

SERFF Tracking Number: AMMH-126219428 State: Arkansas
Filing Company: American Modern Select Insurance Company State Tracking Number: EFT \$100
Company Tracking Number: 20090630-01
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: HO-10 Specialty Homeowners Program
Project Name/Number: HO-10 Specialty Homeowners Program rate filing/20090630-01

Filing at a Glance

Company: American Modern Select Insurance Company

Product Name: HO-10 Specialty Homeowners SERFF Tr Num: AMMH-126219428 State: Arkansas

Program

TOI: 04.0 Homeowners

SERFF Status: Closed

State Tr Num: EFT \$100

Sub-TOI: 04.0000 Homeowners Sub-TOI

Co Tr Num: 20090630-01

State Status: Fees verified and received

Combinations

Filing Type: Rate

Co Status:

Reviewer(s): Becky Harrington, Betty Montesi

Author: Jessica Housley

Disposition Date: 07/08/2009

Date Submitted: 07/07/2009

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: HO-10 Specialty Homeowners Program rate filing

Status of Filing in Domicile:

Project Number: 20090630-01

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 07/08/2009

Deemer Date:

State Status Changed: 07/08/2009

Corresponding Filing Tracking Number:

Filing Description:

American Modern Select Insurance Company is submitting a base rate increase for its HO-10 Specialty Homeowners Program.

Company and Contact

SERFF Tracking Number: AMMH-126219428 State: Arkansas
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Filing Contact Information

Jessi Housley, Filing Analyst jhousley@amig.com
 7000 Midland Blvd. (800) 759-9008 [Phone]
 Amelia, OH 45102 (513) 947-4820[FAX]

Filing Company Information

American Modern Select Insurance Company	CoCode: 38652	State of Domicile: Ohio
7000 Midland Blvd.	Group Code: 361	Company Type: Property/Casualty
Amelia, OH 45102	Group Name:	State ID Number:
(513) 759-9008 ext. [Phone]	FEIN Number: 38-2342976	

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 Select Insurance Company	\$100.00	07/07/2009	29031061

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	07/08/2009	07/08/2009

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
HPCS and RF-2	Note To Filer	Becky Harrington	07/08/2009	07/08/2009

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Disposition

Disposition Date: 07/08/2009
 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 Select Insurance Company	3.700%	3.430%	\$10,549	191	\$307,287	4.000%	3.170%

SERFF Tracking Number: AMMH-126219428 State: Arkansas
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Item Type	Item Name	Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)	Filed	Yes
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Indications	Filed	Yes
Rate	Arkansas HO-10 Specialty Homeowners Program Manual	Filed	Yes

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Note To Filer

Created By:

Becky Harrington on 07/08/2009 08:49 AM

Last Edited By:

Becky Harrington

Submitted On:

07/08/2009 08:50 AM

Subject:

HPCS and RF-2

Comments:

Form RF-2 is only required with loss cost filings, and not needed with this filing.
HPCS is not required with the HO-10 program, you do not need to submit one.

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Rate Information

Rate data applies to filing.

Filing Method: File and Use
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: Increase
Effective Date of Last Rate Revision:
Filing Method of Last Filing: File and Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
American Modern Select Insurance Company	3.700%	3.430%	\$10,549	191	\$307,287	4.000%	3.170%

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Arkansas HO-10 Specialty Homeowners Program Manual	Page R-2	Replacement	Page R-2.pdf

**ARKANSAS
AMERICAN MODERN SELECT INSURANCE COMPANY
HO-10 SPECIALTY HOMEOWNERS PROGRAM**

OWNER OCCUPIED AND SEASONAL OCCUPIED

HO-10 Program (1A7/0A7)

Product Code	Base Rate	Covg Incr	Base Rate per Incr	Min Prem Amount	Min Rate Value	Min Val Accept	UVRC Code	Cov Relativity	Deductibles
1A7	\$218.40	N/A	N/A	\$100.00	\$40,000	\$1,000	EH	1.00	\$500 All Other Peril \$500 Wind & Hail
0A7	\$218.40	N/A	N/A	\$100.00	\$40,000	\$1,000	EH	1.00	\$500 All Other Peril \$500 Wind & Hail

Territory Relativity Table			
70	71	72	73
1.00	0.90	1.60	2.00

Protection Class Relativity Table				
1-6	7	8	9	10
1.00	1.15	1.30	1.90	2.10

Insurance Score Relativity Table	
Score	Factor
1-479	1.94
480-509	1.75
510-539	1.50
540-559	1.40
560-589	1.30
0, 590-709 No Hit / Thin	1.00
710-744	0.92
745-997	0.85

Multiple Family Risk Code Table	
1 Family (27)	2 Family (28)
1.00	1.10

Construction Type Risk Code Table		
Frame	Masonry	Log
1.00	0.90	0.90

Claim Risk Code Table			
0 (L0)	1 (L1)	2 (L2)	3 (L3)
0.90	1.00	1.10	1.20

Age of Home Risk Code Table	
Age of Home	Proposed Relativity
0 - 1	0.90
2 - 3	0.92
4 - 5	0.94
6 - 7	0.96
8 - 10	0.98
11+	1.00

Maturity Risk Code Table
Insured 50 Years of age or older
.95

Protective Device Risk Code Table (maximum 5%)			
Central Fire Alarm	Central Burglar Alarm	Local Smoke & Burglar Alarm	Deadbolts, Smoke Alarm & Fire Extinguisher
.95	.95	.98	.98

NEW PAGE		PAGE NUMBER	EFFECTIVE DATE	PUBLICATION DATE
REVISION	X	R-2	9/15/09	4/21/09

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Supporting Document Schedules

Satisfied -Name: H-1 Homeowners Abstract	Review Status: Filed	07/08/2009
Comments:		
Attachment: F503AR Homeowners abstract.pdf		
Satisfied -Name: NAIC loss cost data entry document	Review Status: Filed	07/08/2009
Comments:		
Attachment: FORM RF-1 Rate Filing Abstract.pdf		
Satisfied -Name: Indications	Review Status: Filed	07/08/2009
Comments:		
Attachment: HO10 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 Select 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>2</u> %
b. Burglar Alarm	<u>2</u> %
c. Smoke Alarm	<u>2</u> %
d. Insured who has both homeowners and auto with your company	<u>N/A</u> %
e. Deadbolt Locks	<u>2</u> %
f. Window or Door Locks	<u>N/A</u> %
g. Other (Specify)	<u> </u> %
<u>Central Fire Alarm</u>	<u>5</u> %
<u>Central Burglar Alarm</u>	<u>5</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>
HO-10	Current Premium in the program is \$307,287
_____	_____
_____	_____
_____	_____

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

1.	This filing transmittal is part of Company Tracking #	20090630-01
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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Company Name		Company NAIC Number		
3.	A.	American Modern Select Insurance Company	B.	38652

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
4.	A.	04.0 Homeowners	B.	04.0000 Homeowners Sub-TOI Combinations

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
HO-10	3.7%	3.43%					
TOTAL OVERALL EFFECT							

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
2007	1	n/a	n/a	.019	0	0.00%	115.7%
2008	149	n/a	n/a	77	25	32.9%	92.7%

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	.284
B. General Expense	.127
C. Taxes, License & Fees	.028
D. Underwriting Profit & Contingencies	.063
E. Other (explain)	.009
F. TOTAL	.511

- 8.** N Apply Lost Cost Factors to Future filings? (Y or N)
- 9.** 4.00% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): NA
- 10.** NA Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): NA

American Modern Select Insurance Company
SITE BUILT HOMEOWNERS Rate Level Indication
HO-10 Program

Exhibit 1
Page 1

State: Arkansas
SOB: All Channels
Terr: Statewide

	(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		
3/31/05	0	1.000	0	1.000	0	0		
3/31/06	0	1.000	0	1.000	0	0		
3/31/07	0	1.000	0	1.000	0	0		
3/31/08	5,738	1.000	5,738	1.000	5,738	6		
3/31/09	107,273	1.000	107,273	1.000	107,273	118		

	(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)	Loss+ALAE Trend Factor	Incurred Loss+ALAE Development Factor	ULAE Factor
3/31/05	0	0	1.138	0	1.121	1.000	1.036
3/31/06	0	0	1.138	0	1.111	0.999	1.036
3/31/07	0	0	1.138	0	1.101	0.998	1.036
3/31/08	226	0	1.138	257	1.090	0.997	1.036
3/31/09	30,049	16,843	1.138	15,029	1.080	1.023	1.036

	(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
3/31/05	0	0.000	0.00	0
3/31/06	0	0.000	0.00	0
3/31/07	0	0.000	0.00	0
3/31/08	290	0.050	0.05	1
3/31/09	17,195	0.160	0.95	24

Weighted Experience Loss+LAE Ratio	0.155
Permissible Loss+LAE Ratio	0.501
Loss Ratio Trend Factor	1.076
Trended Permissible Loss+LAE Ratio used as Complement of Credibility	0.539
Credibility (Square Root Rule, Full Credibility = 50000 Earned Exposures)	0.050
Credibility-Weighted Loss+LAE Ratio	<u>0.520</u>
Credibility-Weighted Indicated Rate Level Change	3.7%

American Modern Select Insurance Company
SITE BUILT HOMEOWNERS Rate Level Indication
State: **Arkansas**

Exhibit 1
Page 2

Complement of Credibility Calculation

(1) Permissible Loss+LAE Ratio (Exhibit 9)	0.501
(2) Hurricane Load (capped at)	0.000
(3) Non-Hurricane Permissible	0.501
(4) Proposed Renewal Effective Date	11/1/2009
(5) Effective Date of Current Rates	12/15/2007
(6) Time Period in Years {(4) - (5)}/365 (Capped at 2 years)	1.88
(7) Ann Prem Trend (Exh 1, Page 1, Column 4 Annualized)	0.0%
(8) Ann Loss Trend (Exhibit 6)	4.0%
(9) Ann Loss Ratio Trend {[1 + (8)] / [1 + (7)]} - 1	4.0%
(10) Selected Trend Factor (minimum = 1.000)	1.076
(11) Trended Permissible Loss+LAE Ratio (1) x (10)	0.539

**American Modern Select Insurance Company
SITE BUILT HOMEOWNERS Rate Level Indication**

Exhibit 2

**Program: HO-10
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		
3/31/05	0	1.000	0	1.000	0	0		
3/31/06	0	1.000	0	1.000	0	0		
3/31/07	0	1.000	0	1.000	0	0		
3/31/08	5,738	1.000	5,738	1.000	5,738	6		
3/31/09	107,273	1.000	107,273	1.000	107,273	118		
Accident Year	Incurring Loss+ALAE	Catastrophe Loss+ALAE	Catastrophe Factor	Cat Adjusted Incurring Loss+ALAE {(7)-(8)}x(9)	Loss+ALAE Trend Factor	Incurring Loss+ALAE Development Factor	ULAE Factor	
3/31/05	0	0	1.138	0	1.121	1.000	1.036	
3/31/06	0	0	1.138	0	1.111	0.999	1.036	
3/31/07	0	0	1.138	0	1.101	0.998	1.036	
3/31/08	226	0	1.138	257	1.090	0.997	1.036	
3/31/09	30,049	16,843	1.138	15,029	1.080	1.023	1.036	
Accident Year	Trended Adjusted Incurring Loss+LAE Prod{(10):(13)}	Adjusted Loss+LAE Ratio (14)/(5)	Accident Year Weight	Reported Claim Counts				
3/31/05	0	0.000	0.00	0				
3/31/06	0	0.000	0.00	0				
3/31/07	0	0.000	0.00	0				
3/31/08	290	0.050	0.30	1				
3/31/09	17,195	0.160	0.70	24				
Weighted Experience Loss+LAE Ratio:			0.127					

American Modern Select Insurance Company
SITE BUILT HOMEOWNERS
Arkansas

Rate Change History and Rate Level Adjustment Factors

Rate Changes by Program	
Renewal Effective Date	HO-10
12/15/2007	0.00%

Rate Level Adjustment Factors	
Acc Yr Ending	HO-10
3/31/05	1.000
3/31/06	1.000
3/31/07	1.000
3/31/08	1.000
3/31/09	1.000

American Modern Select Insurance Company
Current Level Earned Premium Trends
Arkansas SITE BUILT HOMEOWNERS
Arkansas HOMEOWNERS HO-10 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						
2004-1	0	0	0					
2004-2	0	0	0					
2004-3	0	0	0					
2004-4	0	0	0					
2005-1	0	0	0					
2005-2	0	0	0					
2005-3	0	0	0					
2005-4	0	0	0					
2006-1	0	0	0					
2006-2	0	0	0					
2006-3	0	0	0					
2006-4	0	0	0					
2007-1	0	0	0					
2007-2	0	0	0					
2007-3	0	0	0					
2007-4	19	0	457					
2008-1	5,738	6	893					919
2008-2	20,738	23	913					917
2008-3	44,774	49	920					915
2008-4	77,096	84	916					913
2009-1	107,273	118	908					912

SITE BUILT HOMEOWNERS		Trend
20 point		
16 point		
12 point		
8 point		
4 point		-0.8%
Historical Selected		0.0%
Prospective Selected		0.0%

Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
3/31/2005	9/30/2004	2/15/2009	4.378	2/15/2009	11/1/2010	1.709	1.000
3/31/2006	9/30/2005	2/15/2009	3.379	2/15/2009	11/1/2010	1.709	1.000
3/31/2007	9/30/2006	2/15/2009	2.379	2/15/2009	11/1/2010	1.709	1.000
3/31/2008	9/30/2007	2/15/2009	1.380	2/15/2009	11/1/2010	1.709	1.000
3/31/2009	9/30/2008	2/15/2009	0.378	2/15/2009	11/1/2010	1.709	1.000

American Modern Insurance Group
 (Using American Modern Insurance Group Data)
Homeowners Average Catastrophe Factor
 ALL Homeowners Programs

Central Region*

Accident Year Ending	(1) Catastrophe Losses	(2) All Losses	(3) All Less Catastrophe (2)-(1)	(4) Catastrophe Ratio (1)/(3)	(5) Capped Catastrophe Ratio **
12/31/1989	2,323	262,084	259,761	0.009	0.009
12/31/1990	65,788	862,530	796,743	0.083	0.083
12/31/1991	178,739	852,592	673,853	0.265	0.265
12/31/1992	86,239	637,834	551,595	0.156	0.156
12/31/1993	129,088	1,679,628	1,550,540	0.083	0.083
12/31/1994	210,726	1,448,212	1,237,485	0.170	0.170
12/31/1995	466,128	2,260,672	1,794,544	0.260	0.260
12/31/1996	765,104	3,122,342	2,357,238	0.325	0.325
12/31/1997	55,565	1,770,840	1,715,275	0.032	0.032
12/31/1998	226,366	2,099,500	1,873,134	0.121	0.121
12/31/1999	799,517	1,782,945	983,429	0.813	0.512
12/31/2000	40,860	982,618	941,757	0.043	0.043
12/31/2001	153,722	1,776,122	1,622,399	0.095	0.095
12/31/2002	139,709	2,925,505	2,785,796	0.050	0.050
12/31/2003	277,779	1,541,046	1,263,267	0.220	0.220
12/31/2004	100	7,911	7,811	0.013	0.013
12/31/2005	0	0	0	0.000	0.000
12/31/2006	0	0	0	0.000	0.000
12/31/2007	0	64,678	64,678	0.000	0.000
12/31/2008	60,859	360,250	299,391	0.203	0.203

Capped Average: 0.138

Selected Catastrophe Factor: 1.138

** Catastrophe Ratio capped at: 0.512 and the excess is spread over 50 years.

*Central Region Includes: (AR,KS, MO,OK)

American Modern Insurance Group
Frequency, Severity and Pure Premium Trends
 Countrywide Insurance Score **SITE BUILT HOMEOWNERS HO-10**
 Countrywide Consolidated AMIG HOMEOWNERS HO-10 Program Data Excluding Georgia and Arizona
 New & Renewal Business, All Causes of Loss Excluding Catastrophe

Accident Period 12 Mo End Year-Qtr	Ultimate Reported			Severity:						Frequency:					
	Claim	Ultimate Incurred	Earned	Average Ultimate Incurred	20 point	16 point	12 point	8 point	4 point	Ultimate Claim Cnts Per 100 EE	20 point	16 point	12 point	8 point	4 point
	Counts	Loss+LAE	Exposures		Fitted	Fitted	Fitted	Fitted	Fitted		Fitted	Fitted	Fitted	Fitted	Fitted
2004-1	0	0	0	0						0.00					
2004-2	0	0	0	0						0.00					
2004-3	0	0	0	0						0.00					
2004-4	0	0	0	0						0.00					
2005-1	0	0	0	0						0.00					
2005-2	0	0	0	0						0.00					
2005-3	0	0	0	0						0.00					
2005-4	0	0	0	0						0.00					
2006-1	0	0	0	0						0.00					
2006-2	0	0	1	0						0.00					
2006-3	0	0	8	0						0.00					
2006-4	5	2,602	33	519						15.43					
2007-1	12	495,568	100	41,153				30,511		12.04				9.81	
2007-2	20	506,458	231	25,218				24,267		8.69				9.18	
2007-3	38	601,638	437	15,737				19,301		8.75				8.59	
2007-4	47	688,462	740	14,537				15,351		6.40				8.04	
2008-1	78	662,137	1,146	8,514				12,210	8,954	6.79				7.53	6.82
2008-2	115	1,045,401	1,650	9,112				9,711	8,643	6.95				7.05	6.88
2008-3	156	1,357,652	2,252	8,729				7,724	8,343	6.91				6.60	6.95
2008-4	205	1,576,224	2,921	7,677				6,143	8,053	7.03				6.17	7.02
2009-1	405	2,448,483	3,609	6,040				4,886	7,773	11.23				5.78	7.09

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
2004-1	0.0					
2004-2	0.0					
2004-3	0.0					
2004-4	0.0					
2005-1	0.0					
2005-2	0.0					
2005-3	0.0					
2005-4	0.0					
2006-1	0.0					
2006-2	0.0					
2006-3	0.0					
2006-4	80.0					
2007-1	4,956.4				2,991.6	
2007-2	2,191.6				2,227.3	
2007-3	1,377.7				1,658.2	
2007-4	930.2				1,234.6	
2008-1	577.8				919.1	610.3
2008-2	633.6				684.3	595.0
2008-3	602.8				509.5	580.0
2008-4	539.7				379.3	565.4
2009-1	678.4				282.4	551.2

SITE BUILT HOMEOWNERS	Severity	Frequency	Pure Premium Trend
20 point	N/A	N/A	N/A
16 point	N/A	N/A	N/A
12 point	N/A	N/A	N/A
8 point	-60.0%	-23.2%	-69.3%
4 point	-13.2%	4.0%	-9.7%
Historical Selected	-2.0%	3.0%	0.9%
Prospective Selected	-1.0%	5.0%	4.0%

Accident Year	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
3/31/2005	9/30/2004	11/14/2008	4.123	11/14/2008	11/1/2010	1.964	1.121
3/31/2006	9/30/2005	11/14/2008	3.124	11/14/2008	11/1/2010	1.964	1.111
3/31/2007	9/30/2006	11/14/2008	2.125	11/14/2008	11/1/2010	1.964	1.101
3/31/2008	9/30/2007	11/14/2008	1.125	11/14/2008	11/1/2010	1.964	1.090
3/31/2009	9/30/2008	11/14/2008	0.123	11/14/2008	11/1/2010	1.964	1.080

American Modern Select Insurance Company
Incurred Loss & ALAE Development Factors
Arkansas SITE BUILT HOMEOWNERS
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
Wtd Averages																			
All Qtrs	1.054	1.004	1.002	1.012	0.998	0.997	1.000	1.005	1.001	1.001	0.988	1.004	0.995	0.993	1.000	0.991	1.000	1.001	1.000
4 Point	1.111	1.012	1.004	0.991	1.003	0.999	0.995	1.001	1.002	1.015	0.977	1.000	0.994	0.989	1.000	0.991			
8 Point	1.086	1.009	1.000	0.997	1.002	0.999	0.997	1.006	1.001	1.000	0.986	1.004							
12 Point	1.078	1.006	0.997	1.014	1.001	0.997	1.000	1.005											
Avg (4,8)	1.098	1.010	1.002	0.994	1.002	0.999	0.996	1.004	1.001	1.008	0.982	1.002							
Arithmetic Averages																			
All Qtrs	1.052	1.000	1.004	1.011	0.998	0.997	1.000	1.001	0.999	1.003	0.990	1.006	0.996	0.998	1.000	0.991	1.000	1.001	1.000
4 Point	1.100	1.009	1.003	0.992	1.002	1.000	0.994	1.002	1.003	1.012	0.975	1.001	0.994	0.994	1.000	0.991			
8 Point	1.073	1.006	0.998	0.999	1.002	0.999	0.997	1.002	0.997	1.002	0.988	1.006							
12 Point	1.067	1.006	1.000	1.013	1.001	0.996	1.000	1.001											
8 Pt H/L	1.075	1.005	1.000	0.993	1.003	0.998	0.996	1.000	0.997	0.995	0.992	1.000							
12 Pt H/L	1.067	1.002	1.001	1.011	1.002	0.996	0.999	1.001											
Geometric Averages																			
All Qtrs	1.050	1.000	1.004	1.011	0.998	0.997	1.000	1.001	0.999	1.002	0.990	1.006	0.996	0.998	1.000	0.991	1.000	1.001	1.000
4 Point	1.099	1.009	1.003	0.992	1.002	1.000	0.994	1.002	1.002	1.012	0.975	1.001	0.994	0.994	1.000	0.991			
8 Point	1.072	1.005	0.998	0.998	1.002	0.999	0.997	1.002	0.997	1.002	0.988	1.006							
12 Point	1.066	1.005	0.999	1.013	1.000	0.996	1.000	1.001											

Selected 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
Age-to-Age Factors	1.091	1.003	0.997	1.011	1.009	0.978	0.999	1.004	1.010	1.001	0.997	0.999	0.998	0.999	1.000	1.000	1.000	1.000	1.000	1.000
	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
Quarterly Age-to-Ult Factors	1.096	1.005	1.002	1.005	0.994	0.985	1.007	1.009	1.005	0.995	0.994	0.996	0.997	0.999	1.000	1.000	1.000	1.000	1.000	1.000
	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			
Wtd Annual Age-to-Ult Factors	1.023	1.002	0.998	0.997	0.997	0.999	1.004	1.001	0.998	0.996	0.997	0.999	0.999	1.000	1.000	1.000	1.000			

American Modern Select Insurance Company
SITE BUILT HOMEOWNERS
Arkansas

Calculation of ULAE Factor
Ratio to Incurred Loss+ALAE

Consolidated American Modern Insurance Group Data

Calendar Year	2008	2007	2006
ULAE Incurred	11,747,762	14,037,802	15,194,970
Adjusted Loss+ALAE Incurred	584,440,974	358,439,989	307,266,292
Ratio to Incurred Loss+ALAE	2.0%	3.9%	4.9%
3 Year Average	3.6%		

Selected ULAE Factor: **1.036**

American Modern Select Insurance Company

Exhibit 9

State: Arkansas

Product: SB / HO-10

Determination of Permissible Loss Ratio

	Calendar Year			Budget	Selected
	2006	2007	2008	2009	
(1) Pre-Paid Commissions	N/A	20.3%	18.6%		18.6%
(1a) Contingent Commissions	1.3%	1.3%	0.3%	2.6%	2.6%
(2) Other Acquisition Expense (Consolidated AMIG)	5.1%	4.9%	5.0%	5.7%	5.3%
(3) General Expense (Consolidated AMIG)	12.9%	13.4%	12.4%	12.0%	12.2%
(4) Taxes, Licenses and Fees	2.8%	2.8%	2.8%		2.8%
(6) Reinsurance Expense (Consolidated AMIG)	1.0%	1.3%	0.9%	1.0%	1.0%
(7) Total Expense					42.5%

Profit Loading Provision

(8a) After Tax Return on Equity Goal	15.0%
(8b) Target Premium to Surplus Ratio	2.3:1
(8c) After Tax Return on Premium [(8a)/(8b)]	6.5%
(8d) After Tax Return Generated by Investment Income (Exhibit 10, Page 1)	1.7%
(8e) After Tax Return Needed from Underwriting Profit [(8c)-(8d)]	4.8%
(8f) Before Tax Return Needed from Underwriting Profit [(8e)/(1.000-0.35)]	7.4%
(8) Selected Profit Loading Provision	7.4%
(9) Total Expenses and Profit Provision [(7) + (8)]	49.9%
(10) Permissible Loss+LAE Ratio [1.000 - (9)]	50.1%

Data applied to calculate commission ratio:

	Calendar Year		
	2006	2007	2008
AMSArkansas SB / HO-10 Written Premium	0	457	143,480
AMSArkansas SB / HO-10 Paid Commission	0	93	26,702

Data applied to calculate taxes, licenses and fees:

	Calendar Year		
	2006	2007	2008
AMSArkansas Earned Premium from all Lines of AS	381,382	848,581	1,238,173
AMSArkansas Taxes, licenses, and fees from all Lines of AS	10,652	23,675	34,545

Estimated Investment Earnings on Unearned Premium and Loss Reserves

A. Unearned Premium Reserve

(1) Direct Earned Premium for 2008	\$215,364,187
(2) Mean Unearned Premium Reserve Ratio	61.7%
(3) Mean Unearned Premium Reserve (1) x (2)	\$132,963,511
(4) Deduction for Prepaid Expenses and Federal Taxes Payable	
(a) Commission	21.2%
(b) 50% of Other Acquisition	2.7%
(c) 50% of General Expenses	6.1%
(d) Taxes, Licenses, and Fees	2.8%
(e) Reinsurance Expense	1.0%
(f) Subtotal	33.7%
(g) Federal Taxes Payable	7.0%
(4T) Total Deductions	40.7%
(5) Unearned Premium Reserve Subject to Investment (3) x [1.0 - (4T)]	\$78,808,293

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

(1) Agent's Balance or Uncollected Premium to Unearned Premium	
(a) Average Agent's Balance	\$146,100,977
(b) Direct Unearned Premium 2008 (All Lines)	\$492,239,510
(c) Ratio (a) / (b)	29.7%
(d) Direct Unearned Premium 2008 (ASLOB 4 Homeowners multi peril)	\$194,667,937
(2) Delayed Remission (1c) x (1d)	\$57,779,140

C. Loss and Loss Adjustment Expense Reserve

(1) Expected Loss and Loss Adjustment Expense Ratio	50.1%
(2) Expected Losses and Loss Adjustment Expenses (A.1) x (C.1)	\$108,004,295
(3) Percent of Mean Loss & ALAE Reserves to Incurred Loss & ALAE	
(a) 2008 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	19.1%
(b) 2007 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	55.6%
(c) 2006 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	72.2%
(c) Average of Mean Loss Reserve to Incurred Loss Ratios $1/2 \times [(a) + (b)]$	37.4%
(4) Expected Mean Loss Reserves (2) x (3c) x .958	\$38,664,536

D. Net Subject to Investment

(A.5) - (B.2) + (C.4)

\$59,693,689

E. Before Tax Rate of Return

[(Exhibit 10, Page 3)]

3.0%

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

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

0.8%

G. Before Tax Investment Income Return (Including Surplus)

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

2.1%

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)	19.7%
(2) After Tax Return Generated by Investment Income (G) x [1.0 - (H.1)]	1.7%

Average Federal Tax Rate on Investment Income

	(1) Investment Income 2006-2008 (A)	(2) Allocation	(3) Current Tax Rate (B)	(4) Total Tax (2)x(3)
Bonds				
- Taxable	\$47,247,346	38.5%	35.0%	13.5%
- Tax Exempt Municipal	\$48,752,891	39.8%	5.3%	2.1%
Stocks				
- Acquired prior to 1987	\$0	0.0%	10.5%	0.0%
- Acquired after 1987	\$20,201,322	16.5%	14.2%	2.3%
Short-Term Investments	\$6,415,078	5.2%	35.0%	1.8%
Total	\$122,616,637	100.0%		19.7%

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 2009 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

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%
2008	4.4%
Twelve Year Average	4.7%
Latest Six Year Average	4.4%
Latest Year	4.4%
Projected 2009 (12 Year Trend)	4.3%
Projected 2009 (6 Year Trend)	4.5%

Selected 2009 Rate of Return

Before Tax	3.0% *
After Tax [(1-0.197) x 3%]	2.4%

General:

The purpose of this report is to evaluate the rate level adequacy of the Site Built Homeowners 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 HOMEOWNERS 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 countrywide consolidated AMIG 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 Homeowners 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 50,000 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 15.0% 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 HOMEOWNERS 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 Select Insurance Company 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.