

SERFF Tracking Number: SHEL-126899532 State: Arkansas  
Filing Company: Shelter Mutual Insurance Company State Tracking Number: EFT \$100  
Company Tracking Number: 03M10410  
TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)  
Product Name: DF  
Project Name/Number: Fiore/

## Filing at a Glance

Company: Shelter Mutual Insurance Company

Product Name: DF

TOI: 01.0 Property

Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)

Filing Type: Rate/Rule

SERFF Tr Num: SHEL-126899532 State: Arkansas

SERFF Status: Closed-Filed

Co Tr Num: 03M10410

Authors: Brian Marcks, Sue Burlingame

Date Submitted: 11/16/2010

State Tr Num: EFT \$100

State Status: Fees verified and received

Reviewer(s): Becky Harrington, Nancy Horton

Disposition Date: 12/08/2010

Disposition Status: Filed

Effective Date Requested (New): 01/14/2011

Effective Date Requested (Renewal): 01/14/2011

Effective Date (New): 01/14/2011

Effective Date (Renewal): 01/14/2011

State Filing Description:

## General Information

Project Name: Fiore

Project Number:

Reference Organization:

Reference Title:

Filing Status Changed: 12/08/2010

State Status Changed: 11/17/2010

Created By: Brian Marcks

Corresponding Filing Tracking Number:

Filing Description:

This filing contains a revision to the Extended Coverage base rates for Dwellings, a revision to the Extended Coverage component of Additional Living Expense, Loss of Rental or Lease Income, Other Structures, Inventory (B-341-B). Also, rates were revised for Outdoor Awning and Signs Wind and Hail Coverage (B-342-B), Outdoor Radio and Television Equipment Wind and Hail Coverage (B-339-B) and Addition of Wind and Hail Perils for Trees, Shrubs, Plants and Lawns (B-338-B). The Contents Fire rates were revised and the Fire rates for Tenant Occupied Frame dwellings were revised. Editorial changes were also made to the Rate pages.

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

Submitted By: Brian Marcks

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The overall effect of this filing is expected to be a revenue change of 9.7% or \$1,377,476.

## Company and Contact

### Filing Contact Information

Brian Marcks, Coordinator of Insurance BCMarcks@shelterinsurance.com  
 Department Affairs  
 1817 West Broadway 573-214-4165 [Phone]  
 Columbia, MO 65218 573-446-7317 [FAX]

### Filing Company Information

Shelter Mutual Insurance Company CoCode: 23388 State of Domicile: Missouri  
 1817 West Broadway Group Code: Company Type:  
 Columbia, MO 65218 Group Name: State ID Number:  
 (573) 445-8441 ext. [Phone] FEIN Number: 43-0613000

## Filing Fees

Fee Required? Yes  
 Fee Amount: \$100.00  
 Retaliatory? No  
 Fee Explanation:  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Shelter Mutual Insurance Company	\$100.00	11/16/2010	41951695

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	12/08/2010	12/08/2010

### Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	11/19/2010	11/19/2010			
Pending Industry Response	Becky Harrington	11/17/2010	11/17/2010	Brian Marcks	11/18/2010	11/18/2010

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## Disposition

Disposition Date: 12/08/2010  
 Effective Date (New): 01/14/2011  
 Effective Date (Renewal): 01/14/2011  
 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):
Shelter Mutual Insurance Company	16.100%	9.700%	\$1,377,476	28,311	\$14,256,137	17.000%	-7.000%

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	Explanatory Memorandum	Filed	Yes
Supporting Document	Rate Indications	Filed	Yes
Supporting Document	Distribution of Rate Changes	Filed	Yes
Rate	Manual Page	Filed	Yes
Rate	Manual Page	Filed	Yes
Rate	Manual Page	Filed	Yes
Rate	Rate Page	Filed	Yes
Rate	Rate Page	Filed	Yes

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*TOI:* 01.0 Property      *Sub-TOI:* 01.0002 Personal Property (Fire and Allied Lines)  
*Product Name:* DF  
*Project Name/Number:* Fiore/

## **Objection Letter**

Objection Letter Status      Pending Industry Response

Objection Letter Date      11/19/2010

Submitted Date      11/19/2010

Respond By Date

Dear Brian Marcks,

This will acknowledge receipt of the recent response.

Objection 1

Comment: Please advise the rate differential between the General company and the Mutual company for this program.

Explain any underwriting or policy coverage differences.

Please feel free to contact me if you have questions.

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Sincerely,

Becky Harrington

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## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 11/17/2010  
Submitted Date 11/17/2010  
Respond By Date

Dear Brian Marcks,

This will acknowledge receipt of the captioned filing.

Objection 1

Comment: Please provide a disruption chart showing the percentage changes for insureds.

Please feel free to contact me if you have questions.

Sincerely,

Becky Harrington

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## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 11/18/2010  
Submitted Date 11/18/2010

Dear Becky Harrington,

### Comments:

Reference is made to your note of yesterday.

### Response 1

Comments: Attached is a chart showing the distribution of the rate changes for this filing.

### Related Objection 1

Comment:

Please provide a disruption chart showing the percentage changes for insureds.

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: Distribution of Rate Changes

Comment: Please see attachment.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Please let me know if you have questions.

Sincerely,

Brian Marcks, Sue Burlingame

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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:** 5.400%  
**Effective Date of Last Rate Revision:** 07/12/2009  
**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):
Shelter Mutual Insurance Company	16.100%	9.700%	\$1,377,476	28,311	\$14,256,137	17.000%	-7.000%

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## Rate/Rule Schedule

<b>Schedule Item</b>	<b>Exhibit Name:</b>	<b>Rule # or Page</b>	<b>Rate Action</b>	<b>Previous State Filing Attachments</b>
<b>Status:</b>		<b>#:</b>		<b>Number:</b>
Filed 12/08/2010	Manual Page	GR-11	Replacement	GR-11 Proposed.pdf
Filed 12/08/2010	Manual Page	GR-12	Replacement	GR-12 Proposed.pdf
Filed 12/08/2010	Manual Page	GR-13	Replacement	GR-13 Proposed.pdf
Filed 12/08/2010	Rate Page	R-1	Replacement	AR R-1 Proposed.pdf
Filed 12/08/2010	Rate Page	R-2	Replacement	AR R-2 Proposed.pdf

**2. ADDING SPECIFIC ITEM PERILS****a. Theft Coverage (B-37-B)**

The endorsement *Addition Of The Peril Of Theft To Personal Property Coverage* provides coverage for the theft of personal property and is available for the owner-occupant or for the tenant-occupant of the residence premises. Certain limits apply to specific groups of Personal Property. Coverage is to be written in units of \$1,000, using the following rates. Deductible factors apply.

<u>Amount of Coverage</u>	
First \$1,000	\$ 14
Second \$1,000	12
Third, Fourth & Fifth \$1,000	10
Each Additional \$1,000	8

**b. Construction Theft Coverage (B-549-B)**

Coverage for theft losses from a dwelling under construction may be added with the *Addition Of Construction Theft Coverage* endorsement.

The premium for this endorsement is fully earned when added to the policy. Deductible factors apply.

<u>Policy Term</u>	<u>Premium</u>
6 months	\$ 58
12 months	\$ 87

**c. Adding Coverage for Wind and Hail Perils**

The following are coverages under the policy EXCEPT for the perils of Wind and Hail. These perils may be added with the endorsement specified and using the designated rates. Deductible factors apply.

**(1) Outdoor Awning And Signs Wind And Hail Coverage (B-342-B)**

Rate per \$1,000	\$ 55.78
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**(2) Outdoor Radio And Television Equipment Wind And Hail Coverage (B-339-B)**

Rate per \$1,000	\$ 5.64
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**(3) Addition Of Wind And Hail Perils For Trees, Shrubs, Plants And Lawns (B-338-B)**

Rate per \$1,000	\$ 38.03
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**3. INCREASED LIMITS TO THE BASIC POLICY****a. Additional Living Expense Coverages**

The automatic limit provided for the additional costs incurred to maintain the household while the residence is uninhabitable due to a loss caused by an insured peril may be increased. No deductible applies.

<u>Peril</u>	<u>P.C.</u>	<u>Rate per \$1,000 of increase</u>
Fire	1-8	\$ 6.40
	9-11	12.11
E.C.	1-11	4.93

**b. Loss of Rental or Lease Income Coverages**

The automatic limit provided for the loss of rents or lease income while the residence is uninhabitable due to a loss caused by an insured peril may be increased. No deductible applies.

<u>Peril</u>	<u>P.C.</u>	<u>Rate per \$1,000 of increase</u>
Fire	1-8	\$ 3.40
	9-11	6.41
E.C.	1-11	2.62

**4. FIRE DEPARTMENT CHARGES ENDORSEMENT (B-453-B)**

Coverage may be added to cover charges made by a fire department when called to protect insured property from the peril of Fire. No deductible applies.

Rate per \$100	\$ 2.20
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**5. OTHER STRUCTURES**

This option allows a specific amount of coverage to be written on a specific other structure(s) when the 10% of the Dwelling coverage is not sufficient. Docks, which are excluded from the 10% of the Dwelling coverage, may also be insured using the rates below when specifically added as a separate item. Deductible factors apply.

<u>Peril</u>	<u>P.C.</u>	<u>Rate per \$1,000</u>
Fire	1-8	\$ 5.70
	9-11	10.78
E.C.	1-11	4.38



# Arkansas Shelter Mutual Dwelling Base Rates

Dwelling @ \$15,000, Contents @ \$6,000, \$500 Deductible

## Fire Base Rates - Dwelling

Owner Occupancy										
Masonry					Frame				Mobile Home	
Families:	1	2	3	4	1	2	3	4		
Protection Class	1	30	30	62	62	43	43	82	82	43
	2	30	30	62	62	43	43	82	82	43
	3	30	30	62	62	43	43	82	82	43
	4	37	37	72	72	49	49	93	93	49
	5	43	43	77	77	53	53	105	105	53
	6	53	53	90	90	63	63	116	116	63
	7	80	80	105	105	91	91	137	137	91
	8	115	115	146	146	143	143	200	200	143
	9	130	130	168	168	205	205	275	275	205
	10	179	179	231	231	269	269	338	338	269
	11	179	179	231	231	269	269	338	338	269
Curve	1	1	1	1	1	1	1	1	1	1

Tenant Occupancy										
Masonry					Frame				Mobile Home	
Families:	1	2	3	4	1	2	3	4		
Protection Class	1	42	42	82	82	59	59	117	117	56
	2	42	42	82	82	59	59	117	117	56
	3	42	42	82	82	59	59	117	117	56
	4	50	50	97	97	68	68	131	131	65
	5	56	56	103	103	78	78	147	147	74
	6	74	74	118	118	86	86	161	161	82
	7	110	110	143	143	128	128	193	193	122
	8	155	155	195	195	198	198	278	278	189
	9	172	172	223	223	290	290	389	389	276
	10	238	238	308	308	378	378	468	468	360
	11	238	238	308	308	378	378	468	468	360
Curve	1	1	1	1	1	1	1	1	1	1

## Fire Base Rates - Contents

Owner/Tenant Occupancy												
Masonry						Frame					Mobile Home	
Families:	1	2	3	4	5+	1	2	3	4	5+		
Protection Class	1	22	22	33	33	51	29	29	45	45	63	29
	2	22	22	33	33	51	29	29	45	45	63	29
	3	22	22	33	33	51	29	29	45	45	63	29
	4	24	24	35	35	53	32	32	51	51	67	32
	5	26	26	40	40	56	33	33	52	52	73	33
	6	29	29	44	44	61	39	39	54	54	75	39
	7	40	40	51	51	73	49	49	64	64	87	49
	8	55	55	67	67	94	68	68	92	92	119	68
	9	64	64	76	76	111	93	93	118	118	142	93
	10	80	80	98	98	135	116	116	141	141	166	116
	11	80	80	98	98	135	116	116	141	141	166	116
Curve	2	2	2	2	2	2	2	2	2	2	2	2

## Extended Coverage Base Rates - Dwelling/Contents

	Dwelling	Contents
Rate	100	19
Curve	3	4

**Arkansas Dwelling  
Shelter Mutual  
Amount of Insurance**

Amount Insured	Curve 1	Curve 2	Curve 3	Curve 4		
1,000	0.384	0.350	0.244	0.170		
2,000	0.428	0.480	0.298	0.336		
3,000	0.472	0.610	0.352	0.502		
4,000	0.516	0.740	0.406	0.668		
5,000	0.560	0.870	0.460	0.834		
6,000	0.604	1.000	0.514	1.000		
7,000	0.648	1.130	0.568	1.169		
8,000	0.692	1.260	0.622	1.338		
9,000	0.736	1.390	0.676	1.507		
10,000	0.780	1.520	0.730	1.676		
11,000	0.824	1.650	0.784	1.845		
12,000	0.868	1.780	0.838	2.014		
13,000	0.912	1.910	0.892	2.183		
14,000	0.956	2.040	0.946	2.352		
15,000	1.000	2.170	1.000	2.521		
16,000	1.040	2.300	1.051	2.690		
17,000	1.080	2.430	1.102	2.859		
18,000	1.120	2.560	1.153	3.028		
19,000	1.160	2.690	1.204	3.197		
20,000	1.200	2.820	1.255	3.366		
21,000	1.240	2.950	1.306	3.535		
22,000	1.280	3.080	1.357	3.704		
23,000	1.320	3.210	1.408	3.873		
24,000	1.360	3.340	1.459	4.042		
25,000	1.400	3.470	1.510	4.211		
26,000	1.440	3.600	1.561	4.380		
27,000	1.480	3.730	1.612	4.549		
28,000	1.520	3.860	1.663	4.718		
29,000	1.560	3.990	1.714	4.887		
30,000	1.600	4.120	1.765	5.056		
32,000	1.680	4.380	1.867	5.394		
34,000	1.760	4.640	1.969	5.732		
36,000	1.840	4.900	2.071	6.070		
38,000	1.920	5.160	2.173	6.408		
40,000	2.000	5.420	2.275	6.746		
42,000	2.080	5.680	2.377	7.084		
44,000	2.160	5.940	2.479	7.422		
46,000	2.240	6.200	2.581	7.760		
48,000	2.320	6.460	2.683	8.098		
50,000	2.400	6.720	2.785	8.436		
<b>For Each Additional 1,000 Add:</b>						
	0.040	0.130	0.051	0.169		

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Product Name: DF

Project Name/Number: Fiore/

## Supporting Document Schedules

	Item Status:	Status Date:
<b>Satisfied - Item:</b> Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	12/08/2010

**Comments:**

Please see attachment.

**Attachment:**

AR RF1.pdf

	Item Status:	Status Date:
<b>Satisfied - Item:</b> HPCS-Homeowners Premium Comparison Survey	Filed	12/08/2010

**Comments:**

Please see attachment.

**Attachment:**

HPCS Mutual.xls

	Item Status:	Status Date:
<b>Satisfied - Item:</b> Explanatory Memorandum	Filed	12/08/2010

**Comments:**

Please see attachment.

**Attachment:**

AR Mut Expl Memo.pdf

	Item Status:	Status Date:
<b>Satisfied - Item:</b> Rate Indications	Filed	12/08/2010

**Comments:**

Please see attachment.

**Attachment:**

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AR Dwelling Fire Mutual Indications Exhibitions.pdf

**Item Status:**

**Status**

**Satisfied - Item:** Distribution of Rate Changes

Filed

**Date:**

12/08/2010

**Comments:**

Please see attachment.

**Attachment:**

Distribution Chart DFM Arkansas.pdf

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

<b>1.</b>	This filing transmittal is part of Company Tracking #	03M10410
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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	N/A
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Company Name		Company NAIC Number	
<b>3.</b>	<b>A.</b> Shelter Mutual Insurance Company	<b>B.</b>	23388

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Business (i.e., Sub-type of Insurance)	
<b>4.</b>	<b>A.</b> 1.0	<b>B.</b>	1.0002

**5.**

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	FOR LOSS COSTS ONLY			
				(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Fire	12.7%	0.8%	63.0%	N/A	N/A	N/A	N/A
Allied Lines	19.1%	19.5%	63.0%	N/A	N/A	N/A	N/A
<b>TOTAL OVERALL EFFECT</b>	16.1%	9.7%	63.0%				

**6. 5 Year History Rate Change History**

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2005	29,598	No Chg		12,541	4,374	34.9	58.4
2006	28,581	No Chg		12,648	7,202	56.9	53.9
2007	28,136	No Chg		12,618	3,824	30.3	37.2
2008	28,114	No Chg		12,820	18,412	143.6	85.6
2009	28,311	5.4%	7-12-2009	13,127	10,681	81.4	77.7

**7.**

Expense Constants	Selected Provisions
A. Total Production Expense	18.0 / 18.1
B. General Expense	7.3 / 7.3
C. Taxes, Licenses & Fees	2.9 / 2.9
D. Underwriting Profit & Contingencies	8.8 / 8.7
E. Other (explain)	
<b>F. TOTAL</b>	<b>37.0 / 37.0</b>

**8.** N/A Apply Loss Cost Factors to Future filings? (Y or N)

**9.** 17.0% Estimated Maximum Rate Increase for any Insured (%) Territory (if applicable): \_\_\_\_\_

**10.** -7.0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_

Telephone No.: 573-214-4165  
 Email Address: BCMarcks@Shelterinsurance.com  
 Effective Date: 1/14/2011

**USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE BLANK**

Telephone: 501-371-2800  
 Email as an attachment to insurance.pnc@arkansas.gov  
 You may also attach to a SERFF filing or submit on a cdr disk

**Survey Form for HO3 (Homeowners) - Use \$500 Flat Deductible (Covers risk of direct physical loss for dwelling and other structures; named perils for personal property, replacement cost on dwelling, actual cash value on personal property)**

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

**Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)**

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000																		
	\$15,000																		
	\$25,000																		
6	\$5,000																		
	\$15,000																		
	\$25,000																		
9	\$5,000																		
	\$15,000																		
	\$25,000																		

**Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)**

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$879.00	\$964.00	\$879.00	\$964.00	\$879.00	\$964.00	\$879.00	\$964.00	\$879.00	\$964.00	\$879.00	\$964.00	\$879.00	\$964.00	\$879.00	\$964.00	\$879.00	\$964.00
	\$120,000	\$1,299.00	\$1,423.00	\$1,299.00	\$1,423.00	\$1,299.00	\$1,423.00	\$1,299.00	\$1,423.00	\$1,299.00	\$1,423.00	\$1,299.00	\$1,423.00	\$1,299.00	\$1,423.00	\$1,299.00	\$1,423.00	\$1,299.00	\$1,423.00
	\$160,000	\$1,719.00	\$1,881.00	\$1,719.00	\$1,881.00	\$1,719.00	\$1,881.00	\$1,719.00	\$1,881.00	\$1,719.00	\$1,881.00	\$1,719.00	\$1,881.00	\$1,719.00	\$1,881.00	\$1,719.00	\$1,881.00	\$1,719.00	\$1,881.00
6	\$80,000	\$1,000.00	\$1,090.00	\$1,000.00	\$1,090.00	\$1,000.00	\$1,090.00	\$1,000.00	\$1,090.00	\$1,000.00	\$1,090.00	\$1,000.00	\$1,090.00	\$1,000.00	\$1,090.00	\$1,000.00	\$1,090.00	\$1,000.00	\$1,090.00
	\$120,000	\$1,475.00	\$1,607.00	\$1,475.00	\$1,607.00	\$1,475.00	\$1,607.00	\$1,475.00	\$1,607.00	\$1,475.00	\$1,607.00	\$1,475.00	\$1,607.00	\$1,475.00	\$1,607.00	\$1,475.00	\$1,607.00	\$1,475.00	\$1,607.00
	\$160,000	\$1,949.00	\$2,123.00	\$1,949.00	\$2,123.00	\$1,949.00	\$2,123.00	\$1,949.00	\$2,123.00	\$1,949.00	\$2,123.00	\$1,949.00	\$2,123.00	\$1,949.00	\$2,123.00	\$1,949.00	\$2,123.00	\$1,949.00	\$2,123.00
9	\$80,000	\$1,304.00	\$1,646.00	\$1,304.00	\$1,646.00	\$1,304.00	\$1,646.00	\$1,304.00	\$1,646.00	\$1,304.00	\$1,646.00	\$1,304.00	\$1,646.00	\$1,304.00	\$1,646.00	\$1,304.00	\$1,646.00	\$1,304.00	\$1,646.00
	\$120,000	\$1,918.00	\$2,416.00	\$1,918.00	\$2,416.00	\$1,918.00	\$2,416.00	\$1,918.00	\$2,416.00	\$1,918.00	\$2,416.00	\$1,918.00	\$2,416.00	\$1,918.00	\$2,416.00	\$1,918.00	\$2,416.00	\$1,918.00	\$2,416.00
	\$160,000	\$2,532.00	\$3,186.00	\$2,532.00	\$3,186.00	\$2,532.00	\$3,186.00	\$2,532.00	\$3,186.00	\$2,532.00	\$3,186.00	\$2,532.00	\$3,186.00	\$2,532.00	\$3,186.00	\$2,532.00	\$3,186.00	\$2,532.00	\$3,186.00

**SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:**

**HO3 and HO4 only**

Fire Extinguisher	<input type="text"/>	%	Deadbolt Lock	<input type="text"/>	%
Burglar Alarm	<input type="text"/>	%	Window Locks	<input type="text"/>	%
Smoke Alarm	<input type="text"/>	%	\$1,000 Deductible	<input type="text" value="15"/>	%
			Other (specify)	<input type="text"/>	%
			See GR pages 4-7	<input type="text"/>	%
			Maximum Credit Allowed	<input type="text" value="No max"/>	%

**EARTHQUAKE INSURANCE**

**IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this co**

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	<input type="text" value="yes"/>	(yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	<input type="text" value="10"/>	%
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?		
	Zone	
	Highest Risk	\$ <input type="text" value="1.8"/>
	Lowest Risk	\$ <input type="text" value="0.72"/>
	Brick	\$ <input type="text" value="1.28"/>
	Frame	\$ <input type="text" value="0.4"/>

**SHELTER MUTUAL INSURANCE COMPANY  
ARKANSAS DWELLING POLICY  
EXPLANATORY MEMORANDUM**

**SYNOPSIS**

This filing contains a revision to the Extended Coverage Base Rates for Dwellings, a revision to the Extended Coverage component of Additional Living Expense, Loss of Rental or Lease Income, Other Structures, Inventory (B-341-B). Also, rates were revised for Outdoor Awning and Signs Wind and Hail Coverage (B-342-B), Outdoor Radio and Television Equipment Wind and Hail Coverage (B-339-B) and Addition of Wind and Hail Perils for Trees, Shrubs, Plants and Lawns (B-338-B). The Contents Fire rates were revised and the fire rates for Tenant Occupied Frame dwellings were revised. Editorial changes were made to the Rate pages. The estimated overall revenue effect is 9.7% or \$1,377,476.

**GENERAL RULE (GR) PAGES**

The following is a description of rate revisions.

- GR-11 Rules 2.c. (1),(2),(3) Adding Coverage for Wind and Hail Perils** – Base rates were revised for the Outdoor Awning and Signs Wind and Hail Coverage, Outdoor Radio, Television Equipment Wind and Hail Coverage and Addition of Wind and Hail Perils for Trees, Shrubs, Plants and Lawns endorsements.
- GR-12 Rule 3. a. & b. Increased Limits to the Base Policy** – The Extended Coverage Component of Additional Living Expense Coverages and Loss of Rental or Lease Income Coverages was revised.
- GR-12 Rule 5. Other Structures** – The Extended Coverage Component of Other Structures coverage was revised.
- GR-13 Rule 8. Inventory (B-341-B)** – The Extended Coverage Component of the Inventory (B-341-B) rate was revised.

**RATE (R) PAGES**

**R-1 & 2** The Dwelling Extended Coverage Base Rates were revised. The Contents Fire rates for both Owner and Tenant were revised. The fire rates for Tenant occupied Frame dwellings were revised. Editorial changes were made to the Rate pages. The word FIRE was removed from the policy type designation.

**Shelter Mutual Insurance Company  
Dwelling Fire - Fire Coverage  
Arkansas**

***Current Rate Level Factors as of September 30, 2010***

The parallelogram method was used to develop the current rate level factors shown below. The following rate change history shows the effective dates for new business. The actual dates used in the calculations were set 30 days past these dates to properly adjust for renewal effective dates.

<b><u>Fiscal Year Ending</u></b>	<b><u>Factors</u></b>
September 30, 2006	0.9120
September 30, 2007	0.9120
September 30, 2008	0.9120
September 30, 2009	0.9146
September 30, 2010	0.9734

***Rate Change History (Percent Changes)***

<b><u>Effective Date</u></b>	<b><u>% Changes</u></b>
July 12, 2009	-8.8 %
December 4, 2003	16.0 %
January 0, 1900	

**Shelter Mutual Insurance Company**  
**Arkansas**  
**Fire**  
**Determination of Underwriting Profit & Contingencies Provision**

Target Total Return on Surplus (after federal income tax):	12.0%	(I)
Expected Investment Income on Surplus (% of surplus, after federal income tax, including realized capital gains):	3.8%	(II)
Expected Net Income (% of surplus, after federal income tax):	8.3%	(III)=(I)-(II)
Target Premium to Surplus Ratio:	1.00	(IV)
Expected Net Income (% of earned premium, after federal income tax):	8.3%	(V)=(III)/(IV)
Expected Investment Income on Unearned Premium Reserves and Loss & LAE Reserves (% of earned premium, after federal income tax, including realized capital gains):	1.6%	(VI)
Underwriting Profit Provision (% of earned premium, after federal income tax):	6.7%	(VII)=(V)-(VI)
Expected Federal Income Tax Rate:	24.7%	(VIII)
Underwriting Profit Provision (% of earned premium, before federal income tax):	<b>8.8%</b>	(IX)=(VII)/[1-(VIII)]

## Shelter Mutual Insurance Company

## Companywide

## Fire

## Development of Expense Ratios

Note: 000 s omitted.	2007	2008	2009	Total
1.) Direct Commission and Brokerage	\$ 4,834	\$ 4,482	\$ 4,581	\$ 13,897
2.) Direct Written Premium	33,396	34,182	35,007	102,585
Ratio: 1 / 2	14.5%	13.1%	13.1%	13.5%
3.) Other Acquisition Expense	\$ 1,522	\$ 1,616	\$ 1,529	\$ 4,667
4.) Direct Written Premium	33,396	34,182	35,007	102,585
Ratio: 3 / 4	4.6%	4.7%	4.4%	4.5%
5.) General Expense	\$ 2,560	\$ 2,407	\$ 2,554	\$ 7,520
6.) Direct Written Premium	33,396	34,182	35,007	102,585
Ratio: 5 / 6	7.7%	7.0%	7.3%	7.3%
7.) Taxes, Licenses and Fees	\$ 725	\$ 702	\$ 653	\$ 2,080
8.) Direct Written Premium	33,396	34,182	35,007	102,585
Ratio: 7 / 8	2.2%	2.1%	1.9%	2.0%
9.) Direct Loss Adjustment Expense	\$ 1,625	\$ 1,596	\$ 2,244	\$ 5,465
10.) Direct Losses Incurred	12,478	17,260	22,692	52,430
Ratio: 9 / 10	13.0%	9.2%	9.9%	10.4%

Source: Insurance Expense Exhibit.

**Shelter Mutual Insurance Company****Arkansas****Fire****Calculation of Expected Loss Ratio**

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Commission and Brokerage (a)	13.5%
Other Acquisition Expense (a)	4.5%
General Expense (a)	7.3%
Arkansas Taxes, Licenses and Fees (b)	2.9%
Profit and Contingencies (c)	8.8%
	<hr/>
Sub-total	37.0%
Available for Losses and Loss Adjustment Expense	63.0%

(a) From attached Companywide Expense Ratios

(b) 2009 Premium Tax ratio in Arkansas

(c) From attached Determination of Underwriting Profit & Contingencies Provision

SHELTER MUTUAL INSURANCE COMPANY  
 DWELLING FIRE / ALLIED LINES  
 Credibility Table  
 Based on 20,000 Exposure Units

<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Credibility Factor</u>
0	12	0.00
13	112	0.05
113	312	0.10
313	612	0.15
613	1,012	0.20
1,013	1,512	0.25
1,513	2,112	0.30
2,113	2,812	0.35
2,813	3,612	0.40
3,613	4,512	0.45
4,513	5,512	0.50
5,513	6,612	0.55
6,613	7,812	0.60
7,813	9,112	0.65
9,113	10,512	0.70
10,513	12,012	0.75
12,013	13,612	0.80
13,613	15,312	0.85
15,313	17,112	0.90
17,113	19,012	0.95
19,013	20,000 +	1.00

**Assumptions:**

1. 10% claim frequency distribution with claims following a Poisson distribution.
2. Using the normal approximation with a 95% probability that the sample mean is within 4.0% of the true mean.
3. Partial credibility is based on the square root rule rounded to the nearest 5%.

**Shelter Mutual Insurance Company  
Arkansas  
Dwelling Fire - Fire Coverage  
Development of Combined Trend and Projection Factor**

Severity Trends - Shelter Mutual Companywide						
Fiscal Acc Year	Ultimate Loss and LAE	Ultimate Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
12/2007	13,278,072	1,082	12,272	11,645		
3/2008	13,679,037	1,173	11,662	11,740		
6/2008	14,386,835	1,318	10,916	11,835		
9/2008	14,810,216	1,332	11,119	11,932		
12/2008	15,211,065	1,330	11,437	12,029		
3/2009	17,439,689	1,357	12,852	12,127		
6/2009	18,267,505	1,390	13,142	12,226		13,427
9/2009	19,151,869	1,452	13,190	12,326		13,124
12/2009	20,343,265	1,546	13,159	12,426		12,828
3/2010	18,784,436	1,519	12,366	12,527		12,538
6/2010	18,873,879	1,482	12,735	12,630		12,255
9/2010	17,096,365	1,476	11,583	12,733		11,979
Annual Percentage Change				3.30%		-8.72%
r^2				0.181		0.699

Frequency Trends - Shelter Mutual Companywide						
Fiscal Acc Year	Ultimate Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
12/2007	1,082	192,656	0.56	0.62		
3/2008	1,173	193,146	0.61	0.63		
6/2008	1,318	193,756	0.68	0.64		
9/2008	1,332	194,331	0.69	0.66		
12/2008	1,330	195,020	0.68	0.67		
3/2009	1,357	195,988	0.69	0.68		
6/2009	1,390	197,248	0.70	0.69		0.62
9/2009	1,452	198,930	0.73	0.71		0.63
12/2009	1,546	200,927	0.77	0.72		0.64
3/2010	1,519	203,428	0.75	0.73		0.66
6/2010	1,482	206,527	0.72	0.75		0.67
9/2010	1,476	210,082	0.70	0.76		0.68
Annual Percentage Change				7.04%		7.94%
r^2				0.613		0.009

Severity Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Loss and LAE	Ultimate Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
12/2007	2,869,783	313	9,169	7,742		
3/2008	3,069,234	374	8,207	8,129		
6/2008	3,063,863	439	6,979	8,535		
9/2008	3,239,190	454	7,135	8,962		
12/2008	3,416,633	433	7,891	9,411		
3/2009	4,181,205	394	10,612	9,882		
6/2009	4,638,716	372	12,470	10,376		13,827
9/2009	5,034,489	350	14,384	10,895		13,254
12/2009	5,000,508	376	13,299	11,440		12,704
3/2010	4,396,547	367	11,980	12,012		12,177
6/2010	4,408,532	347	12,705	12,613		11,672
9/2010	3,385,703	332	10,198	13,244		11,188
Annual Percentage Change				21.56%		-15.59%
r^2				0.487		0.469

Frequency Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
12/2007	313	39,484	0.79	1.01		
3/2008	374	39,321	0.95	1.00		
6/2008	439	39,204	1.12	1.00		
9/2008	454	39,066	1.16	0.99		
12/2008	433	38,933	1.11	0.98		
3/2009	394	38,827	1.01	0.97		
6/2009	372	38,711	0.96	0.96		0.96
9/2009	350	38,648	0.91	0.96		0.95
12/2009	376	38,597	0.97	0.95		0.93
3/2010	367	38,571	0.95	0.94		0.92
6/2010	347	38,616	0.90	0.93		0.90
9/2010	332	38,731	0.86	0.93		0.89
Annual Percentage Change				-3.12%		-6.32%
r^2				0.063		0.488

Severity Trends - Fast Track Arkansas - Homeowners						
Fiscal Acc Year	Non-Catastrophe Incurred Loss and LAE	Non-Catastrophe Paid Claims	Severity	Curve of Best Fit		
				12 Point	6 Point	
6/2007	128,996,504	16,650	7,748	8,034		
9/2007	128,175,475	16,332	7,848	8,170		
12/2007	134,485,266	16,549	8,126	8,307		
3/2008	141,009,830	16,786	8,400	8,447		
6/2008	154,660,343	18,192	8,502	8,590		
9/2008	175,290,217	19,385	9,043	8,734		
12/2008	192,504,609	19,669	9,787	8,881		9,960
3/2009	201,594,671	20,797	9,693	9,031		9,725
6/2009	205,985,937	20,879	9,866	9,183		9,496
9/2009	211,923,027	22,544	9,400	9,338		9,273
12/2009	205,285,997	23,618	8,692	9,495		9,055
3/2010	212,876,805	23,838	8,930	9,655		8,842
Annual Percentage Change				6.91%		-9.08%
r^2				0.510		0.727

Frequency Trends - Fast Track Arkansas - Homeowners						
Fiscal Acc Year	Non-Catastrophe Paid Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
6/2007	16,650	320,052	5.20	4.87		
9/2007	16,332	323,367	5.05	5.03		
12/2007	16,549	326,688	5.07	5.19		
3/2008	16,786	329,915	5.09	5.37		
6/2008	18,192	332,888	5.46	5.54		
9/2008	19,385	335,702	5.77	5.72		
12/2008	19,669	337,603	5.83	5.91		5.84
3/2009	20,797	338,827	6.14	6.11		6.07
6/2009	20,879	340,060	6.14	6.31		6.30
9/2009	22,544	340,746	6.62	6.52		6.55
12/2009	23,618	341,122	6.92	6.73		6.81
3/2010	23,838	341,212	6.99	6.95		7.07
Annual Percentage Change				13.75%		16.47%
r^2				0.937		0.950

Trend Factor					
Fiscal Acc Year	Midpoint of Experience Period	Number of Years to 9/30/2010	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Trend Factor
9/30/2006	4/01/2006	4.5000	1.1930	1.0000	1.1930
9/30/2007	4/01/2007	3.5000	1.1471	1.0000	1.1471
9/30/2008	4/01/2008	2.5000	1.1030	1.0000	1.1030
9/30/2009	4/01/2009	1.5000	1.0606	1.0000	1.0606
9/30/2010	4/01/2010	0.5000	1.0198	1.0000	1.0198

Projection Factor				Combined Trend and Projection Factor
Years from 9/30/2010 to 4/01/2012	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Projection Factor	
1.5041	1.0608	1.0000	1.0608	1.2655
1.5041	1.0608	1.0000	1.0608	1.2168
1.5041	1.0608	1.0000	1.0608	1.1701
1.5041	1.0608	1.0000	1.0608	1.1251
1.5041	1.0608	1.0000	1.0608	1.0818

**Shelter Mutual Insurance Company  
 Dwelling Fire - Fire Coverage  
 Projected Ultimate Loss and Allocated Loss Adjustment Expense**

**Companywide Paid Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	11,012,449	12,739,620	12,790,896	12,792,238	12,793,245	12,793,508	12,777,735	12,773,362	12,768,085	12,768,085
9/30/2002	12,827,446	13,954,692	14,054,635	14,079,503	14,080,601	14,082,163	14,086,960	14,092,883	14,068,243	
9/30/2003	11,699,474	13,211,057	13,307,000	13,337,447	13,267,814	13,263,556	13,259,766	13,255,917		
9/30/2004	10,584,559	11,848,066	11,910,754	11,918,115	11,928,908	11,908,466	11,906,794			
9/30/2005	10,933,497	12,882,709	13,064,460	13,077,103	13,142,578	13,133,878				
9/30/2006	12,717,574	14,320,955	14,583,228	14,606,731	14,674,357					
9/30/2007	11,190,931	11,952,467	12,050,944	12,077,561						
9/30/2008	13,117,534	14,656,952	14,710,994							
9/30/2009	16,932,209	18,986,328								
9/30/2010	15,007,063									

**Arkansas Paid Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	3,590,425	3,872,982	3,890,967	3,892,046	3,893,230	3,893,671	3,887,563	3,883,052	3,877,749	3,877,749
9/30/2002	3,933,069	4,078,902	4,119,981	4,123,716	4,124,073	4,125,335	4,129,697	4,138,601	4,113,961	
9/30/2003	3,172,504	3,432,843	3,457,145	3,455,845	3,392,957	3,390,228	3,387,635	3,384,862		
9/30/2004	2,952,160	3,142,610	3,147,129	3,157,465	3,158,684	3,138,466	3,138,466			
9/30/2005	3,143,885	3,401,232	3,402,979	3,398,402	3,391,738	3,383,666				
9/30/2006	2,857,613	3,041,598	3,040,848	3,043,279	3,043,243					
9/30/2007	2,489,670	2,727,853	2,755,991	2,752,760						
9/30/2008	3,087,513	3,544,684	3,540,129							
9/30/2009	4,528,684	5,061,190								
9/30/2010	2,935,983									

**Companywide Reported Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	12,739,008	12,777,299	12,792,104	12,804,238	12,805,245	12,793,508	12,777,735	12,773,362	12,768,085	12,768,085
9/30/2002	14,386,591	14,085,930	14,098,635	14,079,503	14,080,601	14,082,163	14,086,960	14,092,883	14,068,243	
9/30/2003	13,709,625	13,300,235	13,332,000	13,337,447	13,267,814	13,263,556	13,259,766	13,255,917		
9/30/2004	12,395,184	11,974,176	12,006,420	12,013,781	12,024,574	12,004,132	11,906,794			
9/30/2005	13,627,913	13,008,014	13,099,732	13,109,103	13,142,578	13,133,878				
9/30/2006	15,432,698	14,706,212	14,660,580	14,710,033	14,706,960					
9/30/2007	12,636,248	12,010,503	12,075,253	12,077,561						
9/30/2008	15,319,021	14,811,528	14,799,861							
9/30/2009	19,887,956	19,104,092								
9/30/2010	17,951,279									

**Arkansas Reported Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	3,924,479	3,872,982	3,890,967	3,892,046	3,893,230	3,893,671	3,887,563	3,883,052	3,877,749	3,877,749
9/30/2002	4,177,137	4,078,902	4,119,981	4,123,716	4,124,073	4,125,335	4,129,697	4,138,601	4,113,961	
9/30/2003	3,585,672	3,432,843	3,457,145	3,455,845	3,392,957	3,390,228	3,387,635	3,384,862		
9/30/2004	3,241,904	3,142,610	3,147,129	3,157,465	3,158,684	3,138,466	3,138,466			
9/30/2005	3,463,666	3,401,232	3,402,979	3,398,402	3,391,738	3,383,666				
9/30/2006	3,277,678	3,041,598	3,074,848	3,043,279	3,043,243					
9/30/2007	2,863,997	2,744,104	2,755,991	2,752,760						
9/30/2008	3,560,452	3,562,681	3,549,201							
9/30/2009	5,203,811	5,097,404								
9/30/2010	3,512,374									

**Companywide Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	1,812	1,911	1,921	1,922	1,923	1,924	1,925	1,925	1,925	1,925
9/30/2002	1,635	1,704	1,704	1,707	1,708	1,708	1,708	1,708	1,708	
9/30/2003	1,458	1,503	1,511	1,512	1,513	1,513	1,513	1,513		
9/30/2004	1,245	1,285	1,290	1,293	1,293	1,294	1,295			
9/30/2005	1,243	1,326	1,336	1,336	1,336	1,337				
9/30/2006	1,237	1,295	1,299	1,303	1,305					
9/30/2007	973	1,003	1,005	1,005						
9/30/2008	1,225	1,326	1,329							
9/30/2009	1,371	1,444								
9/30/2010	1,389									

**Arkansas Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	571	595	598	598	599	600	600	600	600	600
9/30/2002	501	512	512	513	513	513	513	513	513	
9/30/2003	437	442	445	445	446	446	446	446		
9/30/2004	361	373	376	378	378	378	378			
9/30/2005	333	345	345	345	345	345	345			
9/30/2006	334	346	347	347	347					
9/30/2007	271	279	281	281						
9/30/2008	405	452	453							
9/30/2009	335	348								
9/30/2010	274									

**Companywide Selected Incurred Loss & ALAE**

Fiscal Year-End	Losses						
	Cumulative Reported Losses (1)	Ultimate Development Factors (2)	Estimated Incurred Loss/ALAE (3)	Cumulative Paid Losses (4) = (2) x (3)	Ultimate Development Factors (5)	Estimated Incurred Loss/ALAE (6) = (4) x (5)	Selected Incurred Loss/ALAE (7) = (6) x (7)
9/30/2001	12,768,085	1.0000	12,768,085	12,768,085	1.0000	12,768,085	12,768,085
9/30/2002	14,068,243	1.0000	14,068,243	14,068,243	1.0000	14,068,243	14,068,243
9/30/2003	13,255,917	1.0000	13,255,917	13,255,917	1.0000	13,255,917	13,255,917
9/30/2004	11,906,794	1.0000	11,906,794	11,906,794	1.0000	11,906,794	11,906,794
9/30/2005	13,133,878	1.0000	13,133,878	13,133,878	1.0000	13,133,878	13,133,878
9/30/2006	14,706,960	0.9994	14,698,136	14,674,357	0.9997	14,669,955	14,698,136
9/30/2007	12,077,561	1.0001	12,078,764	12,077,561	1.0007	12,086,012	12,078,764
9/30/2008	14,799,861	1.0007	14,810,216	14,710,994	1.0027	14,750,730	14,810,216
9/30/2009	19,104,092	1.0025	19,151,869	18,986,328	1.0077	19,132,800	19,151,869
9/30/2010	17,951,279	0.9524	17,096,365	15,007,063	1.1307	16,967,823	17,096,365
5-yr Total			77,835,349			77,607,320	77,835,350
10-yr Total			142,968,265			142,740,237	142,968,267

Total	
Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10)
1,925	12,768,085
1,708	14,068,243
1,513	13,255,917
1,295	11,906,794
1,337	13,133,878
1,306	14,698,136
1,006	12,078,764
1,332	14,810,216
1,452	19,151,869
1,476	17,096,365
6,572	77,835,350
	142,968,267

**Arkansas Selected Incurred Loss & ALAE**

Fiscal Year-End	Losses						
	Cumulative Reported Losses (1)	Ultimate Development Factors (2)	Estimated Incurred Loss/ALAE (3)	Cumulative Paid Losses (4) = (2) x (3)	Ultimate Development Factors (5)	Estimated Incurred Loss/ALAE (6) = (4) x (5)	Selected Incurred Loss/ALAE (7) = (6) x (7)
9/30/2001	3,877,749	1.0000	3,877,749	3,877,749	1.0000	3,877,749	3,877,749
9/30/2002	4,113,961	1.0000	4,113,961	4,113,961	1.0000	4,113,961	4,113,961
9/30/2003	3,384,862	1.0000	3,384,862	3,384,862	1.0000	3,384,862	3,384,862
9/30/2004	3,138,466	1.0000	3,138,466	3,138,466	1.0000	3,138,466	3,138,466
9/30/2005	3,383,666	1.0000	3,383,666	3,383,666	1.0000	3,383,666	3,383,666
9/30/2006	3,043,243	0.9990	3,040,200	3,043,243	0.9990	3,040,200	3,040,200
9/30/2007	2,752,760	0.9985	2,748,633	2,752,760	0.9985	2,748,633	2,748,633
9/30/2008	3,549,201	0.9976	3,540,689	3,540,129	0.9989	3,536,235	3,540,689
9/30/2009	5,097,404	0.9979	5,086,705	5,061,190	1.0009	5,065,733	5,086,705
9/30/2010	3,512,374	0.9692	3,404,058	2,935,983	1.1295	3,316,231	3,404,058
5-yr Total			17,820,285			17,707,031	17,820,285
10-yr Total			35,718,990			35,605,736	35,718,989

Total	
Estimated Incurred Claim Count (9)	Selected Incurred Loss/ALAE (10)
600	3,877,749
513	4,113,961
446	3,384,862
378	3,138,466
345	3,383,666
347	3,040,200
281	2,748,633
454	3,540,689
350	5,086,705
332	3,404,058
1,764	17,820,285
	35,718,989

**Shelter Mutual Insurance Company**

**Arkansas**

**Dwelling Fire - Fire Coverage - Indicated Rate Level Change**

	Fiscal Year Ending 9/30/2006	Fiscal Year Ending 9/30/2007	Fiscal Year Ending 9/30/2008	Fiscal Year Ending 9/30/2009	Fiscal Year Ending 9/30/2010
1. Earned Premium	\$6,617,869	\$6,475,065	\$6,488,428	\$6,458,149	\$6,266,700
2. Current Rate Level Factor	0.9120	0.9120	0.9120	0.9146	0.9734
3. Effect of Trend in Amount of Insurance	1.1598	1.1315	1.1039	1.0770	1.0507
4. Trended Premium at Current Rates [(1) x (2) x (3)]	<b>\$6,999,799</b>	<b>\$6,681,710</b>	<b>\$6,532,195</b>	<b>\$6,361,205</b>	<b>\$6,409,189</b>
5. Incurred Loss and Allocated Loss Adjustment Expense	\$3,040,200	\$2,748,633	\$3,540,689	\$5,086,705	\$3,404,058
6. Factor to Trend and Project Losses to 4/1/2012	1.2655	1.2168	1.1701	1.1251	1.0818
7. Unallocated Loss Adjustment Expense Factor	1.1034	1.1034	1.1034	1.1034	1.1034
8. Trended Loss and Loss Adjustment Expense [(5) x (6) x (7)]	<b>\$4,245,068</b>	<b>\$3,690,255</b>	<b>\$4,571,210</b>	<b>\$6,314,632</b>	<b>\$4,063,164</b>
9. Formula Loss Ratio [(8) / (4)]	60.6%	55.2%	70.0%	99.3%	63.4%
10. Experience Year Weight	10%	15%	20%	25%	30%
11. Weighted Formula Loss Ratio [sum the products of (9) & (10)]			<b>72.2%</b>		
12. Credibility - Based on 20,000 Exposures			100.0%		
13. Expected Loss Ratio			63.0%		
14. Trended Expected Loss Ratio [(13) X (18) ^ 1]			64.6%		
15. Credibility Weighted Formula Loss Ratio [(11) X (12) + (14) X (1 - (12))]			72.2%		
16. Current Provision for Variable Expenses of Commissions, Taxes and Profit			25.2%		
17. Current Provision for Fixed Expenses of General and Other Acquisition Expense			11.8%		
18. Factor to Trend Fixed Costs			1.025		
19. Trended Fixed Costs [(17) X (18) ^ 1]			12.1%		
20. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(15) + (19)] / [1.000 - (16)] - 1.000			<b>12.7%</b>		

Line 12 -- Partial Credibility is based on the square root rule rounded to the nearest five percent.

Lines 14 & 19 -- Projecting of fixed expenses is done from one year past the effective date of the last rate change (07/12/2009) to one year past the expected effective date (04/01/2011), limited to one year.

## Shelter Mutual Insurance Company

### Arkansas

### Fire

#### Calculation of Investment Income Credit on Policyholder Funds

A. Unearned Premium Reserve		
(1) Direct Earned Premium for Calendar Year 2009		\$ 7,004,925
(2) Mean Unearned Premium Reserve: (1.) x 0.427		\$ 2,991,103
(3) Deductions for Prepaid Expenses:		
a. Brokerage and Commission	13.5%	
b. 50% of Other Acquisition Expense	2.3%	
c. 50% of General Expense	3.7%	
d. Taxes, Licenses and Fees	2.9%	
e. Total		22.4%
(4) Net Unearned Premium Subject to Investment: (2.) x (1 - (3.))		\$ 2,321,096
B. Loss Reserves		
1. Direct Earned Premium for Calendar Year 2009		\$ 7,004,925
2. Expected Incurred Loss and Loss Adjustment: (1.) x 0.718		\$ 5,029,536
3. Expected Mean Loss Reserve: (2.) x 0.124		\$ 623,662
C. Net Subject to Investment: A.4 + B.3		\$ 2,944,758
D. Average Rate of Return		0.0507
E. Investment Earnings on Net Subject to Investment: C x D		\$ 149,299
F. Average Rate of Return as a Percent of Direct Premium Earned: E / A.1		2.1%
G. Average Rate of Return as a Percent of Direct Premium Earned After Federal Income Tax: F x 0.753		1.6%

Please refer to the attached explanatory memorandum for details by line

## Explanatory Memorandum re Investment Income - Arkansas - Fire

Line A.1 - Direct earned premium as shown on page 14 for the State of Arkansas, Fire, for Calendar Year 2009.

Line A.2 - The mean unearned premium reserve is determined by multiplying the direct earned premium in Line A.1 by the mean unearned premium ratio developed below.

1. Direct Earned Premium for Calendar Year 2009	\$	7,004,925
2. Unearned Premium Reserve as of 12/31/2008	\$	3,008,509
3. Unearned Premium Reserve as of 12/31/2009	\$	2,974,582
4. Mean Unearned Premium Reserve: ((2.) + (3.)) / 2	\$	2,991,545
5. Mean Unearned Premium Ratio: (4.) / (1.)		0.427

Line A.3 - Production and half of other company expenses are incurred with the initial writing and processing of insurance policies, exclusive of claim adjustment expenses. As these expenses are in effect prepaid, the funds will not be available to invest on behalf of the policyholder. The deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedures as shown.

Line B.2 - The expected loss and loss adjustment ratio reflects expense provisions used in this filing with no provision for profit.

Line B.3 - The expected mean loss reserve is determined by multiplying the expected incurred loss in Line B.2 by the mean loss and loss adjustment reserve ratio as shown below.

1. Incurred Losses for Calendar Year 2008	\$	4,069,946
2. Incurred Losses for Calendar Year 2009	\$	5,948,668
3. Loss Reserves as of 12/31/2007	\$	428,405
4. Loss Reserves as of 12/31/2008	\$	398,382
5. Loss Reserves as of 12/31/2009	\$	1,342,749
6. Mean Loss Reserve 2008	\$	413,394
7. Mean Loss Reserve 2009	\$	870,565
8. 2008 Ratio: (6.) / (1.)		0.102
9. 2009 Ratio: (7.) / (2.)		0.146
10. Mean Ratio: ((8.) + (9.)) / 2		0.124

## Explanatory Memorandum re Investment Income - Continued

Line D - The rate of return is the ratio of Net Income Earned and Net Realized Capital Gains/Losses to Mean Cash and Invested Assets. Due to the inherent variability of Capital Gains/Losses, we have used the most recent ten years of data. All data shown below is from the annual statement

1. Cash and Invested Assets 2007	\$	2,323,262,763
2. Cash and Invested Assets 2008	\$	2,173,279,805
3. Cash and Invested Assets 2009	\$	2,200,252,743
4. Net Investment Income Earned 2008	\$	71,699,115
5. Net Investment Income Earned 2009	\$	94,760,616
6. Mean Cash and Invested Assets 2008: (2. + 3.) / 2	\$	2,248,271,284
7. Mean Cash and Invested Assets 2009: (2. + 3.) / 2	\$	2,186,766,274
8. Mean Rate of Return: (4. + 5.) / (6. + 7.)		0.0375
9. Mean Cash and Invested Assets 2000 - 2009	\$	18,071,709,467
10. Net Realized Capital Gains/Losses 2000 - 2009	\$	238,772,756
11. Mean Rate of Return: 10. / 9.		0.0132
12. Total Rate of Return: 8. + 11.		0.0507

Line G - The average rate of Federal Income Tax was determined by applying the expected average tax rate for Net Investment Income and the expected tax rate applicable to Net Realized Capital Gains/Losses to the rates of return calculated in Line D.

	<u>Rate of Return</u>	<u>Federal Tax Rate</u>
Net Investment Income Earned	0.0375	0.211 (A)
Net Realized Capital Gains/Losses	0.0132	0.350
Total	0.0507	0.247

(A) The expected average rate of Federal Income Tax on Net Investment Income was determined by applying the expected 2010 tax rates to the distribution of investment income earned for the years 2008 and 2009. The calculations are shown below:

Type of Investment	Net Income Earned (1)			Tax Rate	Federal Tax
	2008	2009	Total		
Bonds (Taxable)	\$ 26,833,882	\$ 26,571,862	\$ 53,405,744	0.350	\$ 18,692,010
Bonds (Tax Exempt)	\$ 29,608,627	\$ 28,308,850	\$ 57,917,477	0.053	\$ 3,069,626
Stocks	\$ 7,636,174	\$ 35,342,294	\$ 42,978,468	0.210	\$ 9,025,478
Short Term	\$ 1,507,273	\$ 106,948	\$ 1,614,221	0.350	\$ 564,977
Real Estate	\$ 2,528,822	\$ 2,725,164	\$ 5,253,986	0.350	\$ 1,838,895
Other Investments	\$ 3,584,337	\$ 1,705,498	\$ 5,289,835	0.350	\$ 1,851,442
Total	\$ 71,699,115	\$ 94,760,616	\$ 166,459,731	0.211	\$ 35,042,428

(1) Investment deductions have been allocated to the appropriate type in the following manner:

Real Estate	-	Income Earned less depreciation (Page 6, Line 12), Real Estate Expenses and Taxes (Page 11, Lines 19 and 20, Column 3).
All Other	-	Investment Expenses less Real Estate Expenses and Taxes prorated by income earned to total income earned less Real Estate Income.

# Shelter Mutual Insurance Company Dwelling Fire - Allied Lines Coverages Arkansas

## *Current Rate Level Factors as of September 30, 2010*

The parallelogram method was used to develop the current rate level factors shown below. The following rate change history shows the effective dates for new business. The actual dates used in the calculations were set 30 days past these dates to properly adjust for renewal effective dates.

<u>Fiscal Year Ending</u>	<u>Factors</u>
September 30, 2006	1.1990
September 30, 2007	1.1990
September 30, 2008	1.1990
September 30, 2009	1.1913
September 30, 2010	1.0493

## *Rate Change History (Percent Changes)*

<u>Effective Date</u>	<u>% Changes</u>
July 12, 2009	19.9 %
December 4, 2003	9.7 %
January 0, 1900	
January 0, 1900	

**Shelter Mutual Insurance Company**  
**Arkansas**  
**Allied Lines**  
**Determination of Underwriting Profit & Contingencies Provision**

Target Total Return on Surplus (after federal income tax):	12.0%	(I)
Expected Investment Income on Surplus (% of surplus, after federal income tax, including realized capital gains):	3.8%	(II)
Expected Net Income (% of surplus, after federal income tax):	8.3%	(III)=(I)-(II)
Target Premium to Surplus Ratio:	1.00	(IV)
Expected Net Income (% of earned premium, after federal income tax):	8.3%	(V)=(III)/(IV)
Expected Investment Income on Unearned Premium Reserves and Loss & LAE Reserves (% of earned premium, after federal income tax, including realized capital gains):	1.7%	(VI)
Underwriting Profit Provision (% of earned premium, after federal income tax):	6.6%	(VII)=(V)-(VI)
Expected Federal Income Tax Rate:	24.7%	(VIII)
Underwriting Profit Provision (% of earned premium, before federal income tax):	<b>8.7%</b>	(IX)=(VII)/[1-(VIII)]

## Shelter Mutual Insurance Company

## Companywide

## Allied Lines

## Development of Expense Ratios

Note: 000 s omitted.	2007	2008	2009	Total
1.) Direct Commission and Brokerage	\$ 4,623	\$ 4,365	\$ 4,846	\$ 13,834
2.) Direct Written Premium	31,672	33,043	36,804	101,519
Ratio: 1 / 2	14.6%	13.2%	13.2%	13.6%
3.) Other Acquisition Expense	\$ 1,443	\$ 1,563	\$ 1,606	\$ 4,612
4.) Direct Written Premium	31,672	33,043	36,804	101,519
Ratio: 3 / 4	4.6%	4.7%	4.4%	4.5%
5.) General Expense	\$ 2,427	\$ 2,328	\$ 2,683	\$ 7,438
6.) Direct Written Premium	31,672	33,043	36,804	101,519
Ratio: 5 / 6	7.7%	7.0%	7.3%	7.3%
7.) Taxes, Licenses and Fees	\$ 693	\$ 685	\$ 677	\$ 2,055
8.) Direct Written Premium	31,672	33,043	36,804	101,519
Ratio: 7 / 8	2.2%	2.1%	1.8%	2.0%
9.) Direct Loss Adjustment Expense	\$ 1,281	\$ 3,629	\$ 2,893	\$ 7,803
10.) Direct Losses Incurred	9,886	42,586	32,804	85,276
Ratio: 9 / 10	13.0%	8.5%	8.8%	9.2%

Source: Insurance Expense Exhibit.

**Shelter Mutual Insurance Company****Arkansas****Allied Lines****Calculation of Expected Loss Ratio**

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Commission and Brokerage (a)	13.6%
Other Acquisition Expense (a)	4.5%
General Expense (a)	7.3%
Arkansas Taxes, Licenses and Fees (b)	2.9%
Profit and Contingencies (c)	8.7%
	<hr/>
Sub-total	37.0%
Available for Losses and Loss Adjustment Expense	63.0%

(a) From attached Companywide Expense Ratios

(b) 2009 Premium Tax ratio in Arkansas

(c) From attached Determination of Underwriting Profit & Contingencies Provision

**Shelter Mutual Insurance Company  
Arkansas  
Dwelling Fire - Allied Lines Coverages  
Development of Combined Trend and Projection Factor**

Severity Trends - Shelter Mutual Companywide						
Fiscal Acc Year	Ultimate Non-Wind Loss and LAE	Ultimate Non-Wind Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
12/2007	2,640,507	1,623	1,627	1,755		
3/2008	3,002,789	1,654	1,815	1,773		
6/2008	3,068,584	1,688	1,818	1,791		
9/2008	2,915,877	1,735	1,681	1,809		
12/2008	3,398,349	1,791	1,897	1,827		
3/2009	3,408,319	1,782	1,913	1,846		
6/2009	3,609,715	1,801	2,004	1,865		2,010
9/2009	3,734,182	1,842	2,027	1,884		1,975
12/2009	3,729,965	1,991	1,873	1,903		1,941
3/2010	4,100,150	2,124	1,930	1,922		1,908
6/2010	4,148,330	2,222	1,867	1,942		1,875
9/2010	4,007,687	2,162	1,854	1,962		1,843
<b>Annual Percentage Change</b>				<b>4.14%</b>	<b>-6.68%</b>	
<b>r^2</b>				<b>0.327</b>	<b>0.709</b>	

Frequency Trends - Shelter Mutual Companywide						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
12/2007	1,623	192,656	0.84	0.83		
3/2008	1,654	193,146	0.86	0.85		
6/2008	1,688	193,756	0.87	0.87		
9/2008	1,735	194,331	0.89	0.89		
12/2008	1,791	195,020	0.92	0.91		
3/2009	1,782	195,988	0.91	0.93		
6/2009	1,801	197,248	0.91	0.95		0.83
9/2009	1,842	198,930	0.93	0.97		0.85
12/2009	1,991	200,927	0.99	0.99		0.87
3/2010	2,124	203,428	1.04	1.01		0.89
6/2010	2,222	206,527	1.08	1.03		0.91
9/2010	2,162	210,082	1.03	1.05		0.93
<b>Annual Percentage Change</b>				<b>8.25%</b>	<b>9.41%</b>	
<b>r^2</b>				<b>0.898</b>	<b>0.795</b>	

Severity Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Non-Wind Loss and LAE	Ultimate Non-Wind Claims	Ultimate Severity	Curve of Best Fit		
				12 Point	6 Point	
12/2007	343,885	315	1,092	1,017		
3/2008	344,646	328	1,051	1,054		
6/2008	324,718	331	981	1,093		
9/2008	321,240	349	920	1,133		
12/2008	437,796	355	1,233	1,175		
3/2009	497,434	353	1,409	1,218		
6/2009	547,562	385	1,422	1,263		1,378
9/2009	621,156	420	1,479	1,309		1,385
12/2009	546,959	459	1,192	1,358		1,392
3/2010	687,463	487	1,412	1,407		1,398
6/2010	701,037	487	1,440	1,459		1,405
9/2010	652,098	451	1,446	1,513		1,412
<b>Annual Percentage Change</b>				<b>15.58%</b>	<b>1.95%</b>	
<b>r^2</b>				<b>0.586</b>	<b>0.014</b>	

Frequency Trends - Shelter Mutual Arkansas						
Fiscal Acc Year	Ultimate Non-Wind Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
12/2007	315	39,484	0.80	0.78		
3/2008	328	39,321	0.83	0.82		
6/2008	331	39,204	0.84	0.85		
9/2008	349	39,066	0.89	0.89		
12/2008	355	38,933	0.91	0.93		
3/2009	353	38,827	0.91	0.98		
6/2009	385	38,711	0.99	1.02		1.05
9/2009	420	38,648	1.09	1.07		1.09
12/2009	459	38,597	1.19	1.12		1.13
3/2010	487	38,571	1.26	1.17		1.18
6/2010	487	38,616	1.26	1.22		1.22
9/2010	451	38,731	1.16	1.28		1.27
<b>Annual Percentage Change</b>				<b>19.63%</b>	<b>16.51%</b>	
<b>r^2</b>				<b>0.910</b>	<b>0.546</b>	

Severity Trends - Fast Track Arkansas - Homeowners						
Fiscal Acc Year	Non-Catastrophe Incurred Loss and LAE	Non-Catastrophe Paid Claims	Severity	Curve of Best Fit		
				12 Point	6 Point	
6/2007	128,996,504	16,650	7,748	8,034		
9/2007	128,175,475	16,332	7,848	8,170		
12/2007	134,485,266	16,549	8,126	8,307		
3/2008	141,009,830	16,786	8,400	8,447		
6/2008	154,660,343	18,192	8,502	8,590		
9/2008	175,290,217	19,385	9,043	8,734		
12/2008	192,504,609	19,669	9,787	8,881		9,960
3/2009	201,594,671	20,797	9,693	9,031		9,725
6/2009	205,985,937	20,879	9,866	9,183		9,496
9/2009	211,923,027	22,544	9,400	9,338		9,273
12/2009	205,285,997	23,618	8,692	9,495		9,055
3/2010	212,876,805	23,838	8,930	9,655		8,842
<b>Annual Percentage Change</b>				<b>6.91%</b>	<b>-9.08%</b>	
<b>r^2</b>				<b>0.510</b>	<b>0.727</b>	

Frequency Trends - Fast Track Arkansas - Homeowners						
Fiscal Acc Year	Non-Catastrophe Paid Claims	Earned Exposures	Frequency X 100	Curve of Best Fit		
				12 Point	6 Point	
6/2007	16,650	320,052	5.20	4.87		
9/2007	16,332	323,367	5.05	5.03		
12/2007	16,549	326,688	5.07	5.19		
3/2008	16,786	329,915	5.09	5.37		
6/2008	18,192	332,888	5.46	5.54		
9/2008	19,385	335,702	5.77	5.72		
12/2008	19,669	337,603	5.83	5.91		5.84
3/2009	20,797	338,827	6.14	6.11		6.07
6/2009	20,879	340,060	6.14	6.31		6.30
9/2009	22,544	340,746	6.62	6.52		6.55
12/2009	23,618	341,122	6.92	6.73		6.81
3/2010	23,838	341,212	6.99	6.95		7.07
<b>Annual Percentage Change</b>				<b>13.75%</b>	<b>16.47%</b>	
<b>r^2</b>				<b>0.937</b>	<b>0.950</b>	

Trend Factor					
Fiscal Acc Year	Midpoint of Experience Period	Number of Years to 9/30/2010	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Trend Factor
9/30/2006	4/01/2006	4.5000	1.1930	1.0000	1.1930
9/30/2007	4/01/2007	3.5000	1.1471	1.0000	1.1471
9/30/2008	4/01/2008	2.5000	1.1030	1.0000	1.1030
9/30/2009	4/01/2009	1.5000	1.0606	1.0000	1.0606
9/30/2010	4/01/2010	0.5000	1.0198	1.0000	1.0198

Projection Factor					Combined Trend and Projection Factor
Years from 9/30/2010 to 4/01/2012	Selected Severity 4.00%	Selected Frequency 0.00%	Combined Projection Factor		
1.5041	1.0608	1.0000	1.0608	1.2655	
1.5041	1.0608	1.0000	1.0608	1.2168	
1.5041	1.0608	1.0000	1.0608	1.1701	
1.5041	1.0608	1.0000	1.0608	1.1251	
1.5041	1.0608	1.0000	1.0608	1.0818	

Shelter Mutual Insurance Company  
Dwelling Fire - Allied Lines Coverages  
Arkansas  
Development of Excess Wind and Hail Loss Loading

Fiscal Accident Year Ending	Earned Premium (1)	Wind Incurred Loss (2)	Wind Loss Ratio (3)	*Normal Wind Loss Ratio (4)	Excess Wind Incurred Loss (5)	Adjusted Wind Incurred Loss (6)	Re-Distributed **Excess Wind Incurred Loss Adjustment (7)	Net Wind Incurred Loss Adjustment (8)
09/30/1993	2,767,663	193,077	7.0%	26.8%	(549,359)	742,436.1	409,569	
09/30/1994	2,436,730	651,936	26.8%	26.8%	(1,726)	653,662.2	360,597	
09/30/1995	2,091,595	412,687	19.7%	26.8%	(148,391)	561,078.3	309,522	
09/30/1996	2,261,279	2,525,586	111.7%	75.7%	813,636	1,711,949.4	334,633	
09/30/1997	2,451,931	2,378,196	97.0%	75.7%	521,910	1,856,286.5	362,846	
09/30/1998	2,613,048	1,068,259	40.9%	40.9%	0	1,068,258.8	386,689	
09/30/1999	2,749,623	3,256,443	118.4%	75.7%	1,174,782	2,081,660.9	406,900	
09/30/2000	2,937,596	1,584,912	54.0%	54.0%	0	1,584,911.5	434,717	
09/30/2001	3,192,700	2,010,686	63.0%	63.0%	0	2,010,685.7	472,468	
09/30/2002	3,575,385	1,862,633	52.1%	52.1%	0	1,862,633.3	529,099	
09/30/2003	4,202,489	1,511,597	36.0%	36.0%	0	1,511,596.9	621,901	
09/30/2004	4,880,365	1,319,546	27.0%	27.0%	0	1,319,546.4	722,215	
09/30/2005	5,448,145	544,726	10.0%	26.8%	(916,760)	1,461,485.7	806,238	
09/30/2006	5,729,401	4,103,945	71.6%	71.6%	0	4,103,944.9	847,859	847,859
09/30/2007	5,797,862	903,048	15.6%	26.8%	(652,251)	1,555,298.5	857,990	1,510,241
09/30/2008	6,015,089	14,999,810	249.4%	75.7%	10,445,958	4,553,851.8	890,136	(9,555,822)
09/30/2009	6,190,368	4,770,690	77.1%	75.7%	84,139	4,686,550.5	916,075	831,936
09/30/2010	7,450,033	2,146,553	28.8%	28.8%	0	2,146,552.7	1,102,485	1,102,485
Total	72,791,302				10,771,938		10,771,938	(5,263,302)

\*Normal Range:

25th Percentile of (3) 26.8%

75th Percentile of (3) 75.7%

\*\*Wind Load: Total (6) / Total (1) = 14.8%

(3) = (2) / (1).

(4) = (3) capped at max and min specified by "Normal Range".

(5) = [(3) - (4)] x (1); the amount of wind loss outside the "Normal Range" to be removed (added) across all years.

(6) = (2) - (5); the smoothed ratio of wind losses to earned premium.

(7) = Wind Load x (1); the amount of excess wind losses to be loaded back into Total Losses.

(8) = (6) - (7) - (2); Net Wind Losses to be added (removed) by Fiscal Accident Year.

**Shelter Mutual Insurance Company**  
**Dwelling Fire - Allied Lines Coverages**  
**Projected Ultimate Loss and Allocated Loss Adjustment Expense**

**Companywide Paid Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	9,595,770	10,724,710	10,818,201	10,955,820	11,296,913	11,304,854	11,305,968	11,306,573	11,312,544	11,315,353
9/30/2002	9,767,029	10,941,251	11,241,634	11,308,908	11,377,699	11,378,538	11,379,789	11,378,356	11,377,519	
9/30/2003	17,246,443	18,517,474	18,660,912	18,703,240	18,733,691	18,745,583	18,752,024	18,751,994		
9/30/2004	10,789,568	11,842,210	11,926,152	11,993,398	12,012,579	12,019,792	12,023,913			
9/30/2005	5,941,422	20,431,245	20,907,702	20,983,066	20,988,513	20,989,376				
9/30/2006	20,692,070	23,308,035	23,517,043	23,620,433	23,676,474					
9/30/2007	7,400,060	8,339,444	8,463,166	8,556,141						
9/30/2008	32,286,557	37,180,816	37,544,688							
9/30/2009	25,709,937	30,314,133								
9/30/2010	24,549,424									

**Arkansas Paid Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	2,545,374	2,657,462	2,675,695	2,682,360	2,682,390	2,682,359	2,682,239	2,682,239	2,682,239	2,682,239
9/30/2002	2,302,768	2,416,236	2,424,892	2,426,888	2,426,803	2,426,653	2,426,503	2,426,370	2,426,566	
9/30/2003	1,687,645	1,904,284	1,929,485	1,948,563	1,966,177	1,966,177	1,966,177	1,966,177		
9/30/2004	1,553,797	1,634,489	1,633,938	1,635,761	1,641,340	1,650,533	1,650,533			
9/30/2005	713,754	885,503	887,706	887,156	887,608	886,591				
9/30/2006	4,121,474	4,434,160	4,448,329	4,449,261	4,449,261					
9/30/2007	1,287,901	1,427,443	1,430,791	1,430,625						
9/30/2008	14,236,552	15,217,944	15,314,819							
9/30/2009	4,712,595	5,367,223								
9/30/2010	2,697,589									

**Companywide Reported Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	10,270,231	10,960,381	11,434,126	11,379,920	11,327,885	11,324,854	11,325,968	11,324,573	11,318,544	11,315,353
9/30/2002	11,013,911	11,273,413	11,407,634	11,445,408	11,397,199	11,401,038	11,402,289	11,378,356	11,377,519	
9/30/2003	18,652,640	18,665,017	18,701,298	18,727,240	18,741,691	18,748,583	18,755,024	18,754,994		
9/30/2004	12,233,337	12,089,194	12,131,653	12,107,898	12,039,579	12,027,792	12,023,913			
9/30/2005	16,286,230	21,373,610	21,004,673	21,043,190	21,033,636	21,029,406				
9/30/2006	23,779,794	23,449,661	23,588,576	23,649,152	23,736,474					
9/30/2007	8,493,306	8,541,613	8,649,527	8,716,141						
9/30/2008	38,385,721	37,456,262	37,650,149							
9/30/2009	28,737,891	30,550,547								
9/30/2010	27,353,962									

**Arkansas Reported Loss & Paid ALAE**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	2,615,249	2,661,762	2,679,621	2,684,460	2,684,490	2,682,359	2,682,239	2,682,239	2,682,239	2,682,239
9/30/2002	2,490,240	2,432,736	2,438,892	2,440,888	2,426,803	2,426,653	2,426,503	2,426,370	2,426,566	
9/30/2003	1,958,696	1,935,996	1,959,871	1,964,563	1,966,177	1,966,177	1,966,177	1,966,177		
9/30/2004	1,982,350	1,636,489	1,633,938	1,654,761	1,660,340	1,650,533	1,650,533			
9/30/2005	1,155,403	992,503	887,706	887,156	887,608	886,591				
9/30/2006	4,643,487	4,453,176	4,463,329	4,449,480	4,449,261					
9/30/2007	1,479,349	1,480,349	1,456,791	1,430,625						
9/30/2008	15,561,339	15,224,406	15,317,287							
9/30/2009	5,255,528	5,386,397								
9/30/2010	2,882,652									

**Companywide Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	8,648	9,132	9,174	9,185	9,187	9,189	9,190	9,190	9,190	9,190
9/30/2002	6,907	7,190	7,210	7,213	7,216	7,219	7,218	7,218	7,219	
9/30/2003	7,759	8,180	8,204	8,206	8,212	8,212	8,214	8,214		
9/30/2004	6,022	6,386	6,407	6,407	6,412	6,414	6,415			
9/30/2005	6,384	7,577	7,608	7,616	7,618	7,618				
9/30/2006	8,849	9,635	9,704	9,735	9,741					
9/30/2007	4,941	5,266	5,282	5,287						
9/30/2008	13,557	14,635	14,703							
9/30/2009	10,721	12,057								
9/30/2010	10,463									

**Arkansas Claims with Payment**

Fiscal Year-End	Valuation Period (In Months)									
	@12	@24	@36	@48	@60	@72	@84	@96	@108	@120
9/30/2001	2,809	2,908	2,917	2,920	2,920	2,920	2,921	2,921	2,921	2,921
9/30/2002	1,719	1,771	1,775	1,775	1,775	1,775	1,775	1,775	1,776	
9/30/2003	1,523	1,608	1,613	1,614	1,614	1,614	1,614	1,614		
9/30/2004	1,233	1,273	1,275	1,278	1,278	1,278	1,278	1,278		
9/30/2005	818	884	886	889	889	889				
9/30/2006	1,878	1,969	1,978	1,983	1,983					
9/30/2007	730	757	758	758						
9/30/2008	4,613	4,765	4,777							
9/30/2009	2,209	2,397								
9/30/2010	1,302									

**Companywide Selected Incurred Loss & ALAE**

Fiscal Accident Year (1)	Non-Wind Losses						Wind			Total	
	Cumulative Reported Losses (2)	Ultimate Development Factors (3)	Estimated Incurred Loss/ALAE (4) = (2) x (3)	Cumulative Paid Losses (5)	Ultimate Development Factors (6)	Estimated Incurred Loss/ALAE (7) = (5) x (6)	Selected Incurred Loss/ALAE (8)	Selected Incurred Loss/ALAE (9)	Estimated Claim Count (10)	Selected Incurred Loss/ALAE (11) = (8) + (9)	
9/30/2001	2,877,212	1.0000	2,877,212	2,877,212	1.0000	2,877,212	2,877,212	8,438,141	9,190	11,315,353	
9/30/2002	3,234,645	1.0000	3,234,645	3,234,645	1.0000	3,234,645	3,234,645	8,142,874	7,219	11,377,519	
9/30/2003	2,484,548	1.0000	2,484,548	2,484,548	1.0000	2,484,548	2,484,548	16,270,446	8,214	18,754,994	
9/30/2004	2,561,759	1.0000	2,561,759	2,561,759	0.9996	2,560,734	2,561,759	9,462,154	6,415	12,023,913	
9/30/2005	2,248,736	1.0003	2,249,410	2,248,736	1.0005	2,249,859	2,249,410	18,780,671	7,618	21,030,081	
9/30/2006	2,411,153	0.9978	2,405,846	2,351,153	1.0025	2,357,032	2,405,846	21,325,321	9,741	23,731,167	
9/30/2007	2,944,547	0.9925	2,922,495	2,784,547	1.0125	2,819,425	2,922,495	5,775,057	5,290	8,697,552	
9/30/2008	2,952,642	0.9875	2,915,877	2,871,650	1.0253	2,944,255	2,915,877	34,961,354	14,727	37,877,231	
9/30/2009	3,689,039	1.0122	3,734,182	3,629,489	1.0418	3,781,168	3,734,182	27,174,032	12,133	30,908,214	
9/30/2010	4,102,837	0.9768	4,007,687	3,511,305	1.1720	4,115,300	4,007,687	25,097,592	11,770	29,105,279	
5-yr Total			15,986,087			16,017,180	15,986,087	114,333,356	53,661	130,319,443	
10-yr Total			29,393,661			29,421,179	29,393,661	175,427,642		204,821,303	

**Arkansas Selected Incurred Loss & ALAE**

Fiscal Accident Year (1)	Non-Wind Losses						Wind			Total	
	Cumulative Reported Losses (2)	Ultimate Development Factors (3)	Estimated Incurred Loss/ALAE (4) = (2) x (3)	Cumulative Paid Losses (5)	Ultimate Development Factors (6)	Estimated Incurred Loss/ALAE (7) = (5) x (6)	Selected Incurred Loss/ALAE (8)	Selected Incurred Loss/ALAE (9)	Estimated Claim Count (10)	Selected Incurred Loss/ALAE (11) = (8) + (9)	
9/30/2001	671,553	1.0000	671,553	671,553	1.0000	671,553	671,553	2,010,686	2,921	2,682,239	
9/30/2002	563,933	1.0000	563,933	563,933	1.0000	563,933	563,933	1,862,633	1,776	2,426,566	
9/30/2003	454,580	1.0000	454,580	454,580	1.0000	454,580	454,580	1,511,597	1,614	1,966,177	
9/30/2004	330,987	1.0000	330,987	330,987	1.0000	330,987	330,987	1,319,546	1,278	1,650,533	
9/30/2005	341,865	1.0000	341,865	341,865	1.0000	341,865	341,865	544,726	889	886,591	
9/30/2006	345,316	0.9970	344,280	345,316	0.9970	344,280	345,316	4,103,945	1,983	4,448,225	
9/30/2007	527,577	0.9985	526,783	527,577	0.9985	526,783	527,577	903,048	758	1,429,831	
9/30/2008	324,974	0.9985	321,240	324,974	0.9985	324,485	321,240	14,999,810	4,782	15,321,050	
9/30/2009	634,723	0.9786	621,156	634,723	1.0075	639,472	621,156	4,770,690	2,407	5,391,846	
9/30/2010	716,495	0.9101	652,098	666,494	1.1586	772,202	652,098	2,146,553	1,376	2,798,651	
5-yr Total			2,465,557			2,607,222	2,465,557	26,924,046	11,306	29,389,603	
10-yr Total			4,828,475			4,970,140	4,828,475	34,173,234		39,001,709	

**Shelter Mutual Insurance Company**

**Arkansas**

**Dwelling Fire - Allied Lines Coverages - Indicated Rate Level Change**

	Fiscal Year Ending 9/30/2006	Fiscal Year Ending 9/30/2007	Fiscal Year Ending 9/30/2008	Fiscal Year Ending 9/30/2009	Fiscal Year Ending 9/30/2010
1. Earned Premium	\$5,729,401	\$5,797,862	\$6,015,089	\$6,190,368	\$7,450,033
2. Current Rate Level Factor	1.1990	1.1990	1.1990	1.1913	1.0493
3. Effect of Trend in Amount of Insurance	1.1598	1.1315	1.1039	1.0770	1.0507
4. Trended Premium at Current Rates [(1) x (2) x (3)]	<b>\$7,967,113</b>	<b>\$7,865,670</b>	<b>\$7,961,338</b>	<b>\$7,942,468</b>	<b>\$8,213,952</b>
5. Incurred Loss and Allocated Loss Adjustment Expense	\$4,448,225	\$1,429,831	\$15,321,050	\$5,391,846	\$2,798,651
6. Expected Storm Loss Loading	847,859	1,510,241	(9,555,822)	831,936	1,102,485
7. Adjusted Losses [(5) + (6)]	\$5,296,084	\$2,940,072	\$5,765,228	\$6,223,782	\$3,901,136
8. Factor to Trend and Project Losses to 4/1/2012	1.2655	1.2168	1.1701	1.1251	1.0818
9. Unallocated Loss Adjustment Expense Factor	1.1054	1.1054	1.1054	1.1054	1.1054
10. Trended Loss and Loss Adjustment Expense [(7) x (8) x (9)]	<b>\$7,408,300</b>	<b>\$3,954,382</b>	<b>\$7,456,603</b>	<b>\$7,740,108</b>	<b>\$4,664,871</b>
11. Formula Loss Ratio [(10) / (4)]	93.0%	50.3%	93.7%	97.5%	56.8%
12. Experience Year Weight	10%	15%	20%	25%	30%
13. Weighted Formula Loss Ratio [sum the products of (11) & (12)]			<b>77.0%</b>		
14. Credibility - Based on 20,000 Exposures			100.0%		
15. Expected Loss Ratio			63.0%		
16. Trended Expected Loss Ratio [(15) X (20) ^ 1]			64.6%		
17. Credibility Weighted Formula Loss Ratio [(13) X (14) + (16) X (1 - (14))]			77.0%		
18. Current Provision for Variable Expenses of Commissions, Taxes and Profit			25.2%		
19. Current Provision for Fixed Expenses of General and Other Acquisition Expense			11.8%		
20. Factor to Trend Fixed Costs			1.025		
21. Trended Fixed Costs [(19) X (20) ^ 1]			12.1%		
22. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(17) + (21)] / [1.000 - (18)] - 1.000			<b>19.1%</b>		

Line 17 -- Partial Credibility is based on the square root rule rounded to the nearest five percent.

Lines 19 & 24 -- Projecting of fixed expenses is done from one year past the effective date of the last rate change (07/12/2009) to one year past the expected effective date (04/01/2011), limited to one year.

**Shelter Mutual Insurance Company**

**Arkansas**

**Allied Lines**

Calculation of Investment Income Credit on Policyholder Funds

A. Unearned Premium Reserve		
(1) Direct Earned Premium for Calendar Year 2009		\$ 6,888,754
(2) Mean Unearned Premium Reserve: (1.) x 0.476		\$ 3,279,047
(3) Deductions for Prepaid Expenses:		
a. Brokerage and Commission	13.6%	
b. 50% of Other Acquisition Expense	2.3%	
c. 50% of General Expense	3.7%	
d. Taxes, Licenses and Fees	2.9%	
e. Total		22.5%
(4) Net Unearned Premium Subject to Investment: (2.) x (1 - (3.))		\$ 2,541,261
B. Loss Reserves		
1. Direct Earned Premium for Calendar Year 2009		\$ 6,888,754
2. Expected Incurred Loss and Loss Adjustment: (1.) x 0.717		\$ 4,939,237
3. Expected Mean Loss Reserve: (2.) x 0.09		\$ 444,531
C. Net Subject to Investment: A.4 + B.3		\$ 2,985,792
D. Average Rate of Return		0.0507
E. Investment Earnings on Net Subject to Investment: C x D		\$ 151,380
F. Average Rate of Return as a Percent of Direct Premium Earned: E / A.1		2.2%
G. Average Rate of Return as a Percent of Direct Premium Earned After Federal Income Tax: F x 0.753		1.7%

Please refer to the attached explanatory memorandum for details by line

## Explanatory Memorandum re Investment Income - Arkansas - Allied Lines

Line A.1 - Direct earned premium as shown on page 14 for the State of Arkansas, Allied Lines, for Calendar Year 2009.

Line A.2 - The mean unearned premium reserve is determined by multiplying the direct earned premium in Line A.1 by the mean unearned premium ratio developed below.

1. Direct Earned Premium for Calendar Year 2009	\$ 6,888,754
2. Unearned Premium Reserve as of 12/31/2008	\$ 2,949,063
3. Unearned Premium Reserve as of 12/31/2009	\$ 3,608,158
4. Mean Unearned Premium Reserve: ((2.) + (3.)) / 2	\$ 3,278,611
5. Mean Unearned Premium Ratio: (4.) / (1.)	0.476

Line A.3 - Production and half of other company expenses are incurred with the initial writing and processing of insurance policies, exclusive of claim adjustment expenses. As these expenses are in effect prepaid, the funds will not be available to invest on behalf of the policyholder. The deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedures as shown.

Line B.2 - The expected loss and loss adjustment ratio reflects expense provisions used in this filing with no provision for profit.

Line B.3 - The expected mean loss reserve is determined by multiplying the expected incurred loss in Line B.2 by the mean loss and loss adjustment reserve ratio as shown below.

1. Incurred Losses for Calendar Year 2008	\$ 16,260,250
2. Incurred Losses for Calendar Year 2009	\$ 5,995,109
3. Loss Reserves as of 12/31/2007	\$ 339,700
4. Loss Reserves as of 12/31/2008	\$ 939,801
5. Loss Reserves as of 12/31/2009	\$ 752,465
6. Mean Loss Reserve 2008	\$ 639,751
7. Mean Loss Reserve 2009	\$ 846,133
8. 2008 Ratio: (6.) / (1.)	0.039
9. 2009 Ratio: (7.) / (2.)	0.141
10. Mean Ratio: ((8.) + (9.)) / 2	0.090

## Explanatory Memorandum re Investment Income - Continued

Line D - The rate of return is the ratio of Net Income Earned and Net Realized Capital Gains/Losses to Mean Cash and Invested Assets. Due to the inherent variability of Capital Gains/Losses, we have used the most recent ten years of data. All data shown below is from the annual statement

1. Cash and Invested Assets 2007	\$	2,323,262,763
2. Cash and Invested Assets 2008	\$	2,173,279,805
3. Cash and Invested Assets 2009	\$	2,200,252,743
4. Net Investment Income Earned 2008	\$	71,699,115
5. Net Investment Income Earned 2009	\$	94,760,616
6. Mean Cash and Invested Assets 2008: (2. + 3.) / 2	\$	2,248,271,284
7. Mean Cash and Invested Assets 2009: (2. + 3.) / 2	\$	2,186,766,274
8. Mean Rate of Return: (4. + 5.) / (6. + 7.)		0.0375
9. Mean Cash and Invested Assets 2000 - 2009	\$	18,071,709,467
10. Net Realized Capital Gains/Losses 2000 - 2009	\$	238,772,756
11. Mean Rate of Return: 10. / 9.		0.0132
12. Total Rate of Return: 8. + 11.		0.0507

Line G - The average rate of Federal Income Tax was determined by applying the expected average tax rate for Net Investment Income and the expected tax rate applicable to Net Realized Capital Gains/Losses to the rates of return calculated in Line D.

	<u>Rate of Return</u>	<u>Federal Tax Rate</u>
Net Investment Income Earned	0.0375	0.211 (A)
Net Realized Capital Gains/Losses	0.0132	0.350
Total	0.0507	0.247

(A) The expected average rate of Federal Income Tax on Net Investment Income was determined by applying the expected 2010 tax rates to the distribution of investment income earned for the years 2008 and 2009. The calculations are shown below:

Type of Investment	Net Income Earned (1)			Tax Rate	Federal Tax
	2008	2009	Total		
Bonds (Taxable)	\$ 26,833,882	\$ 26,571,862	\$ 53,405,744	0.350	\$ 18,692,010
Bonds (Tax Exempt)	\$ 29,608,627	\$ 28,308,850	\$ 57,917,477	0.053	\$ 3,069,626
Stocks	\$ 7,636,174	\$ 35,342,294	\$ 42,978,468	0.210	\$ 9,025,478
Short Term	\$ 1,507,273	\$ 106,948	\$ 1,614,221	0.350	\$ 564,977
Real Estate	\$ 2,528,822	\$ 2,725,164	\$ 5,253,986	0.350	\$ 1,838,895
Other Investments	\$ 3,584,337	\$ 1,705,498	\$ 5,289,835	0.350	\$ 1,851,442
Total	\$ 71,699,115	\$ 94,760,616	\$ 166,459,731	0.211	\$ 35,042,428

- (1) Investment deductions have been allocated to the appropriate type in the following manner:
- |             |   |   |
|-------------|---|---|
| Real Estate | - | Income Earned less depreciation (Page 6, Line 12), Real Estate Expenses and Taxes (Page 11, Lines 19 and 20, Column 3).           |
| All Other   | - | Investment Expenses less Real Estate Expenses and Taxes prorated by income earned to total income earned less Real Estate Income. |

**Shelter Mutual Insurance Company**

**Arkansas**

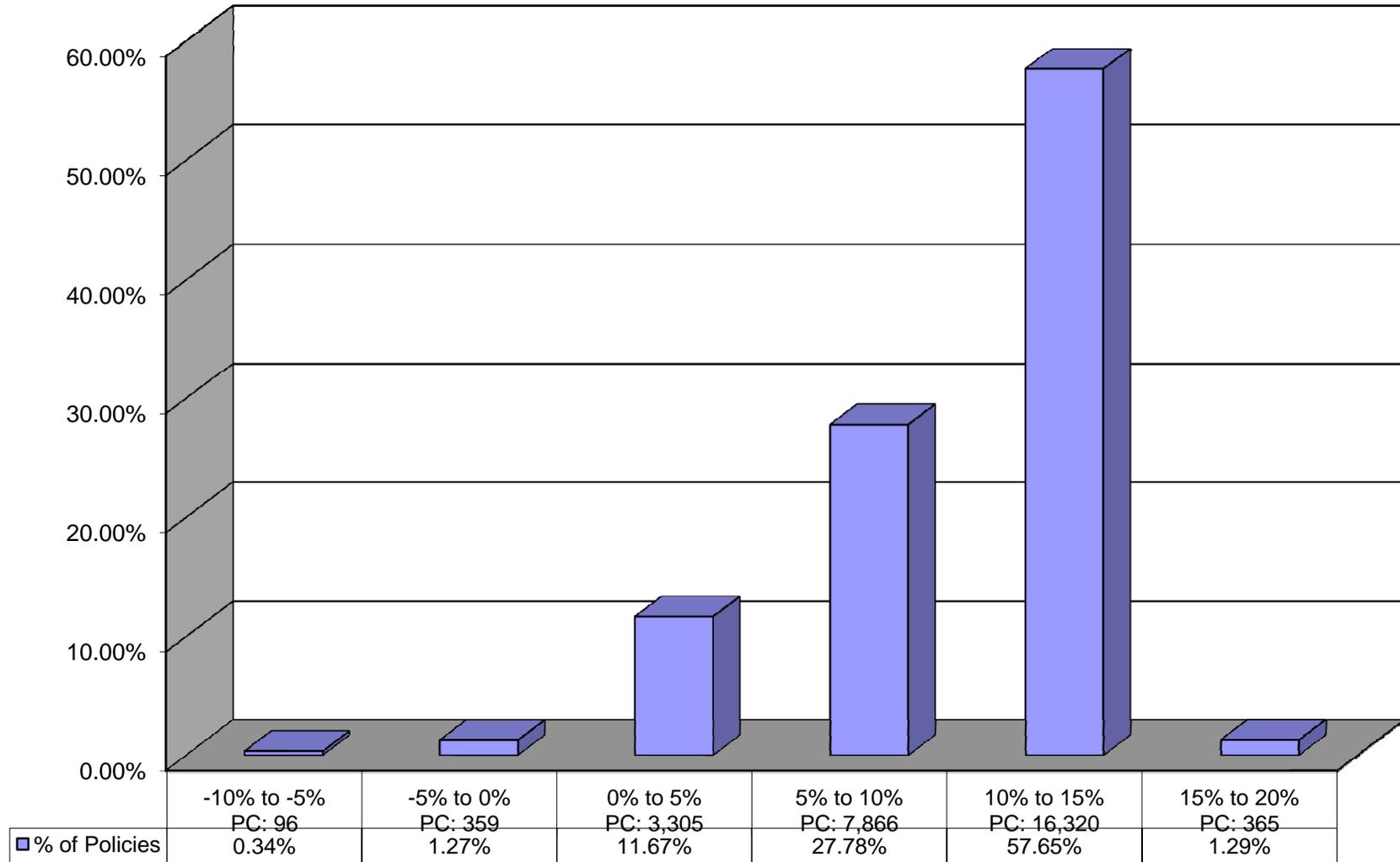
**Dwelling Fire - All Coverages Summary - Indicated Rate Level Change**

	Fiscal Year Ending 9/30/2006	Fiscal Year Ending 9/30/2007	Fiscal Year Ending 9/30/2008	Fiscal Year Ending 9/30/2009	Fiscal Year Ending 9/30/2010
1. Earned Premium	\$12,347,270	\$12,272,927	\$12,503,517	\$12,648,517	\$13,716,733
2. Trended Premium at Current Rates	\$14,966,912	\$14,547,380	\$14,493,533	\$14,303,673	\$14,623,141
3. Incurred Loss and Allocated Loss Adjustment Expense	\$7,488,425	\$4,178,464	\$18,861,739	\$10,478,551	\$6,202,709
4. Trended Loss and Loss Adjustment Expense	\$11,653,368	\$7,644,637	\$12,027,813	\$14,054,740	\$8,728,035
5. Formula Loss Ratio [(4) / (2)]	77.9%	52.5%	83.0%	98.3%	59.7%
6. Experience Year Weight	10%	15%	20%	25%	30%
7. Weighted Formula Loss Ratio [sum the products of (5) & (6)]			<b>74.7%</b>		
8. Credibility - Based on 20,000 Exposures			100.0%		
9. Expected Loss Ratio			63.0%		
10. Trended Expected Loss Ratio [(9) X (14) ^ 1]			64.6%		
11. Credibility Weighted Formula Loss Ratio [(7) X (8) + (10) X (1 - (8))]			74.7%		
12. Current Provision for Variable Expenses of Commissions, Taxes and Profit			25.2%		
13. Current Provision for Fixed Expenses of General and Other Acquisition Expense			11.8%		
14. Factor to Trend Fixed Costs			1.025		
15. Trended Fixed Costs [(13) X (14) ^ 1]			12.1%		
16. Indicated Rate Level Change with Provision for Fixed and Variable Expenses [(11) + (15)] / [1.000 - (12)] - 1.000			<b><u>16.1%</u></b>		

Line 8 -- Partial Credibility is based on the square root rule rounded to the nearest five percent.

Lines 10 & 15 -- Projecting of fixed expenses is done from one year past the effective date of the last rate change (07/12/2009) to one year past the expected effective date (04/01/2011), limited to one year.

# Arkansas Dwelling Fire Distribution of Rate Changes



**Policy Change**