Class Relativity) = Sub Total 1 (round to the nearest penny)
3. Multiply Sub Total 1 by the total surcharge/discount percentage, as defined by the applicable Risk Code Relativity Factors (if applies)  
(Sub Total 1 \* Total Risk Code percentage) = Hold 1 (round to the nearest penny)
4. Add Sub Total 1 and Hold 1.  
(Sub Total 1 + Hold 1) = Sub Total 2 (round to the nearest whole dollar)

\*UVRC is defined as Unit Value Relativity Curve.

**VACANT – BASE PREMIUM COMPUTATION**

1. Determine the value of the Dwelling.
2. Round the Dwelling Limit up to the nearest hundred, and divide by 100.  
(Adjusted Dwelling Limit/100 = Sub Total 1)
3. Multiply Sub Total 1 by the Rate per \$100 of Coverage.  
(Sub Total 1 \* Rate per \$100 of Coverage = Sub Total 2)
4. Multiply Sub Total 2 by the total surcharge/discount percentage, as defined by the applicable Risk Code Relativity Factors (if applies)  
(Sub Total 2 \* Total Risk Code Percentage) = Hold 1 (round to the nearest penny)
5. Add Sub Total 2 and Hold 1.  
(Sub Total 2 + Hold 1) = Total (round to the nearest whole dollar)

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DP-1 PROGRAM**

**OWNER OCCUPIED, RENTAL OCCUPIED AND SEASONAL OCCUPIED**

**DP-1 Program (4V1/4V2/4V3)**

Fire and Extended Coverage

Frame and Masonry Construction

Product	Base Rate	Covg Incr	Base Rate per Incr	Min Prem Amount	Min Rate Value	Min Val Accept	UVRC Code	Cov Relativity	Deductible
4V1	\$136.35	N/A	N/A	\$100.00	\$10,000	\$1,000	New	1.00	\$500.00
4V2	\$146.57	N/A	N/A	\$100.00	\$10,000	\$1,000	New	1.00	\$500.00
4V3	\$145.17	N/A	N/A	\$100.00	\$10,000	\$1,000	New	1.00	\$500.00

Territory Relativity Table				
60	61	62	63	64
1.00	1.32	1.32	0.90	0.92

Protection Class Table									
Class	Factor	Class	Factor	Class	Factor	Class	Factor	Class	Factor
1-3	1.00	4-6	1.10	7-8	1.50	9	2.00	10	2.40

Construction Relativity Table	
Frame	Masonry
1.00	0.94

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**ARKANSAS  
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DP-1 PROGRAM**

**OWNER OCCUPIED, RENTAL OCCUPIED AND SEASONAL OCCUPIED**

**DP-1 Program PERSONAL PROPERTY (7M1/7M2/7M3)**

Fire and Extended Coverage

Frame and Masonry Construction

Product	Base Rate	Covg Incr	Base Rate per Incr	Min Prem Amount	Min Rate Value	Min Val Accept	UVRC Code	Cov Relativity	Deductible
7M1	\$53.00	1,000	N/A	\$100.00	\$10,000	\$1,000	C5	1.00	\$500.00
7M2	\$47.00	1,000	N/A	\$100.00	\$10,000	\$1,000	C5	1.00	\$500.00
7M3	\$47.00	1,000	N/A	\$100.00	\$10,000	\$1,000	C5	1.00	\$500.00

Territory Relativity Table				
60	61	62	63	64
1.00	2.32	2.01	0.87	0.95

Protection Class Table									
Class	Factor	Class	Factor	Class	Factor	Class	Factor	Class	Factor
1-3	1.00	4-6	1.07	7-8	1.50	9	2.00	10	2.40

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**ARKANSAS  
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DP-1 PROGRAM**

**UVRC RELATIVITY TABLES**

For Dwellings valued in excess of the maximum Dwelling Limit indicated, add the Greater Than Factor for each additional \$1,000 to the maximum relativity listed in each table.

<u>Home Value</u>	<u>UVRC</u>	<u>Home Value</u>	<u>UVRC</u>	<u>Home Value</u>	<u>UVRC</u>
<b>10,000</b>	1.250	<b>59,000</b>	5.524	<b>107,000</b>	9.802
<b>11,000</b>	1.336	<b>60,000</b>	5.612	<b>108,000</b>	9.892
<b>12,000</b>	1.422	<b>61,000</b>	5.700	<b>109,000</b>	9.982
<b>13,000</b>	1.508	<b>62,000</b>	5.788	<b>110,000</b>	10.072
<b>14,000</b>	1.594	<b>63,000</b>	5.876	<b>111,000</b>	10.162
<b>15,000</b>	1.680	<b>64,000</b>	5.964	<b>112,000</b>	10.252
<b>16,000</b>	1.766	<b>65,000</b>	6.052	<b>113,000</b>	10.342
<b>17,000</b>	1.852	<b>66,000</b>	6.140	<b>114,000</b>	10.432
<b>18,000</b>	1.938	<b>67,000</b>	6.228	<b>115,000</b>	10.522
<b>19,000</b>	2.024	<b>68,000</b>	6.316	<b>116,000</b>	10.612
<b>20,000</b>	2.110	<b>69,000</b>	6.404	<b>117,000</b>	10.702
<b>21,000</b>	2.196	<b>70,000</b>	6.492	<b>118,000</b>	10.792
<b>22,000</b>	2.282	<b>71,000</b>	6.580	<b>119,000</b>	10.882
<b>23,000</b>	2.368	<b>72,000</b>	6.668	<b>120,000</b>	10.972
<b>24,000</b>	2.454	<b>73,000</b>	6.756	<b>121,000</b>	11.062
<b>25,000</b>	2.540	<b>74,000</b>	6.844	<b>122,000</b>	11.152
<b>26,000</b>	2.626	<b>75,000</b>	6.932	<b>123,000</b>	11.242
<b>27,000</b>	2.712	<b>76,000</b>	7.020	<b>124,000</b>	11.332
<b>28,000</b>	2.798	<b>77,000</b>	7.108	<b>125,000</b>	11.422
<b>29,000</b>	2.884	<b>78,000</b>	7.196	<b>126,000</b>	11.512
<b>30,000</b>	2.972	<b>79,000</b>	7.284	<b>127,000</b>	11.602
<b>31,000</b>	3.060	<b>80,000</b>	7.372	<b>128,000</b>	11.692
<b>32,000</b>	3.148	<b>81,000</b>	7.462	<b>129,000</b>	11.782
<b>33,000</b>	3.236	<b>82,000</b>	7.552	<b>130,000</b>	11.872
<b>34,000</b>	3.324	<b>83,000</b>	7.642	<b>131,000</b>	11.962
<b>35,000</b>	3.412	<b>84,000</b>	7.732	<b>132,000</b>	12.052
<b>36,000</b>	3.500	<b>85,000</b>	7.822	<b>133,000</b>	12.142
<b>37,000</b>	3.588	<b>86,000</b>	7.912	<b>134,000</b>	12.232
<b>38,000</b>	3.676	<b>87,000</b>	8.002	<b>135,000</b>	12.322
<b>39,000</b>	3.764	<b>88,000</b>	8.092	<b>136,000</b>	12.412
<b>40,000</b>	3.852	<b>89,000</b>	8.182	<b>137,000</b>	12.502
<b>41,000</b>	3.940	<b>90,000</b>	8.272	<b>138,000</b>	12.592
<b>42,000</b>	4.028	<b>91,000</b>	8.362	<b>139,000</b>	12.682
<b>43,000</b>	4.116	<b>92,000</b>	8.452	<b>140,000</b>	12.772
<b>44,000</b>	4.204	<b>93,000</b>	8.542	<b>141,000</b>	12.862
<b>45,000</b>	4.292	<b>94,000</b>	8.632	<b>142,000</b>	12.952
<b>46,000</b>	4.380	<b>95,000</b>	8.722	<b>143,000</b>	13.042
<b>47,000</b>	4.468	<b>96,000</b>	8.812	<b>144,000</b>	13.132
<b>48,000</b>	4.556	<b>97,000</b>	8.902	<b>145,000</b>	13.222
<b>49,000</b>	4.644	<b>98,000</b>	8.992	<b>146,000</b>	13.312
<b>50,000</b>	4.732	<b>99,000</b>	9.082	<b>147,000</b>	13.402
<b>51,000</b>	4.820	<b>100,000</b>	9.172	<b>148,000</b>	13.492
<b>52,000</b>	4.908	<b>101,000</b>	9.262	<b>149,000</b>	13.582
<b>53,000</b>	4.996	<b>102,000</b>	9.352	<b>150,000</b>	13.672
<b>54,000</b>	5.084	<b>103,000</b>	9.442	<b>Add'l rate</b>	
<b>55,000</b>	5.172	<b>104,000</b>	9.532	<b>per \$1,000</b>	<b>0.090</b>
<b>56,000</b>	5.260	<b>105,000</b>	9.622		
<b>57,000</b>	5.348	<b>106,000</b>	9.712		
<b>58,000</b>	5.436				

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**ARKANSAS  
AMERICAN MODERN HOME INSURANCE COMPANY  
DP-1 PROGRAM**

**UVRC RELATIVITY TABLES**

For Dwellings valued in excess of the maximum Dwelling Limit indicated, add the Greater Than Factor for each additional \$1,000 to the maximum relativity listed in each table.

**DP-1 Personal Property (7M1/7M2/7M3)**

<u>Home Value</u>	<u>UVRC</u>	<u>Home Value</u>	<u>UVRC</u>	<u>Home Value</u>	<u>UVRC</u>
10,000	0.726	58,000	3.362	106,000	6.002
11,000	0.781	59,000	3.417	107,000	6.057
12,000	0.836	60,000	3.472	108,000	6.112
13,000	0.890	61,000	3.527	109,000	6.167
14,000	0.946	62,000	3.582	110,000	6.222
15,000	1.000	63,000	3.637	111,000	6.277
16,000	1.055	64,000	3.692	112,000	6.332
17,000	1.111	65,000	3.747	113,000	6.387
18,000	1.166	66,000	3.802	114,000	6.442
19,000	1.221	67,000	3.857	115,000	6.497
20,000	1.275	68,000	3.912	116,000	6.552
21,000	1.330	69,000	3.967	117,000	6.607
22,000	1.385	70,000	4.022	118,000	6.662
23,000	1.440	71,000	4.077	119,000	6.717
24,000	1.495	72,000	4.132	120,000	6.772
25,000	1.549	73,000	4.187	121,000	6.827
26,000	1.604	74,000	4.242	122,000	6.882
27,000	1.659	75,000	4.297	123,000	6.937
28,000	1.714	76,000	4.352	124,000	6.992
29,000	1.769	77,000	4.407	125,000	7.047
30,000	1.823	78,000	4.462	126,000	7.102
31,000	1.878	79,000	4.517	127,000	7.157
32,000	1.933	80,000	4.572	128,000	7.212
33,000	1.988	81,000	4.627	129,000	7.267
34,000	2.043	82,000	4.682	130,000	7.322
35,000	2.098	83,000	4.737	131,000	7.377
36,000	2.153	84,000	4.792	132,000	7.432
37,000	2.208	85,000	4.847	133,000	7.487
38,000	2.263	86,000	4.902	134,000	7.542
39,000	2.318	87,000	4.957	135,000	7.597
40,000	2.373	88,000	5.012	136,000	7.652
41,000	2.428	89,000	5.067	137,000	7.707
42,000	2.483	90,000	5.122	138,000	7.762
43,000	2.538	91,000	5.177	139,000	7.817
44,000	2.593	92,000	5.232	140,000	7.872
45,000	2.647	93,000	5.287	141,000	7.927
46,000	2.702	94,000	5.342	142,000	7.982
47,000	2.757	95,000	5.397	143,000	8.037
48,000	2.812	96,000	5.452	144,000	8.092
49,000	2.867	97,000	5.507	145,000	8.147
50,000	2.922	98,000	5.562	146,000	8.202
51,000	2.977	99,000	5.617	147,000	8.257
52,000	3.032	100,000	5.672	148,000	8.312
53,000	3.087	101,000	5.727	149,000	8.367
54,000	3.142	102,000	5.782	150,000	8.422
55,000	3.197	103,000	5.837		
56,000	3.252	104,000	5.892		
57,000	3.307	105,000	5.947		
				add'l	
				rate per	
				\$1,000	0.055

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<b>ARKANSAS          AMERICAN MODERN HOME INSURANCE COMPANY          DP-1 PROGRAM</b>
---

**VACANT DWELLING Program (324/334)**  
 Fire and Extended Coverage  
 Construction Types -- Frame and Masonry

**3 Month Rate (324)**

**Rates are per \$100 of coverage**

**All Territories**

Protection Class:	<u>1 - 8</u>	<u>9 - 10</u>
Rate:	\$0.70	\$1.00

**6 Month Rate (334)**

**Rates are per \$100 of coverage**

**All Territories**

Protection Class:	<u>1 - 8</u>	<u>9 - 10</u>
Rate:	\$1.40	\$2.00

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**ARKANSAS  
AMERICAN MODERN HOME INSURANCE COMPANY  
DP-1 PROGRAM**

**LIABILITY SECTION**

1. Personal Liability - Basic Premiums

(a) Limit of Liability - optional

MEDICAL PAYMENTS	\$500 EACH PERSON/\$25,000 EACH OCCURRENCE
PROPERTY OF OTHERS	\$500 EACH OCCURRENCE
ANIMAL LIABILITY	\$10,000

(b) Premium - To include Personal Liability coverage on the owner occupied and **Renewal Seasonal** dwellings, add the following premium: (K3)

<u>\$25,000</u>	<u>\$50,000</u>	<u>\$100,000</u>	<u>\$200,000</u>	<u>\$300,000</u>
\$35.00	\$50.00	\$70.00	\$85.00	\$100.00

2. Premises Liability - Dwellings Rented to Others (L2) (New Business for Seasonal Programs)

To provide coverage for Premises Liability, the following premiums apply:

(a) Dwelling Premises Liability

<u>\$25,000</u>	<u>\$50,000</u>	<u>\$100,000</u>	<u>\$200,000</u>	<u>\$300,000</u>
\$35.00	\$50.00	\$70.00	\$85.00	\$100.00

The premiums include premises medical payments of \$500 each person, \$25,000 each occurrence.

(b) Vacant Premises Liability (V8)

3 month premium:

<u>\$25,000</u>	<u>\$50,000</u>	<u>\$100,000</u>	<u>\$200,000</u>	<u>\$300,000</u>
\$35.00	\$50.00	\$70.00	\$85.00	\$100.00

6 month premium:

<u>\$25,000</u>	<u>\$50,000</u>	<u>\$100,000</u>	<u>\$200,000</u>	<u>\$300,000</u>
\$70.00	\$100.00	\$140.00	\$170.00	\$200.00

The premiums include premises medical payments of \$500 each person, \$25,000 each accident.

3. Medical Payments – Personal Liability and Premises Liability (BA)

To increase the Medical Payments coverage, add the following additional premium:

<u>Medical Payments</u>	<u>Rate</u>
\$1,000/\$25,000	\$5.00

4. Animal Liability Exclusion (LE)

The policy may be endorsed to remove coverage for bodily injury or property damage caused by any animal owned by, or in care or custody of any insured person. Not available on policies without Personal Liability Coverage.

Rate: \$3.00 credit per home, per year.

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**ARKANSAS  
AMERICAN MODERN HOME INSURANCE COMPANY  
DP-1 PROGRAM**

**MISCELLANEOUS SURCHARGES AND SUPPLEMENTAL COVERAGES**

1. Miscellaneous Surcharges

A. Multiple Family Surcharge

For dwellings containing multiple families, the following surcharge applies:

Number of Families	Risk Code	Surcharge
1	27	Base
2	28	Base
3	29	1.50
4	43	1.50

2. Supplemental Coverages

A. Additional Living Expense (46)

To provide Additional Living Expense for owner occupied dwellings in the Dwelling 1 Program, not to exceed 20% of Coverage A.

Rate: \$5.00 per \$1,000 of coverage

B. Optional Deductibles (H8)

The deductible may be changed by applying the following credit or surcharge to Coverage A, B, and C base premiums, prior to all other surcharges and discounts: For 3- and 6- month policies, the credit will be pro-rated and applied to each policy term. The change in deductible does not apply to the \$500 deductible for Vandalism and Malicious Mischief.

Wind & Hail Deductible Options\* (WH)

Dwelling 1 Program		3 and 6 month Vacant Program	
<u>Deductible</u>	<u>Credit</u>	<u>Deductible</u>	<u>Credit</u>
\$1,000	\$25	\$1,000	\$25

All Other Peril Deductible\* (H8)

Dwelling 1 Program		3 and 6 month Vacant Program	
<u>Deductible</u>	<u>Premium</u>	<u>Deductible</u>	<u>Premium</u>
\$250	\$15.00	\$500	Included
\$500	Included	\$1,000	(5%)
\$1,000	(\$15.00)		
\$2,500	(\$35.00)		
\$5,000	(\$60.00)		

C. Dwelling Property Basic Form Windstorm and Hail Buy-Back for Antennas (PK)

Rate: \$5.00

D. Other Structures (A1)

To provide coverage for Other Structures, add the following additional premium:

For each additional \$100, add: \$ 2.00

E. Other Structures Exclusion (AZ)

To remove coverage for Other Structures located at the insured location, subtract the following:

Rate: \$3.00 credit per home, per year.

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**ARKANSAS  
AMERICAN MODERN HOME INSURANCE COMPANY  
DP-1 PROGRAM**

- F. Residence Burglary (B1)  
To provide coverage for residence burglary on owner occupied or rental residences, add the following additional premium:  
  
Rate: \$30.00 per \$1,000
- G. Supplemental Heating Device (H2)  
For dwellings equipped with a Supplemental Heating Device, the following surcharge applies:  
  
Rate: \$50.00
- H. Vandalism or Malicious Mischief (B2)  
To provide coverage on owner occupied or rental residences or Vacant Dwelling Program, add the following additional premium.  
  
Rate: \$.70 per \$1,000      A \$500 deductible will apply.

3. Minimum Written and Earned Premium

- A. Owner Occupied, Seasonal and Rental Dwellings  
Minimum Written & Earned Premium:  
Owner Occupied \$100.00  
Seasonal \$100.00  
Rental \$100.00
- B. Vacant Program  
Minimum Written Premium:  
\$250 (Applies to total policy premium)  
  
Minimum Earned Premium:  
3 month policies fully earned  
6 month policies 50% earned

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**ARKANSAS  
AMERICAN MODERN HOME INSURANCE COMPANY  
DP-1 PROGRAM**

**POLICY AND DECLARATION PAGE**

<b><u>Form Number</u></b> S2001 (07/88) 0110-4269 (5/92)	<b><u>Title</u></b> Dwelling Property – Basic Form Declaration Page
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**OPTIONAL AND MANDATORY ENDORSEMENTS BY PROGRAM**

**Owner Occupied Dwelling**

**Optional Endorsements**

70399 (03/85)	Notice of Cancellation or Non Renewal
71923 (01/06)	General Change
72677 (02/06)	Additional Living Expense
73182 (05/99)	Animal Liability Exclusion
DF001 (01/09)	Residence Burglary
SD800 (03/07)	Other Structures Exclusion
SDA00 (09/00)	Windstorm and Hail Buy-Back for Antennas

**Mandatory Endorsements**

71428 (02/02)	Arkansas Act 197 of 1987
71682 (06/07)	Special Provisions – Arkansas
73339 (07/02)	Condemnation Endorsement
DF003 (05/06)	Reduction in Coverage when Vacant or Unoccupied
EQDECLN 03 (03/00)	Application Supplement – Declination of Residential Earthquake Coverage
EQN03 (03/00)	Notice to Policyholders
SDC00 (03/03)	Dwelling Property Basic Form Criminal Acts Exclusion

**Seasonal Dwelling**

**Optional Endorsements**

70399 (03/85)	Notice of Cancellation or Non Renewal
71923 (01/06)	General Change
73182 (05/99)	Animal Liability Exclusion
SD800 (03/07)	Other Structures Exclusion
SDA00 (09/00)	Windstorm and Hail Buy-Back for Antennas

**Mandatory Endorsements**

71428 (02/02)	Arkansas Act 197 of 1987
71682 (06/07)	Special Provisions – Arkansas
73339 (07/02)	Condemnation Endorsement
EQDECLN 03 (03/00)	Application Supplement – Declination of Residential Earthquake Coverage
EQN03 (03/00)	Notice to Policyholders
SDC00 (03/03)	Criminal Acts Exclusion

**Mandatory When Personal Liability is Purchased** (available on Owner Occupied & Renewal Seasonal Programs)

S2005 (07/88)	Personal Liability Policy
SDP03 (11/01)	Total Pollution Exclusion - Arkansas
73183 (05/06)	Special Limit for Animal Liability
73184 (05/99)	Business, Commercial or Farming Enterprise Exclusion
73185 (05/99)	Home Day Care Exclusion
73186 (03/00)	Lead Contamination Exclusion
DLB00 (02/00)	Assault and Battery Exclusion
DLE00 (03/00)	Punitive or Exemplary Damages Exclusion
SDM00 (06/02)	Personal Liability Mold Exclusions

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<b>ARKANSAS AMERICAN MODERN HOME INSURANCE COMPANY DP-1 PROGRAM</b>
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**Rental Dwelling**

**Optional Endorsements**

70399 (03/85)	Notice of Cancellation or Non Renewal
71487 (03/98)	Vandalism and Malicious Mischief Exclusion
71923 (01/06)	General Change
DF001 (01/09)	Residence Burglary
SD800 (03/07)	Other Structures Exclusion
SDA00 (09/00)	Windstorm and Hail Buy-Back for Antennas

**Mandatory Endorsements**

71428 (02/02)	Arkansas Act 197 of 1987
71682 (06/07)	Special Provisions – Arkansas
73339 (07/02)	Condemnation Endorsement
DF003 (05/06)	Reduction in Coverage when Vacant or Unoccupied
EQDECLN 03 (03/00)	Application Supplement – Declination of Residential Earthquake Coverage
EQN03 (03/00)	Notice to Policyholders
SDC00 (03/03)	Criminal Acts Exclusion
SDY00 (02/08)	Cap on Losses from Certified Acts of Terrorism-Arkansas

**Vacant Dwelling**

**Optional Endorsements**

70399 (03/85)	Notice of Cancellation or Non Renewal
71923 (01/06)	General Change
SD800 (03/07)	Other Structures Exclusion
SDA00 (09/00)	Windstorm and Hail Buy-Back for Antennas

**Mandatory Endorsements**

71428 (02/02)	Arkansas Act 197 of 1987
71682 (06/07)	Special Provisions – Arkansas
71884 (05/06)	Permitted Vacancy Clause
73339 (07/02)	Condemnation Endorsement
EQDECLN 03 (03/00)	Application Supplement – Declination of Residential Earthquake Coverage
EQN03 (03/00)	Notice to Policyholders
SDC00 (03/03)	Criminal Acts Exclusion

**Mandatory when Premises Liability is Purchased** (available on Rental, New Business Seasonal & Vacant Programs)

PL003 (10/01)	Premises Liability Endorsement - Arkansas
71562 (03/92)	Arkansas Premises Liability Amendatory
73253 (03/00)	Premises Liability Lead Poisoning Exclusion
PLM00 (04/02)	Premises Liability Mold Exclusion
PLY00 (02/08)	Premises Liability Cap on Losses from Certified Acts of Terrorism-Arkansas (Rental Only)

**FORMS NOT REQUIRED TO BE FILED**

IN614 (09/06)	Important Notice to Policyholders – Flood and Earthquake Exclusion
SDN30 (02/08)	Dwelling Policy Notice to Policyholders-Provisions of Terrorism Coverage (Rental Only)

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SERFF Tracking Number: AMMH-126159999 State: Arkansas  
Filing Company: American Modern Home Insurance Company State Tracking Number: EFT \$100  
Company Tracking Number: 20071226-13  
TOI: 30.1 Dwelling Fire/Personal Liability Sub-TOI: 30.1000 Dwelling Fire/Personal Liability  
Product Name: DP-1 Program (077)  
Project Name/Number: DP-1 Program (077) rate filing/20071226-13

## Supporting Document Schedules

<b>Satisfied -Name:</b> H-1 Homeowners Abstract	<b>Review Status:</b> Filed	05/20/2009
<b>Comments:</b>		
<b>Attachment:</b> F503AR Homeowners abstract.pdf		
<b>Satisfied -Name:</b> NAIC loss cost data entry document	<b>Review Status:</b> Filed	05/20/2009
<b>Comments:</b>		
<b>Attachment:</b> FORM RF-1 Rate Filing Abstract.pdf		
<b>Satisfied -Name:</b> explanatory	<b>Review Status:</b> Filed	05/20/2009
<b>Comments:</b>		
<b>Attachment:</b> Explanatory - rates.pdf		
<b>Satisfied -Name:</b> Indications	<b>Review Status:</b> Filed	05/20/2009
<b>Comments:</b>		
<b>Attachment:</b> DP1 077 AR Indications.pdf		

**ARKANSAS INSURANCE DEPARTMENT**  
**HOMEOWNERS ABSTRACT**

**FORM H-1**  
Rev. 4/96

**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 submissions that do not alter the information contained herein need not include this form.

Company Name American Modern Home Insurance Company

NAIC No. 23469 GROUP No. 361

1. If you have had an insurance to value campaign during the experience filing period, describe the campaign and estimate its impact.

N/A  
\_\_\_\_\_  
\_\_\_\_\_

2. If you use a cost estimator (or some similar method) in order to make sure that dwellings (or contents) are insured at their value, state when this program was started in Arkansas and estimate its impact.

N/A  
\_\_\_\_\_  
\_\_\_\_\_

3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used.

N/A  
\_\_\_\_\_  
\_\_\_\_\_

4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact.

N/A  
\_\_\_\_\_  
\_\_\_\_\_

5. Specify the percentage given for credits or discounts for the following:

- |  |       |                |
|--|-------|----------------|
| a. Fire Extinguisher   | _____ | <u>N/A</u> %   |
| b. Burglar Alarm   | _____ | <u>N / A</u> % |
| c. Smoke Alarm   | _____ | <u>N/A</u> %   |
| d. Insured who has both homeowners<br>and auto with your company | _____ | <u>N/A</u> %   |
| e. Deadbolt Locks  | _____ | <u>N/A</u> %   |
| f. Window or Door Locks  | _____ | <u>N/A</u> %   |
| g. Other (Specify)   | _____ | <u>N/A</u> %   |
|  | _____ | _____ %        |
|  | _____ | _____ %        |

6. Are there any areas in the State of Arkansas in which your company will not write homeowners insurance?

N/A  
If so, state areas and explain reason for not writing \_\_\_\_\_  
\_\_\_\_\_

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

<u>FORM</u>	<u>PREMIUM VOLUME</u>
DP-1 _____	Current Premium in the program is \$622,561 _____
_____	_____
_____	_____
_____	_____

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

9. Is there a surcharge on risks with wood heat? Yes \_\_\_\_\_

If yes, state surcharge \$50.00 \_\_\_\_\_

Does the surcharge apply to conventional fire places? No \_\_\_\_\_

If yes, state surcharge \_\_\_\_\_

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

*Jessi Housley*

\_\_\_\_\_  
Signature

Filing Analyst

\_\_\_\_\_  
Title

(800) 759-9008 x6830

\_\_\_\_\_  
Telephone Number

### NAIC LOSS COST DATA ENTRY DOCUMENT

<b>1.</b>	This filing transmittal is part of Company Tracking #	<b>20071226-13</b>
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<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	
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Company Name		Company NAIC Number		
<b>3.</b>	<b>A.</b>	<b>American Modern Home Insurance Company</b>	<b>B.</b>	<b>23469</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>30.1 Dwelling Fire/Personal Property</b>	<b>B.</b>	<b>30.1000 Dwelling Fire/Personal Property</b>

<b>5.</b>			<b>FOR LOSS COSTS ONLY</b>				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
<b>DP-1</b>	<b>5.60%</b>	<b>5.51%</b>					
<b>DP-1 Vacant</b>	<b>NA</b>	<b>0.00%</b>					
<b>TOTAL OVERALL EFFECT</b>		<b>5.51%</b>					

<b>6.</b>		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>2004</b>	<b>2,109</b>	<b>0%</b>	<b>n/a</b>	<b>1,241</b>	<b>501</b>	<b>40.3%</b>	<b>49.3%</b>
<b>2005</b>	<b>1,695</b>	<b>4.5%</b>	<b>7/1/2005</b>	<b>1,240</b>	<b>387</b>	<b>31.2%</b>	<b>42.6%</b>
<b>2006</b>	<b>1,247</b>	<b>0%</b>	<b>n/a</b>	<b>949</b>	<b>216</b>	<b>22.8%</b>	<b>56.6%</b>
<b>2007</b>	<b>975</b>	<b>4.34%</b>	<b>12/1/2007</b>	<b>647</b>	<b>341</b>	<b>52.7%</b>	<b>47.0%</b>
<b>2008</b>	<b>996</b>	<b>-1.15%</b>	<b>3/15/2008</b>	<b>583</b>	<b>812</b>	<b>139.3%</b>	<b>47.8%</b>

<b>7.</b>	
Expense Constants	Selected Provisions
A. Total Production Expense	<b>.257</b>
B. General Expense	<b>.127</b>
C. Taxes, License & Fees	<b>.035</b>
D. Underwriting Profit & Contingencies	<b>.067</b>
E. Other (Reinsurance)	<b>.006</b>
<b>F. TOTAL</b>	<b>.492</b>

- 8.** N Apply Lost Cost Factors to Future filings? (Y or N)
- 9.** 11.67% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_
- 10.** 0.00% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_

**Explanatory Memorandum  
American Modern Home Insurance Company  
Arkansas**

American Modern Home Insurance Company presents a rate and rule filing for our DP-1 Program.

**Rates/Rules**

**Rates/Factors:**

- We have revised the Base Rates for the Owner, Rental, and Seasonal programs.
- We have revised the relativity for Territory 63.
- We have revised the relativity for Protection Class 4 - 6.

The overall impact of this filing is 5.51%.

We request effective dates of September 15, 2009, for both New Business and Renewals.

**American Modern Home Ins. Co.**  
**SITE BUILT DWELLING Rate Level Indication**  
**DP-1 Program**

**State:** Arkansas  
**SOB:** All Channels  
**Terr:** Statewide

	(1)	(2)	(3)	(4)	(5)	(6)	
			Curr Level		Trended		
Accident	Earned	Rate	Earned	Premium	Current Level	Earned	
Year	Premium	Level Adj	Premium	Trend	Premium	Premium	Earned
		Factor	(1)x(2)	Factor	(3)x(4)		Exposures
9/30/04	1,047,155	1.216	1,272,904	0.875	1,114,092		1,918
9/30/05	1,192,684	1.073	1,280,222	0.902	1,155,127		1,957
9/30/06	968,983	1.013	981,756	0.930	913,202		1,557
9/30/07	687,690	1.000	687,690	0.959	659,440		1,151
9/30/08	567,310	1.000	567,310	0.989	560,865		958

  

	(7)	(8)	(9)	(10)	(11)	(12)	(13)
			Cat	Adjusted	Loss+ALAE	Incurred	
Accident	Incurred	Catastrophe	Catastrophe	Loss+ALAE	Trend	Loss+ALAE	ULAE
Year	Loss+ALAE	Loss+ALAE	Factor	{{(7)-(8)}x(9)}	Factor	Development	Factor
9/30/04	361,671	45,640	1.235	390,299	1.095	1.000	1.039
9/30/05	364,352	11,814	1.235	435,384	1.085	1.001	1.039
9/30/06	298,031	54,121	1.235	301,229	1.074	0.996	1.039
9/30/07	306,236	3,198	1.235	374,252	1.063	0.997	1.039
9/30/08	818,929	556,205	1.235	324,463	1.053	1.033	1.039

  

	(14)	(15)	(16)	(17)
	Trended			
Accident	Adjusted	Adjusted	Accident	Reported
Year	Loss+LAE	Loss+LAE	Year	Claim
	Prod{(10):(13)}	Ratio	Weight	Counts
9/30/04	444,221	0.399	0.10	83
9/30/05	491,063	0.425	0.15	94
9/30/06	334,874	0.367	0.20	106
9/30/07	412,156	0.625	0.25	45
9/30/08	366,766	0.654	0.30	177

Weighted Experience Loss+LAE Ratio	<b>0.529</b>
Permissible Loss+LAE Ratio	0.508
Loss Ratio Trend Factor	1.073
Trended Permissible Loss+LAE Ratio used as Complement of Credibility	0.545
Credibility (Square Root Rule, Full Credibility = 25000 Earned Exposures)	0.549
Credibility-Weighted Loss+LAE Ratio	<u>0.537</u>
<b>Credibility-Weighted Indicated Rate Level Change</b>	<b>5.6%</b>

**American Modern Home Ins. Co.**  
**SITE BUILT DWELLING Rate Level Indication**  
**State: Arkansas**

Exhibit 1  
Page 2

**Complement of Credibility Calculation**

(1) Permissible Loss+LAE Ratio (Exhibit 9)	0.508
(2) Hurricane Load (capped at )	0.000
(3) Non-Hurricane Permissible	0.508
(4) Proposed <b>Renewal</b> Effective Date	2/1/2009
(5) Effective Date of Current Rates	7/1/2005
(6) Time Period in Years $\{(4) - (5)\}/365$ (Capped at 2 years)	2.00
(7) Ann Prem Trend (Exh 1, Page 1, Column 4 Annualized)	-0.6%
(8) Ann Loss Trend (Exhibit 6)	3.0%
(9) Ann Loss Ratio Trend $\{[1 + (8)] / [1 + (7)]\} - 1$	3.6%
(10) Selected Trend Factor (minimum = 1.000)	1.073
(11) Trended Permissible Loss+LAE Ratio (1) x (10)	0.545

**American Modern Home Ins. Co.**  
**SITE BUILT DWELLING Rate Level Indication**

Exhibit 2

**Program: DP-1**  
**State: Arkansas**  
**SOB: All Channels**

	(1)	(2)	(3)	(4)	(5)	(6)	
Accident Year	Earned Premium	Rate Level Adj Factor	Curr Level Earned Premium (1)x(2)	Premium Trend Factor	Trended Current Level Earned Premium (3)x(4)	Earned Exposures	
9/30/04	1,047,155	1.216	1,272,904	0.875	1,114,092	1,918	
9/30/05	1,192,684	1.073	1,280,222	0.902	1,155,127	1,957	
9/30/06	968,983	1.013	981,756	0.930	913,202	1,557	
9/30/07	687,690	1.000	687,690	0.959	659,440	1,151	
9/30/08	567,310	1.000	567,310	0.989	560,865	958	

  

	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Accident Year	Incurred Loss+ALAE	Catastrophe Loss+ALAE	Catastrophe Factor	Cat Adjusted Incurred Loss+ALAE {(7)-(8)}x(9)	Incurred Loss+ALAE Trend Factor	Incurred Loss+ALAE Development Factor	ULAE Factor
9/30/04	361,671	45,640	1.235	390,299	1.095	1.000	1.039
9/30/05	364,352	11,814	1.235	435,384	1.085	1.001	1.039
9/30/06	298,031	54,121	1.235	301,229	1.074	0.996	1.039
9/30/07	306,236	3,198	1.235	374,252	1.063	0.997	1.039
9/30/08	818,929	556,205	1.235	324,463	1.053	1.033	1.039

  

	(14)	(15)	(16)	(17)
Accident Year	Trended Adjusted Incurred Loss+LAE Prod{(10):(13)}	Adjusted Loss+LAE Ratio (14)/(5)	Accident Year Weight	Reported Claim Counts
9/30/04	444,221	0.399	0.10	83
9/30/05	491,063	0.425	0.15	94
9/30/06	334,874	0.367	0.20	106
9/30/07	412,156	0.625	0.25	45
9/30/08	366,766	0.654	0.30	177

Weighted Experience Loss+LAE Ratio: **0.529**

**American Modern Home Ins. Co.**  
**SITE BUILT DWELLING**  
**Arkansas**

Rate Change History and Rate Level Adjustment Factors

Rate Changes by Program	
Renewal Effective Date	DP-1
8/1/1995	21.60%
6/1/2002	3.80%
5/1/2004	18.30%
7/1/2005	4.50%

Rate Level Adjustment Factors	
Acc Yr Ending	DP-1
9/30/04	1.216
9/30/05	1.073
9/30/06	1.013
9/30/07	1.000
9/30/08	1.000

**American Modern Home Ins. Co.**  
**Current Level Earned Premium Trends**

**Arkansas SITE BUILT DWELLING DP-1**

**Arkansas DWELLING FIRE DP-1 Program Data**

**New & Renewal Business, All Causes of Loss Excluding Catastrophe**

Accident Period 12 Mo End Year-Qtr	Current Level		Average CLEP	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
	Earned Premium	Earned Exposures						
2003-3	844,074	1,355	623	677				
2003-4	965,764	1,518	636	672				
2004-1	1,081,863	1,671	647	667				
2004-2	1,185,069	1,806	656	663				
2004-3	1,272,936	1,918	664	658	678			
2004-4	1,330,457	1,994	667	654	672			
2005-1	1,348,143	2,023	666	649	665			
2005-2	1,329,401	2,010	661	645	659			
2005-3	1,280,222	1,957	654	641	653	653		
2005-4	1,211,172	1,868	648	636	646	646		
2006-1	1,136,337	1,771	642	632	640	640		
2006-2	1,063,474	1,669	637	628	634	634		
2006-3	981,756	1,557	631	624	628	628	621	
2006-4	903,045	1,453	621	619	622	622	616	
2007-1	824,594	1,343	614	615	616	616	612	
2007-2	749,602	1,238	605	611	610	610	607	
2007-3	687,690	1,151	598	607	604	604	602	590
2007-4	635,083	1,072	592	603	598	598	598	590
2008-1	595,858	1,012	589	599	592	592	593	590
2008-2	574,082	976	588	595	587	587	588	590
2008-3	567,310	958	592	590	581	581	584	590

SITE BUILT DWELLING DP-1		Trend
20 point		-2.7%
16 point		-3.8%
12 point		-3.8%
8 point		-3.0%
4 point		0.0%
<b>Historical Selected</b>		<b>-3.0%</b>
<b>Prospective Selected</b>		<b>0.0%</b>

Accident Year Ending	Trend Period							Trend Factor
	Historical				Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)		
9/30/2004	3/30/2004	8/14/2008	4.375	8/14/2008	2/1/2010	1.468	<b>0.875</b>	
9/30/2005	3/30/2005	8/14/2008	3.376	8/14/2008	2/1/2010	1.468	<b>0.902</b>	
9/30/2006	3/30/2006	8/14/2008	2.376	8/14/2008	2/1/2010	1.468	<b>0.930</b>	
9/30/2007	3/30/2007	8/14/2008	1.377	8/14/2008	2/1/2010	1.468	<b>0.959</b>	
9/30/2008	3/30/2008	8/14/2008	0.375	8/14/2008	2/1/2010	1.468	<b>0.989</b>	

## American Modern Insurance Group

(Using American Modern Insurance Group Data)

### Dwelling Average Catastrophe Factor

ALL Dwelling Programs

## Arkansas

Accident Year Ending	(1) Catastrophe Losses	(2) All Losses	(3) All Less Catastrophe (2)-(1)	(4) Catastrophe Ratio (1)/(3)	(5) Capped Catastrophe Ratio **
9/30/1990	9,960	62,454	52,495	0.190	0.190
9/30/1991	11,525	195,181	183,655	0.063	0.063
9/30/1992	16,508	117,470	100,962	0.164	0.164
9/30/1993	0	198,825	198,825	0.000	0.000
9/30/1994	4,407	333,386	328,980	0.013	0.013
9/30/1995	7,956	276,778	268,822	0.030	0.030
9/30/1996	18,236	166,970	148,734	0.123	0.123
9/30/1997	50,599	220,629	170,029	0.298	0.298
9/30/1998	3,260	218,777	215,518	0.015	0.015
9/30/1999	171,098	258,348	87,250	1.961	1.345
9/30/2000	3,191	93,351	90,161	0.035	0.035
9/30/2001	5,375	113,689	108,313	0.050	0.050
9/30/2002	10,735	121,307	110,572	0.097	0.097
9/30/2003	9,670	859,793	850,123	0.011	0.011
9/30/2004	45,640	408,969	363,328	0.126	0.126
9/30/2005	11,814	398,083	386,269	0.031	0.031
9/30/2006	55,718	356,839	301,121	0.185	0.185
9/30/2007	3,198	516,811	513,613	0.006	0.006
9/30/2008	963,966	1,549,019	585,054	1.648	1.345

Capped Average: 0.235

**Selected Catastrophe Factor: 1.235**

\*\* Catastrophe Ratio capped at: 1.345 and the excess is spread over 50 years.

**American Modern Home Ins. Co.**  
**Frequency, Severity and Pure Premium Trends**  
 Arkansas **SITE BUILT DWELLING DP-1**  
 Arkansas **DWELLING FIRE DP-1** Program Data  
 New & Renewal Business, All Causes of Loss Excluding Catastrophe

Accident Period 12 Mo End Year-Qtr	Ultimate			Average Ultimate Incurred	Severity:					Ultimate Claim Cnts Per 100 EE	Frequency:				
	Reported Claim Counts	Ultimate Incurred Loss+LAE	Earned Exposures		20 point	16 point	12 point	8 point	4 point		20 point	16 point	12 point	8 point	4 point
					Fitted	Fitted	Fitted	Fitted	Fitted		Fitted	Fitted	Fitted	Fitted	Fitted
2003-3	85	814,174	1,355	9,579	5,638					6.27	4.49				
2003-4	76	681,035	1,518	8,961	5,571					5.01	4.50				
2004-1	73	389,030	1,671	5,329	5,504					4.37	4.51				
2004-2	78	343,518	1,806	4,404	5,438					4.32	4.53				
2004-3	63	328,361	1,918	5,212	5,373	4,202				3.28	4.54	4.04			
2004-4	80	422,619	1,994	5,283	5,309	4,263				4.01	4.55	4.10			
2005-1	92	425,322	2,023	4,623	5,245	4,325				4.55	4.56	4.16			
2005-2	91	460,124	2,010	5,056	5,183	4,387				4.53	4.58	4.23			
2005-3	88	363,848	1,957	4,134	5,121	4,451	3,443			4.50	4.59	4.29	4.50		
2005-4	86	387,220	1,868	4,500	5,059	4,516	3,625			4.61	4.60	4.36	4.53		
2006-1	83	407,325	1,771	4,902	4,999	4,581	3,816			4.69	4.61	4.43	4.57		
2006-2	92	346,950	1,669	3,765	4,939	4,647	4,017			5.52	4.62	4.49	4.60		
2006-3	80	252,786	1,557	3,154	4,880	4,715	4,229	2,849		5.15	4.64	4.56	4.64	4.13	
2006-4	67	115,651	1,453	1,722	4,822	4,783	4,452	3,288		4.62	4.65	4.63	4.68	4.27	
2007-1	56	247,250	1,343	4,400	4,764	4,853	4,687	3,795		4.19	4.66	4.70	4.71	4.41	
2007-2	44	232,400	1,238	5,249	4,707	4,923	4,934	4,380		3.58	4.68	4.78	4.75	4.56	
2007-3	43	313,059	1,151	7,220	4,651	4,994	5,195	5,056	8,077	3.77	4.69	4.85	4.79	4.72	
2007-4	47	410,064	1,072	8,796	4,595	5,067	5,469	5,835	7,072	4.35	4.70	4.92	4.83	4.88	
2008-1	57	320,772	1,012	5,604	4,540	5,140	5,757	6,735	6,192	5.65	4.71	5.00	4.87	5.04	
2008-2	63	341,610	976	5,387	4,486	5,215	6,061	7,773	5,421	6.50	4.73	5.08	4.90	5.21	
2008-3	61	280,321	958	4,630	4,432	5,290	6,380	8,972	4,746	6.32	4.74	5.15	4.94	5.39	

Accident Period 12 Mo End Year-Qtr	Pure Prem:					
	Ult Inc'd per EE	20 point	16 point	12 point	8 point	4 point
		Fitted	Fitted	Fitted	Fitted	Fitted
2003-3	600.7	253.1				
2003-4	448.8	250.8				
2004-1	232.7	248.4				
2004-2	190.2	246.1				
2004-3	171.2	243.8	169.7			
2004-4	211.9	241.6	174.8			
2005-1	210.2	239.3	180.1			
2005-2	228.9	237.1	185.5			
2005-3	186.0	234.9	191.1	154.8		
2005-4	207.3	232.7	196.8	164.3		
2006-1	230.0	230.6	202.7	174.3		
2006-2	207.9	228.4	208.8	185.0		
2006-3	162.4	226.3	215.1	196.3	117.6	
2006-4	79.6	224.2	221.6	208.3	140.3	
2007-1	184.2	222.1	228.2	221.0	167.4	
2007-2	187.7	220.1	235.1	234.5	199.8	
2007-3	272.1	218.0	242.2	248.8	238.4	301.0
2007-4	382.4	216.0	249.4	264.0	284.6	318.6
2008-1	316.9	214.0	256.9	280.1	339.6	337.2
2008-2	350.0	212.0	264.7	297.2	405.2	356.8
2008-3	292.6	210.0	272.6	315.4	483.6	377.7

SITE BUILT DWELLING DP-1	Severity	Frequency	Pure Premium Trend
20 point	-4.7%	1.1%	-3.7%
16 point	5.9%	6.3%	12.6%
12 point	22.8%	3.2%	26.8%
8 point	77.5%	14.3%	102.8%
4 point	-41.2%	113.5%	25.5%
<b>Historical Selected</b>	<b>0.0%</b>	<b>1.0%</b>	<b>1.0%</b>
<b>Prospective Selected</b>	<b>-1.0%</b>	<b>4.0%</b>	<b>3.0%</b>

Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
9/30/2004	3/30/2004	5/15/2008	4.126	5/15/2008	2/1/2010	1.717	1.095
9/30/2005	3/30/2005	5/15/2008	3.127	5/15/2008	2/1/2010	1.717	1.085
9/30/2006	3/30/2006	5/15/2008	2.127	5/15/2008	2/1/2010	1.717	1.074
9/30/2007	3/30/2007	5/15/2008	1.128	5/15/2008	2/1/2010	1.717	1.063
9/30/2008	3/30/2008	5/15/2008	0.126	5/15/2008	2/1/2010	1.717	1.053



**American Modern Home Ins. Co.**  
**Incurred Loss & ALAE Development Factors**  
**Arkansas SITE BUILT DWELLING**  
 Countrywide Consolidated AMIG Data

**Indicated Incurred Age-to-Age Factors**

	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to Ult	
<b>Wtd Averages</b>																				
All Qtrs	1.040	0.999	0.997	1.014	1.000	0.996	0.999	1.004	1.000	0.994	0.994	1.004	0.995	1.003	1.000	0.991	0.997	0.999	1.000	
4 Point	1.096	1.003	0.989	0.992	1.006	0.995	0.991	1.002	1.001	0.992	0.988	0.998	0.994	1.002	1.000	0.991				
8 Point	1.066	1.002	0.999	1.015	0.999	0.998	0.999	1.008	0.999	0.994	0.994	1.004								
12 Point	1.052	1.003	0.997	1.017	0.998	0.996	0.999	1.004												
Avg (4,8)	1.081	1.002	0.994	1.003	1.002	0.996	0.995	1.005	1.000	0.993	0.991	1.001								
<b>Arithmetic Averages</b>																				
All Qtrs	1.043	0.997	1.000	1.013	0.999	0.996	0.999	1.002	0.996	0.996	0.998	1.005	0.995	1.004	1.000	0.991	0.996	0.999	1.000	
4 Point	1.094	1.004	0.987	0.992	1.006	0.995	0.990	1.003	0.993	0.996	0.993	0.998	0.994	1.002	1.000	0.991				
8 Point	1.061	1.006	0.997	1.015	0.999	0.997	0.999	1.004	0.995	0.997	0.998	1.005								
12 Point	1.059	1.000	1.001	1.016	0.998	0.995	0.999	1.002												
8 Pt H/L	1.062	1.001	0.999	1.012	1.000	0.996	0.998	1.004	0.996	0.996	0.999	1.000								
12 Pt H/L	1.059	0.999	1.002	1.014	1.000	0.996	0.999	1.001												
<b>Geometric Averages</b>																				
All Qtrs	1.041	0.997	1.000	1.013	0.999	0.996	0.999	1.002	0.996	0.996	0.998	1.005	0.995	1.004	1.000	0.991	0.996	0.999	1.000	
4 Point	1.094	1.004	0.987	0.992	1.006	0.995	0.990	1.003	0.993	0.995	0.993	0.998	0.994	1.002	1.000	0.991				
8 Point	1.060	1.006	0.997	1.014	0.999	0.997	0.999	1.004	0.995	0.997	0.998	1.005								
12 Point	1.058	0.999	1.000	1.016	0.998	0.995	0.999	1.002												

**Selected Factors**

Age-to-Age Factors	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to Ult
	1.090	0.997	1.006	1.000	1.000	1.002	1.001	1.003	0.997	0.997	0.996	1.001	0.999	0.999	1.000	1.000	1.002	1.000	1.000	1.000
Quarterly Age-to-Ult Factors	3-Ult	6-Ult	9-Ult	12-Ult	15-Ult	18-Ult	21-Ult	24-Ult	27-Ult	30-Ult	33-Ult	36-Ult	39-Ult	42-Ult	45-Ult	48-Ult	51-Ult	54-Ult	57-Ult	60-Ult
	1.091	1.001	1.004	0.998	0.999	0.998	0.997	0.995	0.992	0.995	0.997	1.001	1.000	1.001	1.001	1.001	1.002	1.000	1.000	1.000
Wtd Annual Age-to-Ult Factors	12-Ult	15-Ult	18-Ult	21-Ult	24-Ult	27-Ult	30-Ult	33-Ult	36-Ult	39-Ult	42-Ult	45-Ult	48-Ult	51-Ult	54-Ult	57-Ult	60-Ult			
	1.033	1.001	1.000	0.998	0.997	0.995	0.995	0.995	0.996	0.999	1.000	1.000	1.001	1.001	1.001	1.001	1.000			

American Modern Home Ins. Co.  
SITE BUILT DWELLING  
Arkansas

**Calculation of ULAE Factor**  
Ratio to Incurred Loss+ALAE

Consolidated American Modern Insurance Group Data

Calendar Year	2007	2006	2005
ULAE Incurred	14,037,802	15,194,970	13,597,575
Adjusted Loss+ALAE Incurred	358,439,989	307,266,292	469,391,596
Ratio to Incurred Loss+ALAE	3.9%	4.9%	2.9%
3 Year Average	3.9%		

Selected ULAE Factor: **1.039**

**American Modern Home Ins. Co.**

**Exhibit 9**

State: Arkansas

Product: SB / DP-1

**Determination of Permissible Loss Ratio**

	Calendar Year			Budget	Selected
	2005	2006	2007	2008	
(1) Pre-Paid Commissions	18.0%	17.5%	17.5%		17.5%
(1a) Contingent Commissions	7.7%	6.1%	7.0%	3.0%	3.0%
(2) Other Acquisition Expense (Consolidated AMIG)	4.9%	5.1%	4.9%	5.4%	5.2%
(3) General Expense (Consolidated AMIG)	13.0%	12.9%	13.4%	12.0%	12.7%
(4) Taxes, Licenses and Fees	3.6%	3.4%	3.4%		3.5%
(6) Reinsurance Expense (Consolidated AMIG)		0.6%	0.8%	0.6%	0.6%
(7) Total Expense					42.4%

**Profit Loading Provision**

(8a) After Tax Return on Equity Goal	16.5%
(8b) Target Premium to Surplus Ratio	2.3:1
(8c) After Tax Return on Premium [(8a)/(8b)]	7.2%
(8d) After Tax Return Generated by Investment Income (Exhibit 10, Page 1)	2.8%
(8e) After Tax Return Needed from Underwriting Profit [(8c)-(8d)]	4.4%
(8f) Before Tax Return Needed from Underwriting Profit [(8e)/(1.000-0.35)]	6.7%
(8) Selected Profit Loading Provision	6.7%
(9) Total Expenses and Profit Provision [(7) + (8)]	49.2%
(10) Permissible Loss+LAE Ratio [1.000 - (9)]	50.8%

Data applied to calculate commission ratio:

	Calendar Year		
	2005	2006	2007
AMHIC Arkansas SB / DP-1 Written Premium	1,076,451	771,427	587,293
AMHIC Arkansas SB / DP-1 Paid Commission	193,921	135,279	102,952

Data applied to calculate taxes, licenses and fees:

	Calendar Year		
	2005	2006	2007
AMHIC Arkansas Earned Premium from all Lines of AS	9,783,103	11,402,094	12,273,014
AMHIC Arkansas Taxes, licenses, and fees from all Lines of AS	353,087	386,665	416,055

Estimated Investment Earnings on Unearned Premium and Loss Reserves

**A. Unearned Premium Reserve**

(1) Direct Earned Premium for 2007	\$224,210,504
(2) Mean Unearned Premium Reserve Ratio	48.2%
(3) Mean Unearned Premium Reserve (1) x (2)	\$108,170,137
(4) Deduction for Prepaid Expenses and Federal Taxes Payable	
(a) Commission	20.5%
(b) 50% of Other Acquisition	2.6%
(c) 50% of General Expenses	6.3%
(d) Taxes, Licenses, and Fees	3.5%
(e) Reinsurance Expense	0.6%
(f) Subtotal	33.5%
(g) Federal Taxes Payable	7.0%
(4T) Total Deductions	40.5%
(5) Unearned Premium Reserve Subject to Investment (3) x [1.0 - (4T)]	\$64,347,095

**B. Delayed Remission of Premium (Agent's Balances)**

(1) Agent's Balance or Uncollected Premium to Unearned Premium	
(a) Average Agent's Balance	\$135,447,087
(b) Direct Unearned Premium 2007 (All Lines)	\$440,086,104
(c) Ratio (a) / (b)	30.8%
(d) Direct Unearned Premium 2007 (ASLOB 1 & 2.1 Fire and Allied Lines)	\$120,083,661
(2) Delayed Remission (1c) x (1d)	\$36,958,636

**C. Loss and Loss Adjustment Expense Reserve**

(1) Expected Loss and Loss Adjustment Expense Ratio	50.8%
(2) Expected Losses and Loss Adjustment Expenses (A.1) x (C.1)	\$113,916,359
(3) Percent of Mean Loss & ALAE Reserves to Incurred Loss & ALAE	
(a) 2007 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	37.7%
(b) 2006 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	54.9%
(c) 2005 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	36.6%
(d) Average of Mean Loss Reserve to Incurred Loss Ratios $1/3 \times [(a) + (b) + (c)]$	43.1%
(4) Expected Mean Loss Reserves (2) x (3c) x .958	\$47,014,285

**D. Net Subject to Investment**

(A.5) - (B.2) + (C.4) \$74,402,744

**E. Before Tax Rate of Return**

[(Exhibit 10, Page 3)] 4.6%

**F. Average Rate of Return as a % of Direct Earned Premium**

[(D) x (E)] / (A.1) 1.5%

**G. Before Tax Investment Income Return (Including Surplus)**

(F) + [(E) x (1.0/Premium to Surplus Ratio)] 3.5%

**H. After Tax Average Rate of Return as a Percent of Direct Earned Premium**

(1) Average Federal Tax Rate on Inv. Inc. (Exhibit 10, Page 2)	20.8%
(2) After Tax Return Generated by Investment Income (G) x [1.0 - (H.1)]	2.8%

Average Federal Tax Rate on Investment Income

	(1) Investment Income 2005-2007 (A)	(2) Allocation	(3) Current Tax Rate (B)	(4) Total Tax (2)x(3)
Bonds				
- Taxable	\$50,596,371	42.4%	35.0%	14.9%
- Tax Exempt Municipal	\$43,486,112	36.5%	5.3%	1.9%
Stocks				
- Acquired prior to 1987	\$0	0.0%	10.5%	0.0%
- Acquired after 1987	\$19,466,238	16.3%	14.2%	2.3%
Short-Term Investments	\$5,694,684	4.8%	35.0%	1.7%
Total	\$119,243,405	100.0%		20.8%

Notes: (A) From AMIG Annual Statement, Part 1.

(B) Under the 1986 Tax Reform Act, 15% of formerly tax-exempt income from securities purchased after August 7, 1986 is now taxable. Thus the estimated effective tax rates in 2008 will be:

Ordinary Income =	35.0%
Tax Exempt Municipal - 35.0% x 15.0% =	5.3%
Stock Dividends (Acquired after 1987) - 40.5% x 35.0% =	14.2%
Stock Dividends (Acquired before 1987) - 30.0% x 35.0% =	10.5%

**Investment Income as a Percentage of Invested Assets**

1996	5.1%
1997	5.1%
1998	4.7%
1999	4.5%
2000	5.0%
2001	5.2%
2002	5.2%
2003	4.5%
2004	4.3%
2005	4.4%
2006	4.5%
2007	4.6%
Twelve Year Average	4.8%
Latest Six Year Average	4.6%
Latest Year	4.6%
Projected 2008 (12 Year Trend)	4.4%
Projected 2008 ( 6 Year Trend)	4.3%

**Selected 2008 Rate of Return**

Before Tax	4.6%
After Tax [(1-0.208) x 4.6%]	3.6%

**General:**

The purpose of this report is to evaluate the rate level adequacy of the Site Built Dwelling product in this state. In this evaluation we take historical premiums and losses from our 'experience period' and project them into the future 'effective period'—our estimate of the time period that our proposed rates will be in effect. The trending methodologies used to do this are described below. In general, the data is organized by accident date into "12-month rolling" accident periods.

**Assumptions & Methodologies:**

1. On Exhibits 1 and 2, we show the overall rate indication for the SITE BUILT DWELLING product. We describe the data adjustments used in these exhibits in the succeeding paragraphs.

2. Earned premiums are adjusted to the current rate levels by program and then trended, using the factors described below:

(a) The Rate Level Adjustment Factors take into account any approved rate changes that have an impact upon the experience period. Our model assumes that premium is earned equally throughout experience quarters, and we use each program's average term length in measuring the rate in which premium is earned. By applying these factors to past premium, the adjustment reflects the amount of premium that would have been earned during the given year at our current rate level. On Exhibit 3 we show the rate changes affecting the experience period and the resulting Rate Level Adjustment Factors.

(b) The Premium Trend Factor projects the current level premium in our experience period to the average date the proposed rates will be in effect. We estimate the change in premium values over time by fitting exponential curves to 5 years (20 groups of rolling four quarters) current level average premiums by program for the state. Historical and a prospective premium trend factors are selected for each program. The historical factor is applied using a time period from the midpoint of the experience period to the ending date of the last experience period. The prospective factor is applied from the ending date of the last experience period to the midpoint of the time the rates are anticipated to be in effect.

3. We adjust incurred losses using the factors described below.

(a) Catastrophic Losses (including alae). Because of the unpredictability of large loss events, we use the experience from a longer time period to control our reaction to these types of losses. We rely on ISO to identify catastrophes; and they define them as events that cause at least \$25 million of loss to the insurance industry. Our adjustment involves removing such losses and applying an historical average. Our methodology is based on the relative stability of non-catastrophe losses, and we use these losses as a base for our calculation. We calculate a ratio of catastrophe losses to non-catastrophe losses from the historical data and add unity to get the catastrophe factor. By removing actual catastrophe losses and applying this factor to the non-catastrophe losses, we get incurred losses indicative of normal catastrophe activity for our experience period. Exhibit 5 shows the historical data and calculations used in this process.

- (b) The Loss+ALAE Trend Factor projects the value of losses in our experience periods to the average date the proposed rates will be in effect. We estimate the change in loss values over time by fitting an exponential curve to 5 years (20 groups of rolling 4 quarters) of frequency and severity trends. We select historical and prospective frequency and severity trends. These are multiplied together to obtain the pure premium trend. We use company and state specific data to develop the frequency, severity and pure premiums shown on Exhibit 6.
  - (c) Accident year incurred losses (including alae) are used in the rate indication; therefore, losses for each year may not be fully developed. The loss+alae development factor estimates the further development of these losses by analyzing historical patterns of American Modern Insurance Group countrywide Site Built Dwelling losses. We calculate quarterly factors and weight them together using the incurred losses to get annual numbers. See Exhibit 7.
  - (d) We apply a "ulae factor" to the incurred loss+alae data to get incurred loss+lae. The calculation of this factor is shown on Exhibit 8.
4. We weight together the adjusted accident year loss+lae ratios and then credibility-weight the resulting ratio with the trended permissible loss+lae ratio. Credibility is based on the square root rule with 25,000 exposures as the full credibility standard. We show the development of the complement of credibility on Exhibit 1, Page 2. We then divide by the permissible loss+lae ratio to get the Credibility-Weighted Indicated Rate Level Change.
5. Return on investment income is computed with the Clifford/Sterling Formula and is accounted for in the permissible loss+lae ratio. Exhibit 9 shows the calculation of the permissible loss+lae ratio and Exhibit 11, pages 1-3, shows the computation of return on investment income. Exhibit 11, page 4 is a line by line explanation of the investment income calculation. Our profit provision is based upon a 16.5% target rate of return on equity.

Line Explanation of Investment Income Calculation

**Line A-1**

Direct Earned Premium is total limits earned premium for SITE BUILT DWELLING written by American Modern Insurance Group for the latest accident year.

**Line A-3**

The mean unearned premium reserve is determined by the average of the last two years unearned premiums for American Modern Insurance Group.

**Line A-4**

Deductions for prepaid expenses:

Production costs and a large part of other company expenses in connection with the writing and handling of insurance policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before premium is paid. Therefore, the deduction of these expenses is determined by use of provisions for expenses used in our ratemaking procedures as shown. These provisions are based on American Modern Home Ins. Co. statewide data as shown on the permissible loss ratio exhibit.

**Line A-4 Federal Taxes Payable**

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 35%, this tax equals 7.0% ( $.20 \times .35 = .070$ ) of the unearned premium reserve.

**Line B-1**

Delayed remission of premium:

This deduction is necessary because the delay in collection and remission of premium to the companies beyond effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

**Line B-1(c)**

Average agent's balances as a percentage of Direct Unearned Premium 2007 (All Lines).

**Line C-1**

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing.

**Line C-3**

The expected mean loss reserve is determined by multiplying the expected incurred losses in line C-2 by the average ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses. This ratio is based on countrywide data for American Modern Insurance Group.

**Line C-4**

The Expected Mean Loss Reserves include an adjustment for the estimated Federal Income Taxes payable due to discounting of loss reserves. The estimated reserve discount is 12%, the federal taxes payable (% of reserves) is  $(.12 \times .35 = .042)$ , and the appropriate adjustment is .958  $(1.00 - .042 = .958)$ . The 12% is based on all company data provided by the A.M. Best Company.

**Line E**

This rate of return is the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends and real estate income due and accrued) for American Modern Insurance Group.

**Line H-1**

The average rate of Federal Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2005-2007 for American Modern Insurance Group.