

SERFF Tracking Number: ALSX-126424297 State: Arkansas
Filing Company: Encompass Insurance Company of America State Tracking Number: EFT \$100
Company Tracking Number: ER-1141
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Other than Auto
Project Name/Number: 2009 - Rule and Rate Change/ER-1141

Filing at a Glance

Company: Encompass Insurance Company of America

Product Name: Other than Auto SERFF Tr Num: ALSX-126424297 State: Arkansas
TOI: 04.0 Homeowners SERFF Status: Closed-Filed State Tr Num: EFT \$100
Sub-TOI: 04.0000 Homeowners Sub-TOI Co Tr Num: ER-1141 State Status: Fees verified and received
Combinations
Filing Type: Rate/Rule Reviewer(s): Becky Harrington, Betty Montesi
Author: SPI AllState Disposition Date: 02/05/2010
Date Submitted: 12/17/2009 Disposition Status: Filed
Effective Date Requested (New): Effective Date (New):
Effective Date Requested (Renewal): 04/23/2010 Effective Date (Renewal): 04/23/2010

State Filing Description:

General Information

Project Name: 2009 - Rule and Rate Change Status of Filing in Domicile: Authorized
Project Number: ER-1141 Domicile Status Comments:
Reference Organization: N/A Reference Number: N/A
Reference Title: Advisory Org. Circular:
Filing Status Changed: 02/05/2010
State Status Changed: 01/04/2010 Deemer Date:
Created By: SPI AllState Submitted By: SPI AllState
Corresponding Filing Tracking Number:
Filing Description:
Base Rate Change

With this filing, Encompass Insurance Company of America proposes an overall 8.6% rate level increase to the Arkansas Other than Auto insurance program.

Effective Date:
Renewals Effective: 4/23/2010

Company and Contact

SERFF Tracking Number: ALSX-126424297 State: Arkansas
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 Product Name: Other than Auto
 Project Name/Number: 2009 - Rule and Rate Change/ER-1141

Filing Contact Information

Celeste Mrdak, Senior State Filings Analyst oscmrda@allstate.com
 2775 Sanders Road 847-402-5000 [Phone] 27328 [Ext]
 Suite A5 847-402-9757 [FAX]
 Northbrook, IL 60062

Filing Company Information

Encompass Insurance Company of America CoCode: 10071 State of Domicile: Illinois
 2775 Sanders Road Group Code: 8 Company Type:
 Suite A5 Group Name: Allstate State ID Number:
 Northbrook, IL 60062 FEIN Number: 36-3976913
 (847) 402-5000 ext. [Phone]

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: Filing & review of independent rates/rules - \$100
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Encompass Insurance Company of America	\$100.00	12/17/2009	32876404

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 Product Name: Other than Auto
 Project Name/Number: 2009 - Rule and Rate Change/ER-1141

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	02/05/2010	02/05/2010

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	02/01/2010	02/01/2010	SPI AllState	02/02/2010	02/02/2010
Pending Industry Response	Becky Harrington	01/15/2010	01/15/2010	SPI AllState	01/21/2010	01/21/2010
Pending Industry Response	Becky Harrington	01/04/2010	01/04/2010	SPI AllState	01/14/2010	01/14/2010

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Disposition

Disposition Date: 02/05/2010
 Effective Date (New):
 Effective Date (Renewal): 04/23/2010
 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):
Encompass Insurance Company of America	8.600%	8.600%	\$92,538	522	\$1,122,047	19.070%	0.000%

SERFF Tracking Number: ALSX-126424297 State: Arkansas
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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document	Actuarial Support	Filed	Yes
Supporting Document	Actuarial Support_A1, Attachment A-AREICA	Filed	Yes
Supporting Document	Attachment B-AREICA, Attachment C-AREICA	Filed	Yes
Rate	Manual_Rates_HO	Filed	Yes
Rate	Manual_Rules_DF	Filed	Yes
Rate	Manual_Rules_GE	Filed	Yes
Rate	Manual_Rules_HO	Filed	Yes

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Product Name: Other than Auto
Project Name/Number: 2009 - Rule and Rate Change/ER-1141

Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 02/01/2010
Submitted Date 02/01/2010

Respond By Date

Dear Celeste Mrdak,

This will acknowledge receipt of the response dated 1/21/10.

Objection 1

No Objections

Comment: Please indicate whether this program is marketed through independent or captive agents.

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

Response Letter

Response Letter Status Submitted to State
Response Letter Date 02/02/2010
Submitted Date 02/02/2010

Dear Becky Harrington,

Comments:

Response to 02/01/10 objection letter

Response 1

Comments: For your records, this program is marketed through independent agents.

Related Objection 1

Comment:

Please indicate whether this program is marketed through independent or captive agents.

SERFF Tracking Number: *ALSX-126424297* *State:* *Arkansas*
Filing Company: *Encompass Insurance Company of America* *State Tracking Number:* *EFT \$100*
Company Tracking Number: *ER-1141*
TOI: *04.0 Homeowners* *Sub-TOI:* *04.0000 Homeowners Sub-TOI Combinations*
Product Name: *Other than Auto*
Project Name/Number: *2009 - Rule and Rate Change/ER-1141*

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,

Celeste P. Mrdak
Senior State Filings Analyst
800-366-2958 ext. 27328

Sincerely,
SPI AllState

SERFF Tracking Number: ALSX-126424297 State: Arkansas
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Product Name: Other than Auto
Project Name/Number: 2009 - Rule and Rate Change/ER-1141

Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 01/15/2010

Submitted Date 01/15/2010

Respond By Date

Dear Celeste Mrdak,

This will acknowledge receipt of the responded dated 1/14/10.

Objection 1

No Objections

Comment: Please provide an exhibit showing loss ratios and rate change percentages by territory.

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

Response Letter

Response Letter Status Submitted to State

Response Letter Date 01/21/2010

Submitted Date 01/21/2010

Dear Becky Harrington,

Comments:

Response to 01/15/10 objection letter

Response 1

Comments: Below is our response to the 01/15/10 objection letter.

Encompass did not perform a territorial analysis with this filing and is not proposing to do so at this time. Therefore, Encompass has proposed a rate level increase that does not vary based on territory. Policyholder impacts do, however, differ by territory because of the change made to the segment factor. Territories which have a higher percentage of policyholders with segment home policies tend to see a larger impact, on average, than those territories with a higher percentage of package policies. Loss ratios and rate impact percentages by territory have been provided. Please

SERFF Tracking Number: ALSX-126424297 State: Arkansas
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reference Attachment B-AREICA for the loss ratio data and Attachment C-AREICA for the rate change percentages.

Related Objection 1

Comment:

Please provide an exhibit showing loss ratios and rate change percentages by territory.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Attachment B-AREICA, Attachment C-AREICA

Comment: 01/15/10 OBJ Response

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,

Celeste P. Mrdak
Senior State Filings Analyst
800-366-2958 ext. 27328

Sincerely,
SPI AllState

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Product Name: Other than Auto
Project Name/Number: 2009 - Rule and Rate Change/ER-1141

Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 01/04/2010

Submitted Date 01/04/2010

Respond By Date

Dear Celeste Mrdak,

This will acknowledge receipt of the captioned filing.

Objection 1

No Objections

Comment: Provide justification for the increased segment factor.

Objection 2

No Objections

Comment: Provide additional details on the changes to the occupancy factors and the rate impact.

Objection 3

- Actuarial Support (Supporting Document)

Comment: Please amend your indications to remove the modeled cat losses (hurricanes). This same request was made in the previous rate filing, ALSX-125319212.

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

Response Letter

Response Letter Status Submitted to State

Response Letter Date 01/14/2010

Submitted Date 01/14/2010

Dear Becky Harrington,

Comments:

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Project Name/Number: 2009 - Rule and Rate Change/ER-1141
Response to 01/04/10 objection letter

Response 1

Comments: Below is our response to the 01/04/10 objection letter.

OBJECTION 1 RESPONSE: The increase in the segment factor is based on a loss ratio analysis using five Accident Years of Encompass Group data. Please reference Attachment A-AREICA for the supporting data.

OBJECTION 2 RESPONSE: Dwelling Fire rates are based off the Home Base Rates. Because the Home Base Rates have been updated for the overall rate level and proposed segment factor change, there is a resulting rate impact on the Dwelling Fire policies. The Occupancy Factors, which apply to Dwelling Fire only, have been modified to achieve the 6.8% desired rate impact for Dwelling Fire. Without this adjustment, the overall rate impact for Dwelling Fire policies would be 8.6%.

OBJECTION 3 RESPONSE: The Modeled Cat Factor has been removed from the indication. The overall rate impact remains at 8.6%, as was originally filed. In addition, the filing has been updated to no longer include references to a Modeled Catastrophe Provision. Please reference the attachment Actuarial Support_A1 for this change.

Related Objection 1

Comment:

Provide justification for the increased segment factor.

Related Objection 2

Comment:

Provide additional details on the changes to the occupancy factors and the rate impact.

Related Objection 3

Applies To:

- Actuarial Support (Supporting Document)

Comment:

Please amend your indications to remove the modeled cat losses (hurricanes). This same request was made in the previous rate filing, ALSX-125319212.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Actuarial Support_A1, Attachment A-AREICA

Comment: 01/04/10 OBJ Response

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Product Name: *Other than Auto*
Project Name/Number: *2009 - Rule and Rate Change/ER-1141*

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,

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 Product Name: Other than Auto
 Project Name/Number: 2009 - Rule and Rate Change/ER-1141

Rate Information

Rate data applies to filing.

Filing Method: File and Use
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 4.700%
Effective Date of Last Rate Revision: 12/07/2007
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):
Encompass Insurance Company of America	8.600%	8.600%	\$92,538	522	\$1,122,047	19.070%	0.000%

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Rate/Rule Schedule

Schedule Item Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Filing Attachments
Filed 02/05/2010	Manual_Rates_HO	ER-1141	Replacement	AR-PC-07-026379	ER-1141.PDF
Filed 02/05/2010	Manual_Rules_DF	ER-1141	Replacement	AR-PC-07-026379	ER-1141.PDF
Filed 02/05/2010	Manual_Rules_GE	ER-1141	Replacement	AR-PC-07-026379	ER-1141.PDF
Filed 02/05/2010	Manual_Rules_HO	ER-1141	Replacement	AR-PC-07-026379	ER-1141.PDF

ARKANSAS USP PACKAGE PREMISES RATE PAGES

BASE RATES

Territory	Homes	Condos
30	1295	397
31	1441	397
32	1540	397
36	1223	397
39	1432	397
40	993	397
41	1254	397
44	1048	397
60	1294	397
61	1095	397
62	1566	397
63	1552	397
64	1488	397
65	1347	397
66	1039	397
67	1266	397
68	1275	397
71	1394	397
72	1083	397
100	1105	397
101	1454	397

Flat Charge	0	0
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ARKANSAS USP PACKAGE PREMISES RATE PAGES

Protection/Construction Class Relativities

Homes

Territory	FRAME			
	1-5	6-7	8	9-10
30	1.000	1.313	1.950	3.500
31	1.000	1.313	1.950	3.500
32	1.000	1.313	1.950	3.500
36	1.000	1.313	1.950	3.500
39	1.000	1.313	1.950	3.500
40	1.000	1.313	1.950	3.500
41	1.000	1.313	1.950	3.500
44	1.000	1.313	1.950	3.500
60	1.000	1.313	1.950	3.500
61	1.000	1.313	1.950	3.500
62	1.000	1.313	1.950	3.500
63	1.000	1.313	1.950	3.500
64	1.000	1.313	1.950	3.500
65	1.000	1.313	1.950	3.500
66	1.000	1.313	1.950	3.500
67	1.000	1.313	1.950	3.500
68	1.000	1.313	1.950	3.500
71	1.000	1.313	1.950	3.500
72	1.000	1.313	1.950	3.500
100	1.000	1.313	1.950	3.500
101	1.000	1.313	1.950	3.500

Territory	MASONRY			
	1-5	6-7	8	9-10
30	0.900	1.171	1.660	3.000
31	0.900	1.171	1.660	3.000
32	0.900	1.171	1.660	3.000
36	0.900	1.171	1.660	3.000
39	0.900	1.171	1.660	3.000
40	0.900	1.171	1.660	3.000
41	0.900	1.171	1.660	3.000
44	0.900	1.171	1.660	3.000
60	0.900	1.171	1.660	3.000
61	0.900	1.171	1.660	3.000
62	0.900	1.171	1.660	3.000
63	0.900	1.171	1.660	3.000
64	0.900	1.171	1.660	3.000
65	0.900	1.171	1.660	3.000
66	0.900	1.171	1.660	3.000
67	0.900	1.171	1.660	3.000
68	0.900	1.171	1.660	3.000
71	0.900	1.171	1.660	3.000
72	0.900	1.171	1.660	3.000
100	0.900	1.171	1.660	3.000
101	0.900	1.171	1.660	3.000

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Protection/Construction Class Relativities

Condos

Territory	FRAME			
	1-5	6-7	8	9-10
30	1.000	1.095	1.458	1.458
31	1.000	1.095	1.458	1.458
32	1.000	1.095	1.458	1.458
36	1.000	1.095	1.458	1.458
39	1.000	1.095	1.458	1.458
40	1.000	1.095	1.458	1.458
41	1.000	1.095	1.458	1.458
44	1.000	1.095	1.458	1.458
60	1.000	1.095	1.458	1.458
61	1.000	1.095	1.458	1.458
62	1.000	1.095	1.458	1.458
63	1.000	1.095	1.458	1.458
64	1.000	1.095	1.458	1.458
65	1.000	1.095	1.458	1.458
66	1.000	1.095	1.458	1.458
67	1.000	1.095	1.458	1.458
68	1.000	1.095	1.458	1.458
71	1.000	1.095	1.458	1.458
72	1.000	1.095	1.458	1.458
100	1.000	1.095	1.458	1.458
101	1.000	1.095	1.458	1.458

Territory	MASONRY			
	1-5	6-7	8	9-10
30	1.000	1.095	1.458	1.458
31	1.000	1.095	1.458	1.458
32	1.000	1.095	1.458	1.458
36	1.000	1.095	1.458	1.458
39	1.000	1.095	1.458	1.458
40	1.000	1.095	1.458	1.458
41	1.000	1.095	1.458	1.458
44	1.000	1.095	1.458	1.458
60	1.000	1.095	1.458	1.458
61	1.000	1.095	1.458	1.458
62	1.000	1.095	1.458	1.458
63	1.000	1.095	1.458	1.458
64	1.000	1.095	1.458	1.458
65	1.000	1.095	1.458	1.458
66	1.000	1.095	1.458	1.458
67	1.000	1.095	1.458	1.458
68	1.000	1.095	1.458	1.458
71	1.000	1.095	1.458	1.458
72	1.000	1.095	1.458	1.458
100	1.000	1.095	1.458	1.458
101	1.000	1.095	1.458	1.458

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Homes (Dwelling Replacement Value in \$000's)

Territory	30	40	50	60	70	75	80	85	90	95	100	105	110	115	120
30	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
31	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
32	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
36	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
39	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
40	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
41	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
44	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
60	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
61	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
62	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
63	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
64	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
65	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
66	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
67	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
68	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
71	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
72	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
100	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518
101	0.5493	0.5690	0.6180	0.6895	0.7670	0.8058	0.8403	0.8827	0.9252	0.9676	1.0000	1.0164	1.0617	1.1069	1.1518

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Homes

Territory	125	130	140	150	160	170	175	180	190	200	220	240	250	275	300
30	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
31	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
32	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
36	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
39	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
40	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
41	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
44	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
60	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
61	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
62	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
63	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
64	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
65	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
66	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
67	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
68	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
71	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
72	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
100	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663
101	1.1914	1.2313	1.2917	1.3544	1.4063	1.4847	1.5556	1.6008	1.6916	1.7731	1.9411	2.1092	2.1932	2.4298	2.6663

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Territory																Each Additional \$50,000
	325	350	375	400	425	450	475	500	600	700	750	800	900	1000		
30	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
31	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
32	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
36	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
39	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
40	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
41	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
44	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
60	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
61	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
62	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
63	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
64	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
65	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
66	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
67	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
68	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
71	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
72	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
100	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	
101	2.9018	3.1373	3.3727	3.6082	3.8425	4.0769	4.3112	4.5455	5.6528	6.6185	7.1014	7.5842	8.5499	9.5156	0.4829	

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Condos (Contents Replacement Value in \$000's)

Territory	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100
30	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
31	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
32	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
36	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
39	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
40	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
41	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
44	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
60	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
61	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
62	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
63	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
64	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
65	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
66	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
67	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
68	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
71	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
72	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
100	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190
101	1.0000	1.1240	1.2480	1.3695	1.4910	1.6130	1.7350	1.8583	1.9817	2.1050	2.2278	2.3506	2.4734	2.5962	2.7190

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Territory												Each Additional \$10,000
	105	110	115	120	125	130	135	140	145	150		
30	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
31	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
32	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
36	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
39	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
40	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
41	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
44	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
60	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
61	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
62	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
63	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
64	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
65	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
66	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
67	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
68	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
71	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
72	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
100	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	
101	2.8411	2.9632	3.0853	3.2074	3.3295	3.4516	3.5737	3.6958	3.8179	3.9400	0.2442	

ARKANSAS USP PACKAGE PREMISES RATE PAGES

BASE REINSURANCE CHARGE

Homeowners	0.043
Renters	0.036
Condominiums	0.022
Dwelling Fire	0.046

ARKANSAS USP PACKAGE PREMISES RATE PAGES

REINSURANCE LIMIT FACTORS

AMOUNT OF INSURANCE	FACTOR
30,000	30
40,000	40
50,000	50
60,000	60
70,000	70
75,000	75
80,000	80
85,000	85
90,000	90
95,000	95
100,000	100
105,000	105
110,000	110
115,000	115
120,000	120
125,000	125
130,000	130
140,000	140
150,000	150
160,000	160
170,000	170
175,000	175
180,000	180
190,000	190
200,000	200
220,000	220
240,000	240
250,000	250

AMOUNT OF INSURANCE	FACTOR
275,000	275
300,000	300
325,000	325
350,000	350
375,000	375
400,000	400
425,000	425
450,000	450
475,000	475
500,000	500
600,000	600
700,000	700
750,000	750
800,000	800
850,000	850
900,000	900
Each Additional 1,000	1

REINSURANCE RATE ADJUSTMENT FACTOR

Homeowners	0.000
Renters	0.000
Condominiums	0.000
Dwelling Fire	0.000



U.S.P. PORTFOLIO: DWELLING FIRE RULES

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1. COVERAGE EXPLANATION

The Dwelling Fire Segment of USP Portfolio is designed for residences that do not require the more extensive, full homeowner coverage options provided under Special, Deluxe and Elite. (Example: Residences used for rental purposes.) Coverage is provided for both liability and the dwelling, including Broad Theft coverage. In addition to the miscellaneous coverage options offered in the Home Segment, the Dwelling Fire Segment also offers a reduced premium actual cash value loss settlement option for the dwelling.

2. ELIGIBILITY

The following residence types are eligible for the Dwelling Fire Segment.

- A. Dwellings owned by the insured and rented to others.
- B. Condominiums and Cooperatives that are owned by the insured and rented to others.
- C. Dwellings owned and occupied by the insured.

3. PROTECTION CLASSIFICATION CODES AND INFORMATION

Refer to Rule 5 in the Home Section of this manual.

4. CONSTRUCTION DEFINITIONS

Refer to Rule 6 in the Home Section of this manual.

5. BASE PREMIUM COMPUTATION

A. Dwellings

- (1) Determine the dwelling amount of insurance based on the appropriate loss settlement option.
 - a. Replacement Cost Coverage
 - b. Actual Cash Value
- (2) Determine the base premium using the corresponding home rate found on the State Rate Pages.
- (3) Reserved for Future Use.
- (4) Adjust the base premium by the occupancy factor determined in Rule 7.A., of this section.
- (5) For dwellings with the Actual Cash Value Settlement Option, apply the factor found in Rule 9 (of this section) to the base premium.
- (6) For liability limits other than \$300,000 (\$5,000 Medical Expenses), refer to Rule 2.G in the Home Section of this manual.
- (7) For Reinsurance Charge, refer to Rule 2.I in the Home Section of this manual.

B. Condominiums and Cooperative Apartments

- (1) Determine the contents coverage amount.
- (2) Determine the base premium using the corresponding condominium rate found on the State Rate Pages.
- (3) Reserved for Future Use.
- (4) Adjust the base premium by the occupancy factor determined in Rule 7.B, of this section.
- (5) For liability limits other than \$300,000 (\$5,000 Medical Expenses), refer to Rule 2.G in the Home Section of this manual.
- (6) For Reinsurance Charge, refer to Rule 2.I in the Home Section of this manual.

6. SEASONAL DWELLING DEFINITION

A seasonal residence is a residence with continuous un-occupancy of three or more consecutive months during any one-year period.

7. OCCUPANCY FACTORS

A. Dwellings

(1) Dwelling Factors

The factors below include dwelling coverage and a contents limit equal to 10% of the scheduled dwelling value.

	<u>Territories 62-65</u>		<u>All Other Territories</u>	
	<u>Frame</u>	<u>Masonry</u>	<u>Frame</u>	<u>Masonry</u>
Secondary Seasonal	<u>0.70</u>	<u>0.74</u>	<u>0.75</u>	<u>0.75</u>
Secondary Non-Seasonal	<u>0.74</u>	<u>0.75</u>	<u>0.75</u>	<u>0.74</u>
Primary	<u>0.74</u>	<u>0.75</u>	<u>0.75</u>	<u>0.74</u>

(2) Additional Contents Factor

The factors shown below are over and above the scheduled dwelling value.

<u>Terr.</u>	<u>% of Dwelling Value for Contents Coverage</u>				
	<u>10%</u>	<u>20%</u>	<u>30%</u>	<u>40%</u>	<u>50%</u>
62-65	INC	<u>0.08</u>	<u>0.15</u>	<u>0.21</u>	<u>0.24</u>
All Others	INC	<u>0.09</u>	<u>0.16</u>	<u>0.21</u>	<u>0.25</u>

To obtain the occupancy factor for dwellings owned and occupied by the insured, sum the factors obtained in (1) and (2) above.

(3) Rental Factor

For dwellings owned by the insured and rented to others, add 0.10 to the total obtained in (1) and (2) above.

**SECTION: UNIVERSAL SECURITY POLICY PORTFOLIO:
 DWELLING FIRE RULES**

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B. Condominiums and Cooperatives

For condominiums and Cooperatives that are both Owned by the Insured and Rented to Others, apply the appropriate factor below.

<u>Territory</u>	<u>Contents Coverage Amount</u>			
	<u>\$5,000 - \$10,000</u>		<u>Over \$10,000</u>	
	<u>Seasonal</u>	<u>Non-Seasonal</u>	<u>Seasonal</u>	<u>Non-Seasonal</u>
All	<u>0.59</u>	<u>0.49</u>	<u>1.08</u>	<u>0.98</u>

8. FAIR RENTAL VALUE

The Dwelling Fire Segment includes coverage for Fair Rental Value at the following limits:

- Dwellings - Up to 20% of the dwelling amount of insurance
- Condominiums - Up to 100% of the contents coverage amount

Increased limits for Fair Rental Value are available at the following premium charge:

\$4 per \$1,000

◆ 9. LOSS SETTLEMENT OPTIONS-DWELLINGS

A. Real Property Basic Replacement Cost Coverage

Dwellings which are insured at 100% of their replacement value will receive guaranteed full replacement cost if a total loss occurs. Dwellings insured for less than 100% of their replacement value will be written with the Real Property Basic Replacement Cost Coverage Endorsement which will not provide the full replacement cost guarantee.

B. Actual Cash Value

The policy may be endorsed to revise the loss settlement option on the dwelling to an actual cash value basis for a premium credit as follows:

Apply a factor of 0.87 to the dwelling premium.

Note: "Insurance To Value" is not applicable if the actual cash value settlement option is elected for the dwelling.

10. DEDUCTIBLES

All policies are subject to a deductible that applies to loss from all perils covered under the policy on an accident basis, which is subject to a separate deductible provision. The deductible on the dwelling fire exposure does not have to be the same as the deductible on the primary residence.

Refer to Rule 12 in the Home Section of this manual for deductibles, deductible factors and maximum premium credits.

11. PROTECTIVE DEVICES

Refer to Rule 11 in the Home Section of this manual.

12. RESERVED FOR FUTURE USE

**SECTION: UNIVERSAL SECURITY POLICY PORTFOLIO:
DWELLING FIRE RULES**

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13. RESERVED FOR FUTURE USE

14. BUILDING ORDINANCE INCREASED COSTS

The policy may be endorsed to insure the dwelling building and personal property against loss resulting from ordinances or laws which regulate construction, repair or demolition of property. The additional premium for this coverage shall be as follows:

Dwellings - Apply a factor of 1.10
Condominiums - Charge \$3

15. LOSS ASSESSMENT COVERAGE

Coverage for loss assessment, for which the insured may be liable, is automatically included at \$1,000. Increased limits of loss assessment are available at the following premium charges:

<u>Limit</u>	<u>Premium</u>
\$ 5,000	\$ 3
\$10,000	\$ 5
\$50,000	\$13

16. BACKUP OF SEWER OR DRAIN COVERAGE

To provide coverage against direct loss caused by water which backs up through sewers or drains or water which enters into and overflows from within a sump pump, sump pump well or other type of system designed to remove subsurface water which is drained from the foundation area, charge the appropriate premium below.

The dwelling deductible will be deducted for each occurrence from any loss caused by backup of sewer or drain that is covered by this endorsement.

<u>Coverage Limit</u>	<u>Premium</u>
\$5,000	\$30
Each additional \$5,000 up to 70% of the dwelling amount	\$10

17. PERSONAL HOME COMPUTER AND DATA RECORDS

To extend additional risks of physical loss to personal computer hardware, software and accessories located in the home, charge the appropriate premium below.

<u>Coverage Amount</u>	<u>Premium</u>
\$ 5,000	\$20
\$10,000	\$35

This coverage is subject to the dwelling deductible.

Note: This coverage is not available to residences owned by the insured and rented to others.

**SECTION: UNIVERSAL SECURITY POLICY PORTFOLIO:
DWELLING FIRE RULES**

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18. MISCELLANEOUS COVERAGES

The following coverages may be extended to the dwelling fire exposure. For the appropriate rate, refer to the corresponding rule in the Home Section of this manual.

- Building Additions and Alterations
- Other Structures
- Home Day Care Coverage*
- Incidental Farming Personal Liability
- Permitted Business Exposures*
- Scheduled Personal Property*
- Theft of Building Materials and Builder's Risk Coverage*
- Misplaced or Lost Jewelry Coverage*

*These coverages are not available to residences owned by the insured and rented to others.

U.S.P. PORTFOLIO: GENERAL RULES

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1. UNIVERSAL SECURITY POLICY PORTFOLIO OPTIONS

A. Options

Universal Security Policy (USP) Portfolio is comprised of five major product segments: Motor Vehicle, Home, Dwelling Fire, Boat and Excess Liability. Policies that are comprised of both the motor vehicle and home segments will be issued under USP Package and will receive a discount. Individual product segments and all other segment combinations will be issued under USP Segment.

B. Rates

Rates for USP Package are shown on the State Rate Pages and reflect the Package Discount. To calculate the rates for USP Segment, refer to the Motor Vehicle and Home Sections in this manual.

2. UNIVERSAL SECURITY POLICY PORTFOLIO: COVERAGE OPTIONS

There are three coverage options available under USP Portfolio: Special, Deluxe and Elite. Elite provides the most comprehensive level of coverage, followed by Deluxe and Special. Refer to the Motor Vehicle and Home sections of this manual for the rating of Elite, Deluxe and Special.

3. LIABILITY LIMITS

A. Basic Liability

For policies with multiple exposures, the following Basic Liability options are available:

<u>Option</u>	<u>Motor Vehicle Exposures</u>	<u>All Other Exposures</u>
A1	\$25/50/25	\$100,000
A2	\$25/50/50	\$100,000
A3	\$25/50/100	\$100,000
A4	\$75,000 CSL	\$100,000
B1	\$ 50/100/25	\$100,000
B2	\$ 50/100/50	\$100,000
B3	\$ 50/100/100	\$100,000
B4	\$100,000 CSL	\$100,000
C1	\$100/300/25	\$300,000
C2	\$100/300/50	\$300,000
C3	\$100/300/100	\$300,000
C4	\$300,000 CSL	\$300,000
D1	\$250/500/25	\$500,000
D2	\$250/500/50	\$500,000
D3	\$250/500/100	\$500,000
D4	\$500,000 CSL	\$500,000

- Note:** (1) Options A4, B4, C4, D4 are available only to renewal policies currently written with CSL Limits.
(2) These limits do not apply to Uninsured/Underinsured Motorist coverage for Motor Vehicles, and Uninsured Boaters Coverage.

B. Medical Expenses

This coverage is optional for motor vehicles only if the Arkansas Statutory Medical Payments Coverage Limit is rejected (refer to Section 1410, Rule 9.0.). For all other exposures, \$5,000 Medical Expenses coverage is automatically provided.

- (1) The following limits are available for private passenger autos, pickups, vans, motor homes and antique autos:

\$ 1,000
2,500
10,000
25,000
50,000

- (2) For all other vehicle types, the following limits are available:

\$1,000
2,500
5,000

C. Optional Excess Liability

A policy may be endorsed to provide coverage for Optional Excess Liability. For limits and rates, refer to the Excess Liability Section of this manual.

4. CHANGES DURING THE POLICY PERIOD

- A. The Company must be notified within 30 days of any midterm increase or decrease in exposure (addition/deletion of drivers, dwellings, vehicles, etc.) so that the Company may make any necessary changes to the coverage summary.

Premium adjustments for increases or decreases in exposure will be made as of the effective date of the change.

- B. All premium adjustments shall be computed pro rata.

- C. If a form of coverage, vehicle or dwelling is canceled from a policy at the request of the insured and reinstated within 30 days, the premium shall be the same as the amount that was returned at the time of cancellation.

- D. Adjustments of \$5 or less

If an outstanding policy is amended and results in a premium adjustment of less than \$5, the amount will be waived, except that the actual return premium shall be returned at the request of the insured.

- E. No Charge Period

Premium adjustments that result from changes effective within 30 days of the expiration date of the policy term will be waived, except that the actual return premium shall be returned at the request of the insured.

5. WHOLE DOLLAR PREMIUM

The premium for each exposure shall be rounded to the nearest whole dollar, separately for each coverage provided by the policy. This rounding procedure shall occur after each separate modification by the provisions of any rating plan or other rating rule (e.g., classification, SDIP, physical damage deductible factor, etc.) in the calculation of the premium for each exposure.

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

This procedure shall apply to all interim premium adjustments, including endorsements or cancellations at the request of the insured.

The phrase "each exposure" as used herein shall mean each premium developed (after the application of all applicable adjustments) for (1) each auto, if written on a per car basis, (2) all other motor vehicle business, (3) each owned or rented residence, (4) each yacht or boat, and (5) each miscellaneous rated exposure.

6. INSTALLMENT CHARGE

The insured shall be given the option of paying the annual premium in installments. For each installment, a \$5 charge shall be added to the installment premium. No installment charge shall be made if the total annual premium is paid on the 1st installment.

7. CREDIT FOR EXISTING INSURANCE

Credit for existing insurance, duplicated by a Universal Security Policy at time of issuance, is allowed for the unexpired period of the existing insurance. This credit is a prorate of the premium this Company would have charged for the insured exposure under the rates and rules in effect for the Universal Security Policy. By virtue of the "Other Insurance" clause of the USP contract, USP will be excess over such insurance.

The credit for existing insurance is allowed for uninsured/underinsured motorist coverage only if all vehicles insured are subject to such credit. If the credit for existing insurance applies, use the highest pro rata factor of all the vehicles.

Example

Suppose an insured purchases a Universal Security Policy on 01/01/94 to cover their home and car. The USP premium is \$600, \$400 for the auto exposure and \$200 for the residence exposure. The insured already has an HO-3 policy effective 01/01/93, expiring 01/01/94. They also possess an auto policy effective 07/01/93, expiring 07/01/94. Thus, the Universal Security Policy will provide overlapping coverage for the auto.

The credit for existing insurance on the auto will be calculated as follows:

- A. The duplication of coverage is from 01/01/94 until 07/01/94.
- B. From the pro rata tables, this represents .496 of a year $[(182-1) \div 365]$.
- C. Pro Rata Factor = $1 - .496 = .504$.
- D. The annual USP charge for the auto is \$400.
- E. Pro rated premium = $\$400 \times .504 = \202 .
- F. The USP premium = $\$200 + \$202 = \$402$.

SEE RATING WORKSHEET FOR DETAILS.

8. RESERVED FOR FUTURE USE

9. POLICY PERIOD

A Universal Security Policy will be written for a period of one year. The renewal will be based upon the premiums, forms and endorsements then in effect for the Company. The policy may be continued for successive terms upon payment of the required premium to the Company on or before the inception date of each successive term.

10. PREMIUM REVISION

- A. An existing Universal Security Policy may not be endorsed to take advantage of a reduction in premium due to a general rate revision.
- B. Unless otherwise provided at the time the premium revision becomes effective, the rates, rules, and forms in effect at the inception or renewal effective date of the policy shall apply.

11. RESTRICTION OF INDIVIDUAL POLICIES

If a Universal Security Policy would not be issued because of unusual circumstances or exposures, the named insured may request a restriction of the policy, provided no reduction in the premium is allowed and such restriction is allowable under state statute or regulation. Such requests shall be referred to the Company.

12. POLICY LOSS FREE DISCOUNT

If a policy written under USP Package is loss free for 5 years a discount of 2% (a factor of .98) applies to the premium for each exposure. The discount will also apply to USP Package Policies if coverage for the motor vehicle and home segments of the policy have been insured with the Company for 5 years and all personal lines policies during this period have been loss free. The discount will not apply to the auto fixed expense premiums, uninsured/underinsured motorist rates or premiums for additional coverages in Motor Vehicle Rule 9 or Home Rule 15.

Exception: The discount applies to Customized Vehicles Coverage, the HomeWork Supplement, the Lifestyle Coverage Amendment and the Identity Fraud Expense Coverage.

Note: Accidents not caused or significantly contributed to by the actions of the insured shall not be counted in the determination of the eligibility for this discount.

13. AIRCRAFT

All aircraft other than model planes are excluded from coverage under the Universal Security Policy.

14. CANCELLATION

Return premiums and premium adjustments will be calculated on a pro rata basis. Pro rata tables are displayed at the end of the General Rules Section of this manual.

Instructions for use of PRO RATA Tables

- A. Express the date of cancellation by converting the month and day to the corresponding day of the year—e.g., March 7 is designated as day 66. If the cancellation year is subsequent to the effective year, add 365 to the number previously calculated.
- B. In a similar manner, express the effective date by converting the month and day to the day of the year—e.g., May 19 is designated as day 139.
- C. Take the result for B and subtract it from the result from A and divide by 365.
- D. The result in the case of 1 year policies represents the percentage of the annual premium which is to be retained by the Company.

Cancellation date March 7, 1993.....	431
Effective date May 19, 1992.....	-139
	<u>292</u>

$$292 \div 365 = 0.8$$

The earned premium for a one year policy will therefore be 0.8 times the annual premium.

Note: As it is not customary to charge for the extra day (February 29th) which occurs one year in every four years this table shall be used for each year.

15. STATE RATE AND TERRITORY PAGES

- A. The State Rate Pages show rates by territory.
- B. The Territory Pages contain the definitions of the territorial divisions into which each state is divided and show for each territory the statistical code and the number of the rate schedule on the State Rate Pages to be used.

Each territory as defined embraces a certain area, usually a city and its surroundings. In many cases, the area so defined includes several smaller cities, towns, boroughs and villages. The following provisions are applicable in this connection:

- (1) Any city, town, borough or village not specifically mentioned as included within a defined territory but which is inside of the boundary of the area so defined, shall take the territory schedule for that defined territory.
- (2) Unless otherwise indicated, if a street, avenue or other public way serves as a dividing line between two territories, except when the public way serves as a boundary line of any political subdivision (state, county, township, city, town, village, etc.), the rates applicable to the lower rated of the two territories shall apply on both sides of such street or avenue.

PRO RATA TABLE

January			February			March			April			May			June		
Day of	Day of	Ratio	Day of	Day of	Ratio	Day of	Day of	Ratio	Day of	Day of	Ratio	Day of	Day of	Ratio	Day of	Day of	Ratio
Month	Year	Ratio	Month	Year	Ratio	Month	Year	Ratio	Month	Year	Ratio	Month	Year	Ratio	Month	Year	Ratio
1	1	.003	1	32	.088	1	60	.164	1	91	.249	1	121	.332	1	152	.416
2	2	.005	2	33	.090	2	61	.167	2	92	.252	2	122	.334	2	153	.419
3	3	.008	3	34	.093	3	62	.170	3	93	.255	3	123	.337	3	154	.422
4	4	.011	4	35	.096	4	63	.173	4	94	.258	4	124	.340	4	155	.425
5	5	.014	5	36	.099	5	64	.175	5	95	.260	5	125	.342	5	156	.427
6	6	.016	6	37	.101	6	65	.178	6	96	.263	6	126	.345	6	157	.430
7	7	.019	7	38	.104	7	66	.181	7	97	.266	7	127	.348	7	158	.433
8	8	.022	8	39	.107	8	67	.184	8	98	.268	8	128	.351	8	159	.436
9	9	.025	9	40	.110	9	68	.186	9	99	.271	9	129	.353	9	160	.438
10	10	.027	10	41	.112	10	69	.189	10	100	.274	10	130	.356	10	161	.441
11	11	.030	11	42	.115	11	70	.192	11	101	.277	11	131	.359	11	162	.444
12	12	.033	12	43	.118	12	71	.195	12	102	.279	12	132	.362	12	163	.447
13	13	.036	13	44	.121	13	72	.197	13	103	.282	13	133	.364	13	164	.449
14	14	.038	14	45	.123	14	73	.200	14	104	.285	14	134	.367	14	165	.452
15	15	.041	15	46	.126	15	74	.203	15	105	.288	15	135	.370	15	166	.455
16	16	.044	16	47	.129	16	75	.205	16	106	.290	16	136	.373	16	167	.458
17	17	.047	17	48	.132	17	76	.208	17	107	.293	17	137	.375	17	168	.460
18	18	.049	18	49	.134	18	77	.211	18	108	.296	18	138	.378	18	169	.463
19	19	.052	19	50	.137	19	78	.214	19	109	.299	19	139	.381	19	170	.466
20	20	.055	20	51	.140	20	79	.216	20	110	.301	20	140	.384	20	171	.468
21	21	.058	21	52	.142	21	80	.219	21	111	.304	21	141	.386	21	172	.471
22	22	.060	22	53	.145	22	81	.222	22	112	.307	22	142	.389	22	173	.474
23	23	.063	23	54	.148	23	82	.225	23	113	.310	23	143	.392	23	174	.477
24	24	.066	24	55	.151	24	83	.227	24	114	.312	24	144	.395	24	175	.479
25	25	.068	25	56	.153	25	84	.230	25	115	.315	25	145	.397	25	176	.482
26	26	.071	26	57	.156	26	85	.233	26	116	.318	26	146	.400	26	177	.485
27	27	.074	27	58	.159	27	86	.236	27	117	.321	27	147	.403	27	178	.488
28	28	.077	28	59	.162	28	87	.238	28	118	.323	28	148	.405	28	179	.490
29	29	.079				29	88	.241	29	119	.326	29	149	.408	29	180	.493
30	30	.082				30	89	.244	30	120	.329	30	150	.411	30	181	.496
31	31	.085				31	90	.247				31	151	.414			

PRO RATA TABLE

July			August			September			October			November			December		
Day of	Day of	Ratio	Day of	Day of	Ratio	Day of	Day of	Ratio	Day of	Day of	Ratio	Day of	Day of	Ratio	Day of	Day of	Ratio
Month	Year	Ratio	Month	Year	Ratio	Month	Year	Ratio	Month	Year	Ratio	Month	Year	Ratio	Month	Year	Ratio
1	182	.499	1	213	.584	1	244	.668	1	274	.751	1	305	.836	1	335	.918
2	183	.501	2	214	.586	2	245	.671	2	275	.753	2	306	.838	2	336	.921
3	184	.504	3	215	.589	3	246	.674	3	276	.756	3	307	.841	3	337	.923
4	185	.507	4	216	.592	4	247	.677	4	277	.759	4	308	.844	4	338	.926
5	186	.510	5	217	.595	5	248	.679	5	278	.762	5	309	.847	5	339	.929
6	187	.512	6	218	.597	6	249	.682	6	279	.764	6	310	.849	6	340	.932
7	188	.515	7	219	.600	7	250	.685	7	280	.767	7	311	.852	7	341	.934
8	189	.518	8	220	.603	8	251	.688	8	281	.770	8	312	.855	8	342	.937
9	190	.521	9	221	.605	9	252	.690	9	282	.773	9	313	.858	9	343	.940
10	191	.523	10	222	.608	10	253	.693	10	283	.775	10	314	.860	10	344	.942
11	192	.526	11	223	.611	11	254	.696	11	284	.778	11	315	.863	11	345	.945
12	193	.529	12	224	.614	12	255	.699	12	285	.781	12	316	.866	12	346	.948
13	194	.532	13	225	.616	13	256	.701	13	286	.784	13	317	.868	13	347	.951
14	195	.534	14	226	.619	14	257	.704	14	287	.786	14	318	.871	14	348	.953
15	196	.537	15	227	.622	15	258	.707	15	288	.789	15	319	.874	15	349	.956
16	197	.540	16	228	.625	16	259	.710	16	289	.792	16	320	.877	16	350	.959
17	198	.542	17	229	.627	17	260	.712	17	290	.795	17	321	.879	17	351	.962
18	199	.545	18	230	.630	18	261	.715	18	291	.797	18	322	.882	18	352	.964
19	200	.548	19	231	.633	19	262	.718	19	292	.800	19	323	.885	19	353	.967
20	201	.551	20	232	.636	20	263	.721	20	293	.803	20	324	.888	20	354	.970
21	202	.553	21	233	.638	21	264	.723	21	294	.805	21	325	.890	21	355	.973
22	203	.556	22	234	.641	22	265	.726	22	295	.808	22	326	.893	22	356	.975
23	204	.559	23	235	.644	23	266	.729	23	296	.811	23	327	.896	23	357	.978
24	205	.562	24	236	.647	24	267	.732	24	297	.814	24	328	.899	24	358	.981
25	206	.564	25	237	.649	25	268	.734	25	298	.816	25	329	.901	25	359	.984
26	207	.567	26	238	.652	26	269	.737	26	299	.819	26	330	.904	26	360	.986
27	208	.570	27	239	.655	27	270	.740	27	300	.822	27	331	.907	27	361	.989
28	209	.573	28	240	.658	28	271	.742	28	301	.825	28	332	.910	28	362	.992
29	210	.575	29	241	.660	29	272	.745	29	302	.827	29	333	.912	29	363	.995
30	211	.578	30	242	.663	30	273	.748	30	303	.830	30	334	.915	30	364	.997
31	212	.581	31	243	.666				31	304	.833				31	365	1.000

USP PORTFOLIO ARKANSAS: HOME RULES

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1. ELIGIBILITY

The Home Segment of USP Portfolio is designed to provide rates for residences which require the full homeowner coverage levels offered under Special, Deluxe and Elite. These coverage levels may be extended to the following residence types.

- A. Dwellings owned and occupied by the insured.
- B. Condominiums and Cooperatives owned and occupied by the insured.
- C. Residences rented to the insured.

2. PREMIUM DETERMINATION

- A. Refer to the Territory Definitions in the Rate Section of this manual to determine the territorial schedule code number.
- B. The State Rate Pages shows base rates for USP Package. Rates are shown by policy amount, construction type and protection class for dwellings and condominiums. For policies written under USP Segment, refer to Rule 2.E, below.
- C. For renters coverage, apply the factor found in Rule 3. to the corresponding condominium rate.
- D. Reserved For Future Use
- E. Package Discount

The base rates shown on the State Rate Pages for USP Package reflect a package discount. In order to calculate the rate level for USP Segment, multiply the applicable USP Package base rate by 1.33.

- F. Coverage Options
 - (1) The base rates shown on the State Rate Pages for USP Package are for the Deluxe Coverage Option. To increase coverage to Elite, or reduce coverage to Special, apply the following adjustments:
 - (a) Elite Coverage Option
Apply a factor of 1.15
 - (b) Deluxe Coverage Option
No rate adjustments are necessary.
 - (c) Special Coverage Option
Apply the following factors:

	Home	Renter/Condo
With Replacement Cost on Personal Property	.95	.95
Without Replacement Cost on Personal Property	.77	.63

- (2) For Personal Property Plus under Special and Deluxe, apply the factor found in rule 21.C. to the corresponding residence premium.

Note: These adjustments do not apply to the premiums for residences rented to others.

- G. For liability limits other than \$300,000 (\$5,000 Medical Expenses), apply the following premium adjustments:
 - (1) To obtain the premium for \$100,000 liability, subtract \$9.
 - (2) To obtain the premium for \$500,000 liability, add \$12.

H. Optional Excess Liability

To obtain the premium for excess liability, refer to the Excess Liability Section of this manual.

I. Reinsurance Charge

Charge to cover the net cost of reinsurance.

Determine the Reinsurance Charge as follows:

1. Determine the Base Reinsurance Charge using the applicable Base Reinsurance Charge tables in the rate pages.
2. Multiply by the Reinsurance Rate Adjustment Factor in the rate pages.
3. Multiply by the Reinsurance Limit Factor in the rate pages.

Amounts of insurance not shown on the rate pages may be obtained by interpolation.

Method for Interpolation (example): A Reinsurance Limit Factor is desired for a policy amount of \$83,000. Reinsurance Limit Factors are shown for \$80,000 and \$85,000 on the rate pages.

1. Coverage Amounts Shown Factors Shown

\$ 85,000	85
\$ - 80,000	- .80
\$ 5,000 (Difference – Amount)	5 (Difference - Factor)

2. $[\$3,000 \text{ (Additional Amount)} / \$5,000 \text{ (Difference – Amount)}] \times [5 \text{ (Difference – Factor)}] = 3.000$
 Round to Three Decimals)

80.000 (Factor for \$80,000)
+3.000 (Factor for Additional \$3,000)
83.000 (Factor for \$83,000 Rounded to Three Decimals)

3. RENTERS COVERAGE

To determine the premium for Renters Coverage, apply a factor of 1.304 to the corresponding condominium rate found on the rate pages. This rule does not apply to occupants of cooperative apartments who are charged the condominium rates found on the rate pages.

4. OTHER RESIDENCE PREMISES

To extend the Special, Deluxe and Elite coverage options to a residence other than a primary, apply the following adjustments:

- A. Calculate the basic premium using the appropriate primary residence rate: dwelling, condominium or renter.

Note: For contents values greater than 100% of the dwelling replacement value, refer to Rule 21.B of this section.

- B. Reserved for Future use.
C. Apply the appropriate USP Segment factor (if applicable) from Rule 2 of this section.
D. Apply one of the following factors based on the type of occupancy.

Secondary Seasonal	1.10
Secondary Non-Seasonal	1.00

Note: A seasonal residence is a residence with continuous unoccupancy of three or more consecutive months during any one year period.

- E. Apply the appropriate Coverage Option factors (if applicable) from Rule 2 of this section.
F. Apply the appropriate liability premium adjustment (if applicable) from Rule 2 of this section.
G. Basic Liability Only

Basic Liability coverage may be purchased without coverage on the dwelling, contents or other structures for dwellings other than the primary dwelling. The following premiums apply.

<u>Limit</u>	<u>Premium</u>
\$100,000	\$10
\$300,000	\$12
\$500,000	\$13

- H. Optional Excess Liability

To obtain the premium for excess liability, refer to the Excess Liability Section of this manual.

5. PROTECTION CLASSIFICATION CODES AND INFORMATION

- A. Codes

<u>Protection Class</u>	<u>Code</u>
1	01
2	02
3	03
4	04
5	05
6	06
7	07
8	08
9	09
10	10

B. Protection Information

The Protection Class listings in the Public Protection Classifications Manual apply to risks insured under Universal Security Policies.

1. The protection class indicated applies in a municipality or classified area where a single class of fire protection is available throughout (8, 7, 6, etc.).
2. In a classified area where two or more classifications are shown (e.g., 6/9), the classification is determined as follows:

<u>Distance To Fire Station</u>	<u>Class</u>
a. 5 road miles or less with hydrant within 1,000 feet	*
b. 5 road miles or less with hydrant beyond 1,000 feet	**
c. Over 5 but not more than 10 road miles	9
d. Over 10 road miles	10

*Use first protection class shown.

**Use second protection class shown.

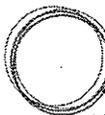
3. All other properties are Class 10.

C. Improved Protection Class

Primary dwellings located in fringe areas graded Protection Class 9 or 10 which meet the following requirements shall be rated the same protection class as the neighboring town if the dwelling is:

1. Within five miles on a year-round passable road from the primary responding fire department which is protecting the fringe area; and
2. Within 1,000 feet of an operating public fire hydrant;
3. Clearly visible from at least four neighboring dwellings;

This rule is in addition to those contained in the Public Protection Classification Manual.



6. CONSTRUCTION DEFINITIONS

- A. **Frame**-exterior wall of wood or other combustible construction, including wood-iron clad, stucco on wood or plaster on combustible supports and Aluminum or plastic siding over frame.
- B. **Masonry Veneer**-exterior walls of combustible construction veneered with brick or stone; rate as masonry.
- C. **Masonry**-exterior walls constructed of masonry materials such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile or similar materials and floors and roof of combustible construction (disregarding floors resting directly on the ground).
- D. **Superior Construction.**
 - (1) Non-Combustible-exterior walls and floors and roof constructed of, and supported by metal, asbestos, gypsum, or other non-combustible materials.
 - (2) Masonry Non-Combustible-exterior walls constructed of masonry materials (as described in C above) and floors and roof of metal or other non-combustible materials.
 - (3) Fire Resistive-exterior walls and floors and roof constructed of masonry or other fire resistive materials.
 - (4) Rating-the premium for an eligible dwelling, rented residence or condominium unit in a building of superior construction is computed by multiplying the masonry base premium for a comparable dwelling, rented residence or condominium unit by a factor of .85.

Note: Mixed Construction (i.e. Masonry/Frame, Masonry Veneer/Frame)-a combination of different construction types shall be classed and coded as the higher rated type when the exterior walls comprised of that type exceed 33-1/3% of the total exterior walls area; otherwise class and code as the lower rated type.

<u>Construction Type</u>	<u>Rating</u>
Frame	Highest
Masonry/Masonry Veneer	-
Superior	Lowest

7. RESERVED FOR FUTURE USE

8. SINGLE BUILDING DEFINITION

All buildings or sections of buildings, which are accessible through unprotected openings shall be considered as a single building.

Buildings, which are separated by space shall be considered separate buildings.

Buildings or sections of buildings which are separated by an 8-inch masonry party wall which pierces or rises to the underside of the roof and which pierces or extends to the inner-side of the exterior wall shall be considered separate buildings. Accessibility between buildings with independent walls or through masonry party walls described above shall be protected by at least a Class A Fire Door installed in a masonry wall section.

9. RESERVED FOR FUTURE USE

10. REPLACEMENT VALUE COVERAGE

A. Replacement Value Coverage for Personal Property:

- (1) For Elite and Deluxe, coverage is automatically included at no premium charge.
- (2) For Special, this coverage may be included at an additional premium charge. The aggregate property limit shall be increased from 160% to 180% of the dwelling replacement value. Refer to Rule 2. of this Section for the appropriate factor.

B. Broadened Replacement Cost Coverage for Real Property (Dwelling)

For Elite, Deluxe and Special, guaranteed replacement cost coverage is provided for dwellings, up to 125% of the residence value, if a total loss should occur, at no additional charge

Exception: Policies with the Real Property Basic Replacement Cost Coverage Endorsement will not receive the full replacement cost guarantee.

11. PROTECTIVE DEVICES

Approved and properly maintained installations of burglar alarms, fire alarms and automatic sprinklers in the dwelling may be recognized for a premium credit as follows:

<u>Type of System*</u>	<u>Credit</u>
I. Burglar Alarms	
A. Local.....	.02
B. Police Station Reporting.....	.03
C. Central Station Reporting.....	.05
II. Fire Alarms	
A. Local (including smoke detectors)**.....	.02
B. Protective Package:	
A combination of a local fire alarm (including smoke detectors), dead bolt locks on all exterior doors and a fire extinguisher in the residence.05
C. Fire Station Reporting03
D. Central Station Reporting.....	.05
III. Automatic Sprinkler Systems	
A. In all areas <u>except attic</u> , bathroom, closets, and attached structure areas that are protected by a fire detector.08
B. In all areas including attics, bathrooms, closets, and attached structures.13

*Refer to Company for eligibility, types of systems and devices and installation.

**II.A will not apply if II.B does apply.

To determine the total credit, sum the applicable credits for all types subject to a maximum of .15. Only one credit per type of system is allowed. The applicable factor is 1 minus the total credit developed above.

12. DEDUCTIBLES

All Policies are subject to a deductible applicable to loss from all perils covered under the policy on an accident basis. Only one deductible amount may be chosen for all real and tangible personal property covered, per each primary or secondary residence. However, the deductible on the secondary residence does not have to be the same as the primary. Also, for SPP optional deductible amounts are available.

The deductible amount must be entered on the Coverage Summary of the policy.

Apply the following factors to the residence premium portion of Universal Security:

<u>Deductible Amount</u>	<u>Factors</u>		<u>Maximum Premium Credit</u>	
	<u>Dwelling</u>	<u>Condo/Renter</u>	<u>Dwelling</u>	<u>Condo/Renter</u>
\$ 250	1.00	1.00	-	-
500	.90	.85	\$ 125	\$ 125
1,000	.75	.70	375	375
2,500	.65	.50	1,125	1,125
5,000	.55	.35	2,375	2,375

13. AGE OF DWELLING DISCOUNT

Dwellings which are primary residences and are 10 years old or less apply a factor as follows:

<u>Construction completed—</u>	<u>Factor</u>
during the current calendar year.....	.70
one year preceding the current calendar year.....	.73
two years preceding the current calendar year.....	.76
three years preceding the current calendar year.....	.79
four years preceding the current calendar year.....	.82
five years preceding the current calendar year.....	.85
six years preceding the current calendar year.....	.88
seven years preceding the current calendar year.....	.91
eight years preceding the current calendar year.....	.94
nine years preceding the current calendar year.....	.97
ten years preceding the current calendar year.....	1.00

Note: For the purpose of this rule, "current" means the USP effective year.

Discount not applicable to renters or condominiums or residences rented to the insured.

14. RETIREMENT COMMUNITY DISCOUNT

A factor of .90 shall be applied to dwelling premiums for primary residences, if the following are true:

- A. The community is specifically set up for and primarily occupied by retired persons.
- B. The community must be in protection classes one through eight or be upgraded to one through eight by the Improved Protection Class Rule.

Examples of retirement communities follow, but are not limited to: Bella Vista, Cherokee Village, and Hot Springs Village.

15. MISCELLANEOUS COVERAGES

- A. Backup of Sewers or Drain Coverage

A Deluxe or Special policy may be endorsed to provide coverage against direct loss caused by water which backs up through sewers or drains or water which enters into and overflows from within a sump pump, sump pump well or other type of system designed to remove subsurface water which is drained from the foundation area. This coverage is automatically included in the Elite coverage option.

The policy deductible will be deducted for each occurrence from any loss caused by backup of sewer or drain that is covered by this endorsement.

<u>Coverage Limit</u>	<u>Premium</u>
\$5,000	\$30
Each additional 5,000 up to 70% of the dwelling replacement	\$10

B. Personal Home Computer and Data Records

For Elite and Deluxe, additional risks of physical loss are automatically included at no premium charge for personal computer hardware, software and accessories located in the home.

For Special, this coverage may be included for an additional premium charge as follows:

<u>Coverage Amount</u>	<u>Premium Per Year</u>
\$ 5,000	\$20
\$10,000	\$35

This coverage is subject to the property deductible.

C. Loss Assessment Coverage

Coverage is automatically provided at no premium charge at the following limit:

Elite	\$50,000
Deluxe	\$ 5,000
Special	\$ 1,000

Optional limits are available at the following additional premium charge:

<u>Limit</u>	<u>Premium</u>
\$ 5,000	\$ 3 (for Special only)
\$10,000	\$ 5 (for Deluxe & Special)
\$50,000	\$13 (for Deluxe & Special)

D. Building Ordinance Increased Costs

For Elite and Deluxe, coverage is automatically included at no additional charge for additional expenses incurred from ordinances or laws which regulate construction, repair or demolition of property provided loss is from a covered peril. Coverage is provided up to 10% of the residence value, if actual damage and ordinance or law expenses exceed the limit of liability.

For Special, this coverage may be included for an additional premium as follows:

Dwellings	- Apply a factor of 1.10
Renters/Condos	- Charge <u>\$3.28</u>

E. Misplaced or Lost Jewelry Coverage

The Universal Security Policy automatically includes the following coverage for Jewelry:

Category	Special/Dwelling Fire	Deluxe	Elite
Theft of Jewelry	\$1,500	\$5,000	\$10,000
Misplaced or Lost	Optional	Included	Included

For Special or Dwelling Fire, the charge for the option to increase Theft coverage to \$2,500 and include coverage for Misplaced or Lost Jewelry is \$12.

F. Home Day Care Operations

The policy may be endorsed to provide liability coverage on a home day care business located in the dwelling or property and liability coverages in another structure on the residence premises. The premium for 1 through 3 persons, other than insureds, receiving day care service shall be as follows:

(1) Property Coverage:

If the business is located in another structure, charge \$5 per \$1,000 of Replacement Value of Structure and contents.

(2) Liability Coverage:

The liability limit for this coverage must equal the basic liability limit of the policy. The following rates apply.

\$100,000 Per Occurrence	\$300,000 Per Occurrence	\$500,000 Per Occurrence
\$100,000 Annual Aggregate	\$300,000 Annual Aggregate	\$500,000 Annual Aggregate
\$ 5,000 Med Expenses	\$ 5,000 Med Expenses	\$ 5,000 Med Expenses
\$119	\$152	\$168

G. HomeWork Supplement

Coverage may be extended to insureds who operate a small business out of their home. The premium charge for this coverage is \$175 per endorsement. Refer to endorsement for specific coverages and exclusions.

This coverage may be extended to cover the interests of Additional Insureds for a premium charge of \$10 each.

If Optional Excess Liability applies to a policy which also includes the HomeWork Supplement, charge the additional premium per insured for the HomeWork Supplement shown in the Excess Liability Section of this manual.

H. Lifestyle Coverage Endorsement

The premium charge for this endorsement is \$32. Refer to endorsement for specific coverages and exclusions.

I. Theft of Building Materials and Builder's Risk

For an additional premium, coverage will be provided up to limit of \$20,000 for loss caused by theft of building materials while located on the insured premises, provided that the material is or will become a permanent portion of the completed building. The coverage provided by this endorsement automatically ceases upon occupancy.

This coverage applies only while the dwelling is under construction. The dwelling must be insured at its full replacement value. The premium for this endorsement is a flat \$95 charge.

J. Identity Fraud Expense Coverage Endorsement

The premium charge for this endorsement is \$25. Refer to endorsement for specific coverages and exclusions.

Note: This coverage is not available for Special or for Dwelling Fire policies.

16. BUILDING ADDITIONS AND ALTERATIONS

For condominiums or residences rented to the insured—coverage is automatically included at limits equal to 10% of the personal property limit. For each additional \$1,000 of replacement cost of the addition or alteration, charge \$3.28.



17. CREDIT CARD, FORGERY AND COUNTERFEIT MONEY

The limit of liability afforded under the policy varies by coverage option as follows:

Elite	- \$10,000
Deluxe	- \$ 2,500
Special	- \$ 1,000

These limits cannot be further increased.

18. RESERVED FOR FUTURE USE

19. RESERVED FOR FUTURE USE

20. OTHER STRUCTURES

- A. When the policy's aggregate property limit is less than the total replacement value of the dwelling, contents and other structures on a residence premises, increased coverage for other structures should be considered.

For increased coverage for other structures calculate the rate as follows (all liability limits include \$5,000 medical expense coverage):

- (1) For an other structure used for residential purposes that is rented or occupied by others:
\$5 per thousand of additional replacement value of structure and contents, plus \$14 for \$100,000 basic liability; \$17 for \$300,000 basic liability; or \$19 for \$500,000 basic liability.
- (2) For another structure used for office, professional, private school or studio refer to Rule 26 B.1(b).
- (3) For another structure occupied by the insured on the insured residence premises:
\$4 per thousand of additional replacement value of structure.

Note: Liability coverage is automatically extended from the residence premises.

- B. For Condominium Unit owners only:

For miscellaneous structures on the residence premises, owned by the insured and not used for business purposes.

\$10 per thousand of replacement value of structure

Note: Liability coverage is automatically extended from the residence premises.

- C. For another structure other than described in A or B above, owned by or rented to the insured and not used for business purposes:

\$5 per thousand of replacement value of structure and contents plus \$14 for \$100,000 basic liability; \$17 for \$300,000 basic liability; or \$19 for \$500,000 basic liability.

Note: Detached garages situated on the residence premises are included in the base rate at no additional charge.

- D. Optional Excess Liability Coverage

If optional excess liability applies, there is no additional charge for A(1) and C. above.

21. PERSONAL PROPERTY

- A. Property Special Limits

The Universal Security Policy contains special limits on certain categories of property. The policy limits for these categories can be increased as specified in Rule 22.

- B. Tangible Personal Property

Tangible personal property is included in the aggregate property limits of 200% of the dwelling replacement value for Deluxe and Elite and 160% of the dwelling replacement value for Special (180% with replacement value coverage).

If a greater amount of coverage is desired for tangible personal property, charge \$2 for each \$1,000 of additional coverage.

As a guideline, additional coverage should be considered in cases where the actual value of the insured's tangible personal property exceeds the following amounts:

Elite and Deluxe	- 100% of the dwelling replacement value.
Special	- 60% of the dwelling replacement value.

- C. Personal Property Plus

This coverage provides additional perils coverage for tangible personal property and is automatically included in the Elite policy. This coverage can be extended to Deluxe or Special policies by applying a factor of 1.08 (an 8% charge) to the appropriate residence (home, condo or renters) premium, including the premium for increased limits of tangible personal property. If this coverage is purchased, it applies to all residences under the Home Segment.

This coverage is not available for Dwellings Owned by the Insured and Rented to Others.

22. SCHEDULED PERSONAL PROPERTY

A. Rates

<u>Item</u>	<u>Rate Per \$100</u>
Cameras (Non-Commercial)	\$0.97
Coins/Collectibles/Trading Cards	\$1.05
Fine Arts	See Rule 22.H.
Fire Arms	\$1.58
Furs (Personal)	\$0.38
Golfer's Equipment	\$0.55
Jewelry (Personal)	\$0.92
Jewelry (In Vaults)	\$0.24
Musical Instruments (Non-Professional)	\$0.29
Silverware	\$0.21
Stamps	\$0.38
Other Miscellaneous Property	\$1.26

B. Blanket Coverage

Scheduled Personal Property may also be used to insure a collection of items, which are relatively inexpensive, but together their value exceeds the internal property special limits. This type of blanket coverage is available for the following property categories:

<u>Category</u>	<u>SPP Rate</u>
Jewelry, Watches,	Jewelry
Furs	
Silverware	Silverware
Stamps, Securities	Stamps
Money, Gold, Coins	Coins
Cameras	Cameras
Firearms	Firearms
Musical Instruments	Musical Instruments
Fine Arts	Fine Arts
Golfer's Equipment	Golfer's Equipment

The maximum limit for individual items is \$1,000 for Stamps, Coins and Jewelry. For other categories, the maximum limit for individual items is \$2,500 when the blanket class is scheduled for any amount greater than \$10,000.



C. Jewelry Surcharges

Occasionally individual jewelry items or total jewelry schedules will simply not fit normal rates but are not adverse exposures. Ranges of surcharges and credits have been designed to provide the tools needed to make selected jewelry risks insurable.

	<u>Factor</u>
Total jewelry valued over or equal to \$50,000	1.20
If the above surcharge is not applied, then apply the following factor to any single jewelry item valued over \$25,000.	1.10

Example

If total jewelry amount is \$55,000, which includes one ring valued at \$30,000, then the 1.20 factor applies:

$$\text{Premium} = (\$55,000/100) \times \$0.88 \times 1.20 = \$581$$

If total jewelry amount is \$45,000, which includes one ring valued at \$30,000, then the 1.10 factor applies to the ring.

$$\text{Premium} = [(\$30,000/100) \times \$0.88 \times 1.10] + [(\$45,000 - \$30,000)/100] \times \$0.88 = \$422$$

D. Alarms

See Protective Devices Rule in this section for applicable credits.

E. Deductibles

The base deductible of \$250 applies.

The following deductibles are available. The deductible factor must apply against the total schedule premium.

<u>Deductible</u>	<u>Factor Credit/Debit of Total Schedule Premium</u>
Full Coverage	1.25
\$ 250	1.00
500	.90
1,000	.80
2,500	.60
5,000	.50

F. Reserved for Future Use

G. Stated Value Coverage—Scheduled Personal Property

If stated value scheduled personal property coverage is purchased, apply a factor of 1.20 to the premium for the items for which stated value coverage is purchased.

H. Fine Arts Annual Premiums

AMOUNT OF INSURANCE (Per Class)	PROTECTION CLASS	
	1-8	9-10
\$1,000 or less	\$ 3	\$ 6
2,000	4	7
3,000	6	9
4,000	7	11
5,000	8	13
6,000	10	15
7,000	11	17
8,000	11	19
9,000	13	21
10,000	14	23
11,000	15	24
12,000	17	26
13,000	18	29
14,000	20	31
15,000	20	33
16,000	21	34
17,000	23	36
18,000	24	39
19,000	25	41
20,000	26	42
21,000	28	44
22,000	29	46
23,000	30	48
24,000	31	51
25,000	33	52
30,000	39	62
35,000	45	72
40,000	51	81
45,000	56	91
50,000	63	101
75,000	94	150
100,000	123	198
Each Additional \$100,000 of Cov.	119	194
To provide coverage for breakage:		
For Elite -	Coverage automatically included at no additional premium charge.	
For Deluxe and Special-	Charge an additional \$1.50 per \$1,000 of insurance	

23. LOSS FREE DISCOUNT

The following Loss Free Discount Factors will apply, if the insured primary or secondary residence premises has been without a loss* for 3 or more consecutive years.

The discount does not apply to premiums for earthquake or any miscellaneous coverages in Home Rule 15, except the HomeWork Supplement, the Lifestyle Coverage Endorsement and the Identity Fraud Expense Coverage.

<u>Consecutive Number Of Years Loss Free</u>	<u>Factor</u>
3	0.95
4	0.94
5	0.93
6	0.92
7	0.91
8 or More	0.90

*Loss whether insured or not is defined as any property loss greater than \$500, or any liability loss. Losses which are assigned a catastrophe code are not used in the eligibility determination.

24. RESERVED FOR FUTURE USE

25. RESERVED FOR FUTURE USE

26. PERMITTED BUSINESS EXPOSURES

A. BUSINESS PURSUITS

Coverage for the liability of the insured arising out of business activities may be purchased at a limit equal to the basic liability limit. If the policy is endorsed for excess liability, a separate premium is applied for this coverage (Refer to Excess Liability Section of this manual). Coverage is excluded if the insured owns a business, is a partner in a business or maintains financial control in a business. When liability coverage is purchased, \$5,000 of medical expenses coverage is provided.

<u>Classification</u>	<u>Premium per Person</u>
(1) Clerical Employees	\$ 9
(2) Sales person, collector or messenger— installation, demonstration or servicing operation:	
included	\$12
excluded	\$ 9
(3) Teachers	
a. lab., athletic, manual or physical training	\$22
b. not otherwise classified	\$11
c. corporal punishment-add to a or b	\$ 5

B. PERMITTED INCIDENTAL BUSINESS OCCUPANCIES

1. Liability coverage may be purchased for the increased exposure arising from a permitted incidental business occupancy on the residence premises or in an other residence occupied by the insured. Examples of such occupancies are offices, schools or studios used for business or professional purposes and private schools or studios for music, dance, photography and other instructional purposes. Dwelling coverage is also available for an other structure located on the residence premises which is used in a permitted incidental occupancy. When liability coverage is purchased, \$5,000 medical expense coverage is provided. Use the appropriate rate shown below for basic liability. If the policy is endorsed for excess liability, a separate premium is applied for this coverage (Refer to Excess Liability Section of this manual).

(a) In the primary residence premises:

\$38 for \$100,000 liability, \$44 for \$300,000 liability or \$47 for \$500,000 liability.

(b) For an other structure located on the residence premises used as an office, private school or studio, or for other professional purposes.

- For residence owned and occupied by the insured: \$4 per thousand of replacement value of structure plus \$38 for \$100,000 basic liability; \$44 for \$300,000 basic liability or \$47 for \$500,000 basic liability.

Note: Property coverage is only available when liability coverage is also purchased.

- For residences rented to the insured: Use liability rate only.

(c) In an additional Residence Premises occupied by the insured: \$29 for \$100,000 basic liability; \$35 for \$300,000 basic liability or \$38 for \$500,000 basic liability.

- For an other structure located in an additional residence occupied by the insured, use the additional Residence Premises liability rate above.

2. Business Property

Under Deluxe and Special, a policy may be endorsed to provide coverage for higher limits of business property. If this option is selected, the business property limits will be increased to \$10,000 for on-premises coverage and \$5,000 for off-premises coverage. This coverage is automatically included on Elite policies at these limits.

The premium charge for this coverage under Deluxe and Special is \$50.

27. INCIDENTAL FARMING PERSONAL LIABILITY

A. Basic Liability

Coverage may be purchased for the liability of the insured when there is incidental farming which is not the business of the insured. Rates below are for basic liability and apply on a per location basis.

\$100,000 Liability/ \$ 5,000 Med. Expenses \$47	\$300,000 Liability/ \$ 5,000 Med. Expenses \$57	\$500,000 Liability/ \$ 5,000 Med. Expenses \$64
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B. Optional Excess Liability Coverage

To obtain the premium for excess liability, refer to the Excess Liability Section of this manual.

28. INTERPOLATION OF PREMIUMS FOR POLICY AMOUNTS NOT SHOWN ON RATE PAGES

The premium for replacement values not shown on the rate page may be obtained by interpolation.

Method for Interpolation: A premium is desired for a replacement value policy amount of \$76,000 which falls between \$75,000 and \$80,000 shown on the rate page. In other words, the desired amount is \$1,000 in excess of \$75,000 shown.

(1) Replacement Value Rated	Premiums Shown
\$80,000	\$132
<u>75,000</u>	<u>126</u>
\$ 5,000--Difference (Amount)	\$ 6--Difference (Premium)
(2) 1,000--Additional Amount x \$6--Difference (Premium) = \$1	
5,000--Difference (Amount)	
(3) \$ 126 (premium for \$75,000)	
<u>1 (premium for additional \$1,000)</u>	
\$ 127 (basic premium for \$76,000)	

29. EXTRAPOLATION OF PREMIUMS FOR POLICY AMOUNTS BELOW THOSE SHOWN ON RATE PAGES

Method for extrapolation: A premium is desired for a policy amount of \$25,000. \$25,000 is below the lowest policy amount listed on the rate pages, in this case \$30,000. The desired amount is \$5,000 less than the lowest limit shown. To determine the premium for this risk follow the example below.

- A. Take the difference between the two lowest available limits on the rate page.
- | |
|-------------------------------|
| \$40,000--Second lowest limit |
| <u>-30,000--Lowest limit</u> |
| \$10,000--Difference (Amount) |
- B. Take the difference between the premiums associated with the limits in Step A.
- | |
|--|
| \$118--Premium for second lowest limit |
| <u>-106--Premium for lowest limit</u> |
| \$ 12--Difference (Premium) |
- C. \$ 5,000--divided by \$10,000 Difference (Amount) x \$12--Difference (Premium) = \$6-- Premium for coverage from desired amount to lowest amount shown
- D. \$106 --Premium for lowest limit
- | |
|--|
| <u>-6 --Premium for coverage from desired amount to lowest limit</u> |
| \$100 --Premium for desired amount (\$25,000) |

SERFF Tracking Number: ALSX-126424297 State: Arkansas
 Filing Company: Encompass Insurance Company of America State Tracking Number: EFT \$100
 Company Tracking Number: ER-1141
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
 Product Name: Other than Auto
 Project Name/Number: 2009 - Rule and Rate Change/ER-1141

Supporting Document Schedules

	Item Status:	Status Date:
Satisfied - Item: H-1 Homeowners Abstract	Filed	02/05/2010
Comments:		
Attachment:		
AR - HOMEOWNERS ABSTRACT FORM H 1.PDF		

	Item Status:	Status Date:
Satisfied - Item: NAIC loss cost data entry document	Filed	02/05/2010
Comments:		
Attachment:		
NAIC loss cost data entry document.PDF		

	Item Status:	Status Date:
Satisfied - Item: HPCS-Homeowners Premium Comparison Survey	Filed	02/05/2010
Comments:		
Attachments:		
HPCS-Homeowners Premium Comparison Survey.PDF		
HPCS-Homeowners Premium Comparison Survey.XLS		

	Item Status:	Status Date:
Satisfied - Item: Actuarial Support	Filed	02/05/2010
Comments:		
Attachment:		
Actuarial Support.PDF		

	Item Status:	Status Date:

SERFF Tracking Number: ALSX-126424297 State: Arkansas
Filing Company: Encompass Insurance Company of America State Tracking Number: EFT \$100
Company Tracking Number: ER-1141
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: Other than Auto
Project Name/Number: 2009 - Rule and Rate Change/ER-1141
Satisfied - Item: Actuarial Support_A1,Attachment A-AREICA Filed 02/05/2010

Comments:

01/04/10 OBJ Response

Attachments:

Actuarial Support_A1.PDF
Attachment A-AREICA.PDF

	Item Status:	Status Date:
Satisfied - Item: Attachment B-AREICA, Attachment C-AREICA	Filed	02/05/2010

Comments:

01/15/10 OBJ Response

Attachments:

Attachment B-AREICA.PDF
Attachment C-AREICA.PDF

Renters	\$9,206
Condo	\$11,841
Dwelling Fire	\$71,404

8. Do you write homeowner risks which have aluminum, steel or vinyl siding? Yes No
9. Is there a surcharge on risks with wood heat? No
If yes, state the surcharge N/A
Does the surcharge apply to conventional fire places? N/A
If yes, state the surcharge N/A

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

Celeste Mrdak

Signature

Celeste P. Mrdak

Printed Name

Senior State Filings Analyst

Title

847-402-5000 Ext. 27328

Telephone Number

oscmrda@allstate.com

Email address

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	ER-1141
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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.	Encompass Insurance Company of America	B. 008-10071

	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
Home	9.7%	9.3%					
Condo	9.5%	9.3%					
Renter	9.4%	9.3%					
Dwelling Fire	7.1%	6.8%					
Other Than Auto Salence	-6.1%	0.0%					
TOTAL OVERALL EFFECT	8.6%	8.6%					

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	
2004	2783	12.3%	09/28	3432	820	23.9%	27.0%	
2005	2239	N/A	N/A	3145	505	16.1%	24.7%	
2006	1795	N/A	N/A	2620	619	23.6%	24.0%	
2007	1305	4.7%	12/20	1952	316	16.2%	24.2%	
2008	909	N/A	N/A	1440	545	37.9%	26.1%	

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	15.1%
B. General Expense	8.8%
C. Taxes, License & Fees	2.8%
D. Underwriting Profit , Debt & Contingencies	11.7%
E. Other (explain)	Other Acq. 0.3%
F. TOTAL	38.7%

- 8.** Apply Lost Cost Factors to Future filings? (Y or N) **N**
- 9.** Estimated Maximum Rate Increase for any Insured (%): **19.07%** Territory (if applicable): **62**
- 10.** Estimated Maximum Rate Decrease for any Insured (%): **N/A** Territory (if applicable): **N/A**

NAIC Number: 008-10071
 Company Name: Encompass Insurance Company of America
 Contact Person: Celeste Mrdak
 Telephone No.: 847-402-7328
 Email Address: pscmrda@allstate.com
 Effective Date: 4/23/2010

**Homeowners Premium Comparison Survey Form
 FORM HCPS - last modified August, 2005**

Submit to: Arkansas Insurance Department
 1200 West Third Street
 Little Rock, AR 72201-1904
 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

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

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	\$692.00	\$768.00	\$1,207.00	\$1,017.00	\$1,013.00	\$1,136.00	\$1,117.00	\$1,251.00	\$946.00	\$1,063.00	\$1,030.00	\$1,155.00	\$771.00	\$856.00	\$875.00	\$983.00	\$1,020.00	\$1,144.00
	\$120,000	\$959.00	\$1,076.00	\$1,691.00	\$1,430.00	\$1,425.00	\$1,592.00	\$1,566.00	\$1,751.00	\$1,334.00	\$1,492.00	\$1,448.00	\$1,619.00	\$1,077.00	\$1,207.00	\$1,235.00	\$1,383.00	\$1,434.00	\$1,604.00
	\$160,000	\$1,191.00	\$1,334.00	\$2,086.00	\$1,768.00	\$1,760.00	\$1,967.00	\$1,933.00	\$2,159.00	\$1,649.00	\$1,843.00	\$1,789.00	\$1,998.00	\$1,337.00	\$1,495.00	\$1,530.00	\$1,710.00	\$1,772.00	\$1,979.00
6	\$80,000	\$904.00	\$1,026.00	\$3,244.00	\$1,366.00	\$1,347.00	\$1,522.00	\$1,482.00	\$1,673.00	\$1,260.00	\$1,425.00	\$1,369.00	\$1,546.00	\$1,017.00	\$1,152.00	\$1,167.00	\$1,321.00	\$1,356.00	\$1,532.00
	\$120,000	\$1,276.00	\$1,442.00	\$4,482.00	\$1,908.00	\$1,883.00	\$2,121.00	\$2,067.00	\$2,328.00	\$1,763.00	\$1,991.00	\$1,913.00	\$2,156.00	\$1,430.00	\$1,615.00	\$1,635.00	\$1,846.00	\$1,893.00	\$2,135.00
	\$160,000	\$1,579.00	\$1,782.00	\$5,494.00	\$2,350.00	\$2,318.00	\$2,612.00	\$2,545.00	\$2,864.00	\$2,175.00	\$2,452.00	\$2,356.00	\$2,653.00	\$1,768.00	\$1,994.00	\$2,017.00	\$2,275.00	\$2,333.00	\$2,629.00
9	\$80,000	\$2,467.00	\$2,895.00	\$3,244.00	\$3,801.00	\$3,601.00	\$4,217.00	\$3,947.00	\$4,621.00	\$3,382.00	\$3,961.00	\$3,657.00	\$4,283.00	\$2,757.00	\$3,232.00	\$3,141.00	\$3,681.00	\$3,624.00	\$4,244.00
	\$120,000	\$3,417.00	\$4,004.00	\$4,482.00	\$5,247.00	\$4,971.00	\$5,816.00	\$5,445.00	\$6,369.00	\$4,670.00	\$5,465.00	\$5,049.00	\$5,907.00	\$3,814.00	\$4,466.00	\$4,341.00	\$5,080.00	\$5,003.00	\$5,854.00
	\$160,000	\$6,129.00	\$4,910.00	\$5,494.00	\$6,426.00	\$6,091.00	\$7,122.00	\$6,670.00	\$7,798.00	\$5,723.00	\$6,694.00	\$6,185.00	\$7,233.00	\$4,678.00	\$5,475.00	\$5,322.00	\$6,225.00	\$6,129.00	\$7,168.00

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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	\$15,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	\$25,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	\$5,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	\$15,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	\$25,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	\$5,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	\$15,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	\$25,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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	\$441.00	\$491.00	\$575.00	\$638.00	\$635.00	\$707.00	\$696.00	\$721.00	\$599.00	\$620.00	\$646.00	\$718.00	\$491.00	\$545.00	\$557.00	\$619.00	\$641.00	\$711.00
	\$120,000	\$606.00	\$671.00	\$788.00	\$876.00	\$872.00	\$968.00	\$953.00	\$989.00	\$820.00	\$851.00	\$886.00	\$984.00	\$673.00	\$748.00	\$763.00	\$848.00	\$878.00	\$975.00
	\$160,000	\$738.00	\$820.00	\$962.00	\$1,069.00	\$1,065.00	\$1,190.00	\$1,168.00	\$1,216.00	\$1,001.00	\$1,039.00	\$1,081.00	\$1,210.00	\$822.00	\$913.00	\$932.00	\$1,036.00	\$1,071.00	\$1,197.00
6	\$80,000	\$574.00	\$644.00	\$748.00	\$839.00	\$828.00	\$928.00	\$905.00	\$948.00	\$779.00	\$815.00	\$841.00	\$942.00	\$638.00	\$716.00	\$725.00	\$813.00	\$833.00	\$934.00
	\$120,000	\$787.00	\$882.00	\$1,025.00	\$1,152.00	\$1,136.00	\$1,288.00	\$1,253.00	\$1,317.00	\$1,067.00	\$1,117.00	\$1,156.00	\$1,310.00	\$876.00	\$981.00	\$993.00	\$1,114.00	\$1,143.00	\$1,297.00
	\$160,000	\$960.00	\$1,077.00	\$1,265.00	\$1,434.00	\$1,414.00	\$1,600.00	\$1,558.00	\$1,636.00	\$1,323.00	\$1,391.00	\$1,438.00	\$1,627.00	\$1,069.00	\$1,207.00	\$1,222.00	\$1,386.00	\$1,423.00	\$1,612.00
9	\$80,000	\$1,508.00	\$1,781.00	\$2,004.00	\$2,359.00	\$2,231.00	\$2,623.00	\$2,451.00	\$2,680.00	\$2,091.00	\$2,288.00	\$2,267.00	\$2,665.00	\$1,693.00	\$1,996.00	\$1,938.00	\$2,281.00	\$2,246.00	\$2,641.00
	\$120,000	\$2,114.00	\$2,488.00	\$2,792.00	\$3,279.00	\$3,104.00	\$3,642.00	\$3,405.00	\$3,720.00	\$2,912.00	\$3,183.00	\$3,153.00	\$3,700.00	\$2,367.00	\$2,782.00	\$2,703.00	\$3,173.00	\$3,124.00	\$3,666.00
	\$160,000	\$2,609.00	\$3,064.00	\$3,437.00	\$4,031.00	\$3,817.00	\$4,474.00	\$4,186.00	\$4,570.00	\$3,583.00	\$3,914.00	\$3,878.00	\$4,545.00	\$2,917.00	\$3,425.00	\$3,327.00	\$3,902.00	\$3,841.00	\$4,503.00

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

HO3 and HO4 only

Fire Extinguisher	0-5	%	Deadbolt Lock	0-5	%
Burglar Alarm	2-5	%	Window Locks	0	%
Smoke Alarm	2-5	%	\$1,000 Deductible	25	%
			Other (specify)		%
			Maximum Credit Allowed		%

EARTHQUAKE INSURANCE

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS? No (yes or no)
 WHAT IS YOUR PERCENTAGE DEDUCTIBLE? _____ %

WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Zone	Brick	Frame
	Highest Risk	\$ _____	\$ _____
	Lowest Risk	\$ _____	\$ _____

NOTE - Minimum Renters Coverage is \$30,000

ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE

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I. Summary of Changes and Summary Exhibits

II. Homeowner Statewide Rate Level Indications

Overview of Homeowners Indication Methodology
Development of Statewide Rate Level Indication
Adjustments to Premium
Adjustments to Non-Catastrophe Losses
Non-Modeled Catastrophe Adjustments in Detail
Development of Modeled Catastrophe Losses
Expense and Profit Provisions

SUMMARY OF CHANGES AND SUMMARY EXHIBITS

The chart below summarizes the indicated and proposed rate level changes included in this filing.

<u>Coverage</u>	<u>Adjusted Earned Premium Distribution</u>	<u>Indicated Rate Level Change</u>	<u>Proposed Rate Level Change</u>
Home	84.6%	+9.7%	+9.3%
Condo	1.6%	+9.5%	+9.3%
Renters	1.0%	+9.4%	+9.3%
Dwelling Fire	7.0%	+7.1%	+6.8%
<u>OTA Balance</u>	<u>5.8%</u>	<u>-6.1%</u>	<u>0.0%</u>
Overall	100.0%	+8.6%	+8.6%

The filing contains the revisions listed below, which result in an overall Other Than Automobile rate increase of 8.6%.

Base Premiums

Base premiums have been adjusted to reach a Homeowners, Renters and Condos impact of 9.3%. Please see the attached Home Rates Manual Pages for these changes.

Package Discount Factor

The USP Segment Factor has been adjusted. Please see the attached Home Rate Manual Pages for this change.

Occupancy Factors

Occupancy Factors have been adjusted to reach a Dwelling Fire impact of 6.8%. Please see the attached Dwelling Fire Rules Manual Page for these changes.

SUMMARY OF CHANGES AND SUMMARY EXHIBITS

HOME RATE PAGES

Home Base Rates

Revised Home Base Rates

Condo Base Rates

Revised Condo Base Rates

HOME RULE PAGES

Table of Contents

Removed reference to earthquake

Premium Determination (Rule 2)

Changed the USP Segment factor From 1.25 to 1.33

Earthquake and Volcanic Eruption Coverage (Rule 18)

Removed Rule

DWELLING FIRE RULE PAGES

Table of Contents

Removed reference to earthquake

Occupancy Factors (Rule 7)

Revised Occupancy Factors

Deductibles (Rule 10)

Removed reference to earthquake

Earthquake Coverage (Rule 13)

Removed Rule

GENERAL RULE PAGES

Policy Loss Free Discount (Rule 12)

Removed reference to earthquake

OVERVIEW OF HOMEOWNERS INDICATION METHODOLOGY

Exhibits 1 through 12 of this section show the Determination of Statewide Rate Level Indications for Arkansas. The objective of this process is to determine the indicated rate level need. This is done by evaluating the adequacy of our present rates to pay for our best estimate of losses and expenses, including a reasonable profit margin that will be incurred from annual policies written in the year after the proposed effective date.

The statewide rate level indication is based on data from five rolling accident years, with date ending September 30, 2008 and losses evaluated as of December 31, 2008.

DEVELOPMENT OF STATEWIDE RATE LEVEL INDICATION (Exhibit 2)

1. Twelve-Month Experience Period:
2. Adjusted Earned Premium:
The calculation of adjusted earned premium is shown in **Exhibit 3** and takes into account the impact of current rate levels, premium trend, and other premium adjustments.
3. Non-Cat Adjusted Incurred Loss + LAE:
The calculation is detailed in **Exhibit 4** and includes the following factors: loss development, excess loss, loss trend, other loss adjustment, and unallocated loss adjustment expenses.
4. Non-Cat Adjusted Loss Ratio:
(3) / (2)
5. Formula Weights:
By weighting experience period results, an insurer can stabilize the indication while also taking into account any recent emerging trends in the data.
6. Non-Cat Ratemaking Loss Ratio:
Shows the formula non-cat adjusted loss ratio calculated using the formula weights in (5).
7. Claim Count:
Number of incurred claims in the experience periods used in the non-cat ratemaking loss ratio calculation.
8. Full Credibility Standard:
Number of incurred claims in the experience period to assign full credibility.
9. Credibility:
 $[(7) / (8)]^{0.5}$
10. Non-Cat Adjusted Prior Permissible Loss Ratio:
The prior company permissible loss ratio (reduced by fixed expenses, residual market load, and expected catastrophe provision) adjusted for annual net trend, is used as the complement of credibility. The calculation of the non-cat adjusted prior permissible loss ratio is shown in **Exhibit 2C**.
11. Credibility Weighted Non-Cat Ratemaking Loss Ratio:
 $[(6) * (9)] + [(10) * (1 - (9))]$
12. Non-Modeled Catastrophe Load:
The calculation of this provision for non-modeled catastrophes (as a percentage of incurred loss excluding catastrophes) is illustrated in **Exhibit 10**.
13. Adjusted Modeled Catastrophe Loss Ratio:
The development of this ratio for modeled catastrophes is shown at the bottom of **Exhibit 4**.

ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE

Section II
Page 3

14. Catastrophe Ratemaking Loss Ratio:

$$[(18) - (16) - (17) - (13)] * [1 - 1 / (12)] + (13)$$

15. Total Ratemaking Loss Ratio:

$$[(11) + (14)]$$

16. Adjusted Fixed Expense Ratio:

100% of General Expenses, Other Acquisition Expenses, and Miscellaneous Taxes, Licenses and Fees are assumed to be a fixed percentage of current premium and do not change in proportion to rate level revisions. This fixed expense ratio is adjusted for fixed expense trend, premium trend, and current rate level. Since historical premiums are adjusted to the current rate level, an adjustment to these expenses is necessary as well to adjust historical expenses to future expense levels. Please refer to **Exhibit 12 Page 1**.

17. Adjusted Residual Market Load:

Where applicable, a charge is included to reflect the cost incurred by the company as a result of residual market assignments. Similarly to the fixed expense ratio, this residual market load is adjusted for loss trend, premium trend, and current rate level.

18. Permissible Loss and LAE Ratio:

The permissible loss and LAE ratio calculation is shown in **Exhibit 12 Page 3**.

19. Rate Level Indication:

$$[((15) + (16) + (17)) / (18)] - 1$$

ADJUSTMENTS TO PREMIUMS

Current Rate Level Factors

Earned premiums are adjusted to current rate levels to simulate premiums that would have resulted if present Encompass rates had been charged during the experience period. The adjustments are accomplished by applying the percentage effect of any rate level change during the experience period and are calculated using the parallelogram method. A detailed explanation of the parallelogram method is included in Foundations of Casualty Actuarial Science, Chapter 3, written by Charles L. McClenahan. The development of these factors is shown in **Exhibit 5**.

Premium Trend Factors

In addition to bringing premiums to current rate level, Encompass must also account for changes in the premium level due to underlying factors such as increasing amounts of insurance and deductible drift. To account for Homeowners premium trend, changes in the average written premium at current rate level on a twelve-month moving basis were reviewed, and are shown in **Exhibit 6B**. The premium trend factors reflect the trend period from the average date of earning in each experience period to the average date of earning in the prospective policy effective period. The calculation of these factors is shown in **Exhibit 6A**.

ADJUSTMENTS TO NON-CATASTROPHE LOSSES

Historical losses are adjusted to prospective cost levels. Losses are shown including allocated loss adjustment expenses (ALAE) and excluding catastrophes. The development of Adjusted Non-Catastrophe Losses and LAE calculation is outlined in **Exhibit 4**.

Loss Development

The losses for a given accident year may not have been fully determined at the evaluation date of this review. As such, the losses must be adjusted to an ultimate settlement basis. This is accomplished by analyzing historical patterns of incurred loss development and selecting loss development factors. Encompass Group data has been considered in the selection of the loss development factors. Losses used in the analysis include ALAE but exclude catastrophes in order to minimize distortions. Age-to-age factors are selected for each coverage using total limits losses. Additional analysis of losses limited to \$100,000 per claim is performed to develop limited losses to ultimate for Homeowners coverage. The selected loss development factors that have been used in this filing are shown in **Exhibits 7.1 through 7.4**.

Excess Loss Provision

An excess loss provision is included to spread the effect of large, fortuitous losses. Total ultimate losses for Homeowners coverage are estimated by multiplying losses capped at \$100,000 per claim by a limited loss development factor and then by an excess loss factor. Encompass Group data has been considered in the selection of the loss development factors. The excess loss factor is the selected ratio of ultimate unlimited losses to ultimate limited losses. The selected excess loss factor used in this filing is shown in **Exhibit 8**.

Loss Trend

The historical losses from the experience period must be adjusted to account for any difference in historical and future cost levels. While loss development factors adjust losses and allocated loss adjustment expenses to an ultimate settlement basis, they do not reflect the prospective rate of change in the occurrence of (frequency) or in the cost of (severity) incidents that may result in the payment of claims. To properly adjust historical costs to future cost levels, a loss trend adjustment must be applied.

The annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. The trend selections and an illustrated calculation of the trend factors for both frequency and severity, accompanied by the data in graphical format, are displayed in **Exhibit 9.1**.

NON-MODELED CATASTROPHE ADJUSTMENTS IN DETAIL

Encompass separately identifies and accounts for its exposure to loss due to the occurrence of catastrophic events within a state. In order to estimate our non-hurricane, non-earthquake catastrophe exposure, we develop a long-term relativity of each state to our countrywide catastrophe factor based on all years 1988 and beyond. We then apply this relativity to a countrywide catastrophe factor based on more recent data. By using this approach, we are able to balance the stability of a long-term estimate of catastrophe potential in Arkansas (needed because of the infrequent occurrence of catastrophes) and the responsiveness of more recent data (needed because of changing demographic conditions).

Within our method we incorporate two procedures designed to stabilize the results of individual states. The first procedure caps losses for years that are uncharacteristic for that state. Relativities above three standard deviations plus the mean for the state are capped. Impacted years are limited to the highest relativity below the cap.

In addition to the capping procedure, we apply credibility to the resulting relativities in the state. The credibility is based on the standard (Buhlmann/Bayesian) credibility method as described in Loss Models, by Klugman, Panjer and Willmot, chapter 5, Pages 436 to 441. The credibility reflects the confidence we have in the state's average relativity. In order to develop the credibility, we consider the number of years used to determine the relativity as well as the variance of all states' relativities to countrywide.* The complement of credibility is applied to a relativity of 1.000.

A result of our capping and credibility process is that the average of all the statewide relativities may no longer equal a countrywide relativity of 1.000. In order to assure an adequate provision for catastrophes on a countrywide basis, the resulting state relativities are adjusted to achieve an overall countrywide relativity of 1.000. The off-balance adjustment is made in proportion to each state's variability as defined by its standard deviation. The final relativity is applied to the countrywide catastrophe factor to develop the Arkansas catastrophe factor.

Exhibit 10 displays the development of the total Homeowners non-modeled catastrophe load of 24.2% for Arkansas.

It is assumed that the Encompass Insurance Group Homeowners non-modeled catastrophe factor relativities are appropriate for Dwelling Fire. The Dwelling Fire catastrophe load for Arkansas is 24.2%.

The countrywide non-modeled catastrophe factor for the Other Than Automobile Balance is calculated using an 18-year average of the ratio of countrywide Other Than Automobile Balance non-modeled catastrophe losses to countrywide Other Than Automobile Balance ex-catastrophe losses. The resulting countrywide non-modeled catastrophe load of 1.7% is applied to the Other Than Automobile Balance experience for Arkansas.

* Note: The number of years is used rather than exposures (as recommended in the standard model) because increased exposures does not necessarily lead to more stable estimates for catastrophes, particularly when the exposures are geographically concentrated

DEVELOPMENT OF MODELED CATASTROPHE LOSSES (HURRICANE)

Explanation of Hurricane Provision

I. Introduction

The Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Ratemaking defines a rate as "...an estimate of the expected value of future costs" and further states that "a rate provides for all costs associated with the transfer of risk". Rates are therefore an estimate of the costs for the policies to which the rates will apply. In our property ratemaking we assume that the proposed rates will apply to the policies written for one year from the effective date of the rates. Each provision of the rate is based on an estimate of the costs associated with those policies.

Losses expected from a hurricane are significantly different than losses expected from other types of catastrophic events. Hurricanes are unique because of the large potential impact such storms can have on the company's solvency and because of the relatively less frequent pattern for such events than those accounted for in the basic catastrophe provision.

The significant variation in the frequency of different magnitudes of hurricanes diminishes the accuracy of historical hurricane loss experience for projecting expected loss levels for the policies to which proposed rates will apply. Average expected recurrence periods for the larger, more severe storms are so long that many external variables will change in the time periods between occurrences. For example, the area of southern Florida hit by Hurricane Andrew in 1992 was last hit by a major hurricane, Hurricane Betsy, in 1965. The type, number, value, vulnerability and geographical distribution of exposed properties in the area impacted by Hurricane Andrew are very different than those of the exposed properties in 1965. Actual loss statistics from a hurricane that occurred many years ago are not easily adjusted for the type, number, value, and vulnerability of present day structures.

Since historical hurricane losses cannot be used to accurately estimate current hurricane loss potential, Encompass has contracted with an outside vendor, AIR Worldwide Corporation (AIR), which uses an alternative methodology based on Monte Carlo simulation to arrive at Encompass's expected annual hurricane losses. This approach involves the development of computer programs that describe in detail the frequency of hurricanes, their meteorological characteristics, and their effects on exposed properties. A high-speed computer then simulates a large set of hypothetical hurricanes and estimates the resulting property losses based on Encompass's exposure.

In order to estimate the potential loss from hurricanes, 100,000 scenario years of hurricane experience are simulated. This large number of simulations attempts to ensure that the resulting probability distribution of losses converges to a stable representative distribution of potential annual hurricane loss.

The pattern of simulated hurricanes is representative of what has occurred historically because meteorological data on the actual events since 1900 were used to estimate the parameters of the AIR hurricane simulation model. The meteorological sources used to develop the model are the most complete and accurate databases available from various agencies of the National Weather Service and the National Oceanographic and Atmospheric Administration (NOAA), including the National Hurricane Center.

This explanatory memorandum incorporates text taken directly from documents supplied to Encompass by AIR Worldwide Corporation (AIR) and should not be copied or distributed without the express, written permission of AIR.

II. Hurricane Parameters and Wind Speed Estimation

Hurricane Parameters

The primary characteristics of hurricanes used to simulate each storm and resulting wind speeds are:

1. Hurricane Frequency
2. Landfall Location
3. Central Pressure
4. Radius of Maximum Winds
5. Forward Speed
6. Storm Track
7. Track Angle at Landfall

The probability distributions of these variables are estimated for coastal segments of equal length from Texas to Maine. Random samples are generated from the probability distributions of these input variables to assign values to the variables for each simulated hurricane.

1. Hurricane Frequency

More than one hundred years of history, spanning the period 1900-2006, were used to estimate the parameters of the annual frequency distribution.

2. Landfall Location

There are 3,100 possible landfall points in the AIR hurricane simulation model. The cumulative distribution of landfall locations is developed for fifty nautical mile lengths of coastline. This is done by first tabulating historical landfalls by fifty-mile coastal segments. The historical frequencies are then smoothed to produce an estimate of the landfall probability for each segment.

3. Central Pressure

Central pressure is the lowest sea-level pressure at the center of the hurricane. This variable is the primary determinant of hurricane wind speed. All else being equal, wind speeds increase as the central pressure decreases, or more precisely, as the difference between the central and peripheral pressure increases. Distributions are first fitted to historical central pressure data for each hundred nautical mile coastal segment. Separate distributions are then estimated for larger regions defined based on broad meteorological differences. The final distribution used for each segment is a combination, with appropriate weights applied, of the regional distributions and the segment distribution.

4. Radius of Maximum Winds

Radius of Maximum Winds (R_{max}) is the distance from the storm's center (eye) to the point where the strongest winds are found. The radius of maximum winds (R_{max}) of stochastic events is estimated using a procedure that explicitly relates the radius of maximum winds to the central pressure of the storm and to latitude.

5. Forward Speed

Forward Speed is the speed at which a hurricane moves from point to point. The parameters of the distribution of forward speed are estimated for 100 nautical mile coastal segments. The lower bound of the distribution of forward speed is four nautical miles. The upper bound is dependent on latitude.

6. Storm Track

The track direction of each simulated hurricane has the capability to curve and recurve on a fully probabilistic basis. Thus, the AIR hurricane simulation model has the ability to propagate a storm track that more accurately imitates actual storm motion.

7. Track Angle at Landfall

Track Angle at Landfall is the angle between track direction and due north at landfall location. Separate distributions for track angle at landfall are estimated for segments of coastline that are variable in length with length dependent on general orientation of coastline.

Hurricane Wind Speed Estimation

Once the key parameters have been generated, the meteorological relationships among them are used to calculate the following for each simulated hurricane:

1. Maximum Gradient-Level Wind Speed
2. Storm Asymmetry
3. Storm Decay (Filling)
4. Radial Decay (Storm Center-Relative Wind Speed)
5. Adjustment of Wind Speed for Surface Friction and Averaging Time

1. Maximum Gradient-Level Wind Speed

The generated maximum wind speed is based on central and peripheral pressures, as well as radius of maximum winds and meteorological coefficients accounting for air density and latitude coordinates. This wind, called the gradient-level wind speed, is estimated over a 10-minute averaging time and is reduced to the 10-meter height level through a scaling factor. The gradient wind represents the maximum wind speed attainable over water.

2. Storm Asymmetry

An asymmetry factor is calculated based on the forward speed of the hurricane and the relationship between the track direction and the surface wind direction. This factor is added to the wind speeds calculated to the right of the hurricane track and is subtracted from those calculated to the left of the hurricane track. This accounts for the additional wind speed contributed by the forward speed of the hurricane due to the counterclockwise movement of winds relative to the hurricane track. The wind field's asymmetry is therefore a function of how quickly the storm is propagating.

3. Storm Decay (Filling)

Once over land, the hurricane moves away from its source of energy, i.e., warm ocean water. As a result, the eye "fills" and winds degrade subsequent to landfall. Filling equations used in the AIR model estimate the reduction in over-water wind speed as a function of time since landfall, rather than distance. A fast moving storm can produce damaging winds further inland than a slow moving storm with the same landfall intensity (wind speed). The filling equations vary by coastal region and smoothing is performed to ensure that there are no unrealistic jumps between regions.

4. Radial Decay (Storm Center-Relative Wind Speed)

The wind speed in any five-digit zip code is dependent on the distance of the zip code centroid from the eye of the storm. The estimated wind speed at any point within the hurricane is dependent on the maximum wind speed at each hour, the radius of maximum winds (R_{max}), and the distance between the eye of the storm and the centroid of the zip code area. As a zip code centroid lies farther from the eyewall (at R_{max}), the winds decay until they reach an ambient level at the periphery of the storm.

5. Adjustment of Wind Speeds for Surface Friction and Averaging Time

Differences in surface terrain also affect wind speeds. The roughness of the underlying surface induces friction which tends to slow down the winds, and induces turbulence effects which tend to generate short-lived gusts. The friction and gust effects are estimated based on the roughness of the surface over which the wind passes.

A friction factor is calculated to capture surface roughness at each affected site and the associated decrease in wind speed that results from surface obstacles. Estimates of surface roughness are derived from digital US Geological Survey (USGS) land use/land cover data. Each terrain type has a different "roughness value" that will lead to different frictional effects on wind speeds at different locations. In general, the rougher the terrain the larger the effect of friction on wind speeds.

As soon as a storm crosses the coastline, there is an immediate reduction in wind speed. The reduction factors reach equilibrium values when the terrain is homogeneous over sufficiently large areas such that the surface winds come in balance with the surface. Thus, most local variability occurs when the underlying surface is diverse.

A gust factor is calculated to capture the effects of surface turbulence and is also associated with the roughness of the terrain. Smooth surfaces impart only a small turbulent effect such that the

10-minute average wind speed is similar to the 1-minute average. The adjustment for rougher surfaces is more substantial since rough surfaces tend to generate short-lived gusts which will translate to a stronger maximum 1-minute sustained wind speed. The gust factor is computed using the same USGS land use data set as is used for the friction calculation.

III. Damage Estimation

AIR engineers have developed damage functions that describe the interaction between buildings, (including both structural and nonstructural components) and their contents, and the local wind speeds to which they are exposed. These functions relate the mean damage level as well as the variability of damage to wind speed at each location. Because different structural types will experience different degrees of damage, the damage functions vary according to construction class, occupancy, and height. The model estimates a complete distribution around the mean level of damage for each local wind speed and each structural type. Losses are calculated by applying the appropriate damage function to the replacement value of the insured property.

The AIR damage functions capture the effects of wind duration as well as the effect of peak wind speed. The longer a property experiences severe wind speeds, the greater the damage. The hurricane damageability relationships incorporate well-documented engineering studies published by wind engineers and other experts outside of AIR. They also incorporate the results of post-hurricane field surveys performed by AIR engineers. These relationships are continually refined and validated based on actual client companies' loss data.

IV. Loss Calculation

Encompass Exposure Detail

Allstate has supplied AIR with a detailed exposure database containing insured values by policy level and ZIP Code for each line of business, construction, and deductible combination. Damage functions relating wind speed and wind duration to the percentage of property damaged for varying types of coverage and construction are used to produce loss estimates by zip code for each simulated hurricane.

Modeled Loss Estimates

Losses estimated from 100,000 years of simulated hurricane experience are summed and divided by 100,000 to produce the expected annual losses from all hurricanes for each zip code. ZIP Code loss estimates are then aggregated to produce expected annual loss by county and state.

Adjustments to Modeled Loss Estimates

As advances in science and changes in claim payment behaviors evolve, Encompass re-evaluates how it currently reflects modeled catastrophe losses in ratemaking. At times it is necessary to adjust the modeled losses to more accurately estimate the Property and Casualty industry's risk from catastrophes. Note that all adjustments made to the modeled losses are under continual development and may change in the future as Allstate learns more about the changing risk environment. Modeled loss estimates include adjustments for:

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1. Demand Surge
2. Atlantic Warm Sea Surface Temperature
3. Loss Adjustment Expenses

1. Demand Surge Adjustment

After any major catastrophic event, increased demand for materials and services to repair and rebuild damaged property can put pressure on costs, resulting in higher than expected costs. Therefore, AIR applies aggregate demand surge functions to loss estimates to take into account the combined effects of events clustered in both time and geography.

Methodology:

Rather than using the AIR Hurricane modeled demand surge losses at the ZIP or county level, we calculated Demand Surge Factors by state and line to address credibility and operational issues. To calculate the demand surge factor, we compared the modeled Average Annual Loss net of deductible and gross of reinsurance (referred to as "Gross AAL") from the current AIR Hurricane Model with Demand Surge to the Gross AALs from the current AIR Hurricane Model without Demand Surge. The demand surge factors were developed by taking the ratio of the modeled Gross AALs with demand surge to the modeled Gross AALs without demand surge.

This year in reviewing the methodology for Demand Surge factors, we determined it would be more appropriate to remove the wind pool policies from the factor calculations. This allows us to be consistent with the Hurricane Factor Methodology. The impact of removing wind pool losses had minimal to no impact to the Demand Surge factors.

Demand Surge Factors:

State	Line of Business			
	Homeowners	Renters	Condos	Residential Fire
AR	1.009	1.020	1.007	1.006

2. Atlantic Warm Sea Surface Temperature Adjustment

Meteorological research has identified correlations between naturally varying ocean temperatures and hurricane activity originating in the Atlantic that affects both the Gulf and the Atlantic coastlines. The active 2004 and 2005 hurricane seasons have heightened Allstate's awareness of such relationships. Scientists have concluded that the climate is presently undergoing a cycle of warmer than average sea surface temperatures which is expected to result in increased hurricane activity in the United States. It is well known that the ocean is able to retain heat for very long periods of time, a physical characteristic known as persistence. Due to the ocean's long-term persistence and the associated ocean current cycle known as the Atlantic Thermohaline Circulation, most scientists believe that the Atlantic Ocean is likely to remain warmer than average for the next several years.

In 2006, AIR released its first near-term hurricane catalog to reflect the short-term loss potential from hurricanes due to current elevated sea-surface temperatures in the North Atlantic. AIR's public written report entitled "Understanding Climatological Influences on Hurricane Activity: The AIR Near-Term Sensitivity Catalog" explains the development of this catalog. In 2007, AIR revised their methodology for the near-term hurricane catalog. The details of these changes are

outlined in a report entitled "Near-term Hurricane Risk in the US: The 2007 Update to the AIR Near-term U.S. Hurricane Catalog". Although there was no methodology change in 2008, the name was changed to the Warm Sea Surface Temperature (WSST) hurricane catalog.

Methodology:

Since our cost estimates are for the policy period to which rates will apply, it is important that we use a methodology that recognizes any cyclical patterns. The AIR WSST hurricane catalog (using 50,000 years of simulations) is a catalog developed to account for the impact of warm sea surface temperatures in the Atlantic Ocean on hurricane landfall activity. The WSST catalog is based on AIR's standard hurricane catalog (using 50,000 years of simulations), with adjustments made to landfall frequencies by region based on a warmer-than-average sea surface temperature condition. All of the model components aside from the catalog are that of the AIR Atlantic Tropical Cyclone Model, Version 10.0.

The AIR WSST catalog was used to calculate an Average Annual Loss net of deductible and gross of reinsurance (referred to as "Gross AAL"). In addition, the AIR standard hurricane catalog (using the first 50,000 years of simulations) was used to calculate an Average Annual Loss net of deductible and gross of reinsurance (referred to as "Gross AAL"). The WSST Factor was developed by taking the ratio of the Gross AAL from the WSST hurricane catalog to the Gross AAL from the standard hurricane model.

$$\text{Indicated WSST Factor} = \frac{\text{Gross AAL from AIR WSST hurricane catalog}}{\text{Gross AAL from AIR standard hurricane catalog}}$$

The WSST Factors were calculated for each state.

Similar to Demand Surge factors, we reviewed the methodology for WSST factors and determined to remove the wind pool policies from the factor calculations to be consistent with the Hurricane Factor Methodology. The impact of removing wind pool losses had minimal to no impact to the WSST factors.

WSST Factors w/out WP2008/07			
State	WSST	Standard	WSST
Abbr	AAL*	AAL	Factor
AR	141,346	125,031	1.13

* Uses 50,000 Years

3. Loss Adjustment Expenses

Loss Adjustment Expenses (LAE), both allocated and unallocated, represent the costs of adjusting, investigating and settling losses. Allocated expenses are incurred while investigating and settling claims during the catastrophe and are considered allocated since they can be linked directly to a claim file. Unallocated expenses are associated with processing claims but cannot be linked directly to a claim file. Modeled hurricane losses provided by AIR do not include LAE. Therefore it is necessary to develop a LAE provision to be applied to these losses for use in pricing and catastrophe exposure management. In order to account for the LAEs associated with hurricane losses, we have applied a factor of 1.16 to the modeled losses for all property lines. The selection of this provision was based on a study of the LAE associated with hurricane losses for Allstate.

V. Actuarial Standards of Practice

The rules and procedures as set forth in ASOP23-Data Quality and ASOP38-Using Models Outside the Actuary's Area of Expertise (Property and Casualty) were applied in reviewing the modeled losses.

VI. Adjusted Modeled Catastrophe Loss Ratio

The loss ratio shown at the bottom of **Exhibit 4** is derived by dividing these modeled catastrophe losses by in-force premiums as of **12/31/2008**. This underlying modeled loss is then adjusted by applying an AIY trend to the modeled hurricane loss. The underlying in-force premiums are then adjusted to CRL and trended with the prospective premium trend from **Exhibit 6A**.

EXPENSE AND PROFIT LOADS

General Expense, Other Acquisition Expense, Loss Adjustment Expense

Exhibit 11 shows the premium, expenses and losses incurred for calendar years 2005, 2006, and 2007. Using these three years of data, expenses ratios, as a percentage of direct earned premiums are selected for the general expense and other acquisition expense. Similarly, the provision for unallocated loss adjustment expense (ULAE) is based on a three-year average of ULAE to incurred loss.

Commission and Brokerage Expense

The proposed commission and brokerage expense provision has been developed from the actual calendar year 2007 commission and brokerage incurred expense ratio in Arkansas. The provision is shown in **Exhibit 12 Page 2**.

Taxes

Taxes reflect the actual state premium tax and, where applicable, other premium-related taxes such as Fire Marshall taxes and Municipal taxes. A provision for guaranty fund assessments is included if applicable. **Exhibit 12 Page 2** displays these expenses as a percent of premium.

Contingency Factor

A 1% contingency factor has been used to calculate the Permissible Loss and LAE Ratio. Please see **Exhibit 13** for the support for this factor.

Underwriting Profit/Operating Profit

Prior to July, 2008, Encompass relied solely on the Fama-French Three-factor (FF3F) Model to estimate its cost of equity. The methodology underlying this calculation of the cost of equity reflects developments in the field of financial economics as published in the Casualty Actuarial Society Forum, Winter, 2004 and in Journal of Risk and Insurance, Vol. 72, No. 3, September 2005 ("Estimating the Cost of Equity Capital For Property-Liability Insurers" by J. David Cummins and Richard D. Phillips).

In July, 2008, Encompass incorporated the use of a second methodology – a Discounted Cash Flow (DCF) analysis – into the estimation of its cost of equity. A DCF analysis estimates the expected future cash flows to investors in order to gauge the proper cost of equity. Once both the DCF and FF3F estimates had been calculated, Encompass selected a cost of equity of 10.00%, which reflected the outcomes of both analyses.

In addition, previously both the cost of equity and the cost of debt were used to develop the underwriting profit provision. With this filing, we will be developing the underwriting profit provision using only the cost of equity. Since the cost of debt represents expected, quantifiable future payments to be made to bondholders, confusion can result from including it in the derivation of the underwriting profit provision. Therefore, the cost of debt has been removed from the development of the underwriting profit provision and incorporated as a separate provision. Note that the resulting rate level is unaffected by this change; it is simply a matter of clarity of presentation.

An analysis of premium, loss and expense cash flows is used to calculate the investment income on policyholder supplied funds (PHSF). This methodology is one of the two examples given in Actuarial

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Standards of Practice, No. 30 as appropriate methods for recognizing investment income from insurance operations (Page 4).

The calculations detailing this investment income analysis are found in **Exhibit 12 Page 2**. The rate (applied as a force of interest) used to discount losses and expenses includes, anticipated net investment income and anticipated capital gains, both realized and unrealized. Operating cash flows are discounted to the average time of earnings of premium and profit for the policy year, rather than to the start of the policy year.

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Summary of Rate Changes

<u>Coverage</u>	<u>09/07-09/08 Adjusted EP</u>		<u>Rate Level Change</u>	
	<u>\$000s</u>	<u>%</u>	<u>Indicated</u>	<u>Filed</u>
Homeowners All Forms	1,348	87.2%	9.7%	9.3%
Home			9.7%	9.3%
Condo			9.5%	9.3%
Renter			9.4%	9.3%
<u>Dwelling Fire</u>	<u>109</u>	<u>7.0%</u>	<u>7.1%</u>	<u>6.8%</u>
<u>Total Residence</u>	<u>1,457</u>	<u>94.2%</u>	<u>9.5%</u>	<u>9.1%</u>
Excess Liability	12	0.8%		0.0%
Scheduled Personal Property	42	2.7%		0.0%
Boat	35	2.3%		0.0%
<u>Workers Compensation</u>	<u>0</u>	<u>0.0%</u>		<u>0.0%</u>
OTA Balance	89	5.8%	-6.1%	0.0%
TOTAL OTHER THAN AUTOMOBILE	1,546	100.0%	8.6%	8.6%

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Development of Rate Level Indication

(1) Experiences Period	(2) Adjusted Earned Premium (\$000s) (Exhibit 3)	(3) Non-Cat Adjusted Incurred Loss + LAE (\$000s) (Exhibit 4)	(4) Non-Cat Adjusted Loss Ratio (3)/(2)	(5) Formula Weighted Overall	(6) Non-Cat Ratemaking Loss Ratio (5)/(4)	(7) Claim Count	(8) Full Credibility Standard	(9) Credibility Weighted Non-Cat Adjusted Prior Permissible Loss Ratio (7)/(8) * ₅	(10) Non-Cat Adjusted Prior Permissible Loss Ratio (Exhibit 2C)	(11) Credibility Weighted Non-Cat Ratemaking Loss Ratio ((10)/(1-0))	(12) Ordinary Catastrophe Load (Exhibit 10)	(13) Adjusted Modeled Catastrophe Loss Ratio (Exhibit 4)	(14) Catastrophe Ratemaking Loss Ratio ((13)+((11)-1))	(15) Total Ratemaking Loss Ratio ((14)+(12))	(16) Adjusted Fixed Expense Ratio* (Exhibit 12)	(17) Adjusted Residual Market Load* (Exhibit 12)	(18) Permissible Loss + LAE Ratio (Exhibit 12)	(19) Rate Level Indication ((19)+(18)-((17)/(19))	
HOMEOWNERS ALL FORMS																			
09/03-09/04	3,969	2,529	63.7%	0.20															
09/04-09/05	3,212	1,189	36.4%	0.20															
09/05-09/06	2,560	1,656	64.7%	0.20															
09/06-09/07	2,015	654	32.4%	0.20															
09/07-09/08	1,348	951	70.6%	0.20		533	1,498	59.6%		55.5%			11.8%	67.2%	9.6%	0.0%	70.0%	9.7%	
				Overall															
	1,309 **			Overall	53.6%			59.6%	58.2%	55.5%	1,242	0.2%	11.8%	67.2%	9.6%	0.0%	70.0%	9.7%	
CONDO	24 **			Overall	53.6%			59.6%	58.2%	55.5%	1,242	0.1%	11.6%	67.1%	9.6%	0.0%	70.0%	9.5%	
RENTER	15 **			Overall	53.6%			59.6%	58.2%	55.5%	1,242	0.0%	11.6%	67.0%	9.6%	0.0%	70.0%	9.4%	
DWELLING FIRE																			
09/03-09/04	261	69	22.4%	0.20															
09/04-09/05	233	59	25.0%	0.20															
09/05-09/06	206	58	28.4%	0.20															
09/06-09/07	165	1	0.3%	0.20															
09/07-09/08	109	64	58.8%	0.20															
				Overall	27.0%		29	14.7%	58.8%	54.1%	1,242	0.2%	11.8%	66.0%	9.0%	0.0%	70.0%	7.1%	
OTA BALANCE																			
09/03-09/04	292	33	11.1%	0.20															
09/04-09/05	239	25	10.3%	0.20															
09/05-09/06	178	83	52.3%	0.20															
09/06-09/07	136	5	3.9%	0.20															
09/07-09/08	89	40	45.0%	0.20															
				Overall	24.5%		38	18.7%	61.9%	54.9%	1,017	0.0%	1.0%	55.9%	9.8%	0.0%	70.0%	-6.1%	
TOTAL OTA	4,589	2,755	60.0%																
	3,742	1,368	36.5%																
	2,995	1,909	63.7%																
	2,338	704	30.1%																
	1,546	1,035	66.2%																
				Overall	50.0%					55.3%				11.1%	66.5%			70.0%	8.6%

* Fixed expense ratios and residual market loads are adjusted for expense trend, premium trend and current rate level.
 ** Estimated Earned premium based on in-force premium @ 1/23/108.

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Development of Rate Level Indication Supplement 2

NON-CATASTROPHE ADJUSTED PRIOR PERMISSIBLE LOSS RATIO DEVELOPMENT

	(1)	(2)	(3)	(4)	(5)	(6)
		(Exhibit 2A)	(Exhibit 2A)	(Exhibit 2A)	(Exhibit 2B)	[(1)-(2)-(3)-(4)] *[1+(5)]
Coverage	Prior Permissible Loss Ratio	Adjusted Fixed Expense Ratio*	Adjusted Residual Market Load*	Catastrophe Ratemaking Loss Ratio	Net Trend	Non-Cat Adjusted Prior Permissible Loss Ratio
HOMEOWNERS ALL FORMS	70.3%	9.6%	0.0%	11.8%	18.9%	58.2%
CONDO	70.3%	9.6%	0.0%	11.8%	18.9%	58.2%
RENTER	70.3%	9.6%	0.0%	11.8%	18.9%	58.2%
DWELLING FIRE	70.3%	9.0%	0.0%	11.8%	18.9%	58.8%
OTA BALANCE	70.3%	9.8%	0.0%	1.0%	4.0%	61.9%

* Fixed expense ratios and residual market loads are adjusted for expense trend, premium trend and current rate level.

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Development of Adjusted Earned Premium

<u>Coverage</u>	(1) Experience Period	(2) Actual Earned Premium (\$000s)	(3) (Exhibit 5) Current Rate Level Factor	(4) (2)*(3) Earned Premium @ CRL (\$000s)	(5) (Exhibit 6) Premium Trend Factor	(6) Other Premium Adjustment	(7) (4)*(5)*(6) Adjusted Earned Premium (\$000s)
HOMEOWNERS ALL FORMS	09/03-09/04	3,098	1.281	3,969	1.000	1.000	3,969
	09/04-09/05	2,894	1.110	3,212	1.000	1.000	3,212
	09/05-09/06	2,457	1.042	2,560	1.000	1.000	2,560
	09/06-09/07	1,934	1.042	2,015	1.000	1.000	2,015
	09/07-09/08	1,310	1.029	1,348	1.000	1.000	1,348
DWELLING FIRE	09/03-09/04	186	1.402	261	1.000	1.000	261
	09/04-09/05	192	1.214	233	1.000	1.000	233
	09/05-09/06	181	1.140	206	1.000	1.000	206
	09/06-09/07	145	1.140	165	1.000	1.000	165
	09/07-09/08	100	1.093	109	1.000	1.000	109
OTA BALANCE	09/03-09/04	292	1.000	292	1.000	1.000	292
	09/04-09/05	239	1.000	239	1.000	1.000	239
	09/05-09/06	178	1.000	178	1.000	1.000	178
	09/06-09/07	136	1.000	136	1.000	1.000	136
	09/07-09/08	90	1.000	90	1.000	1.000	90

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Development of Adjusted Non-Catastrophe Incurred Losses + LAE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Limited Ex-Cat Inc Losses + ALAE (\$000s)	Losses Dev Factor (Limited)	Excess Loss Factor	Loss Trend Factor	Other Loss Adjustment	ULAE Load	[(2)*(3)*(4)* (5)*(6)*(7)] Non-Catastrophe Adjusted Inc Losses + LAE (\$000s)
<u>Coverage</u>	<u>Experience Period</u>							
HOMEOWNERS ALL FORMS	09/03-09/04	1,014	1.000	1.210	1.791	1.000	1.151	2,529
	09/04-09/05	512	1.000	1.210	1.641	1.000	1.151	1,169
	09/05-09/06	790	1.000	1.210	1.505	1.000	1.151	1,656
	09/06-09/07	340	1.000	1.210	1.380	1.000	1.151	654
	09/07-09/08	507	1.065	1.210	1.264	1.000	1.151	951
DWELLING FIRE	09/03-09/04	28	1.015	1.000	1.791	1.000	1.151	58
	09/04-09/05	30	1.017	1.000	1.641	1.000	1.151	58
	09/05-09/06	33	1.035	1.000	1.505	1.000	1.151	58
	09/06-09/07	0	1.080	1.000	1.380	1.000	1.151	1
	09/07-09/08	38	1.172	1.000	1.264	1.000	1.151	64
OTA BALANCE	09/03-09/04	24	1.017	1.000	1.142	1.000	1.151	33
	09/04-09/05	18	1.035	1.000	1.119	1.000	1.151	25
	09/05-09/06	69	1.069	1.000	1.098	1.000	1.151	93
	09/06-09/07	4	1.155	1.000	1.076	1.000	1.151	5
	09/07-09/08	26	1.293	1.000	1.055	1.000	1.151	40

			<u>Home</u>	<u>Condo</u>	<u>Renter</u>	<u>Dwelling Fire</u>	<u>OTA Balance</u>
		=	0.2%	0.1%	0.0%	0.2%	0.0%
			@12/31/08	@12/31/08	@12/31/08	@12/31/08	@12/31/08
(a)	Mod Cat LR	=					
(b)	AIY Trend To 12/17/10	×	1.100	1.041	1.000	1.100	1.000
(c)	Premium Trend To 12/17/10	+	1.000	1.000	1.000	1.000	NA
(d)	Current Rate Level Factor	+	1.019	1.019	1.019	1.061	1.000
(e)	Adj Mod Cat LR [(a)*(b)/(c)/(d)]	=	0.2%	0.1%	0.0%	0.2%	0.0%

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Development of Current Rate Level Factors

Rate Changes			
Effective Date	Residence	Dwelling Fire	OTA Balance
08/15/03	22.90%	22.90%	0.00%
09/28/04	14.20%	14.20%	0.00%
12/20/07	4.20%	14.00%	0.00%

Cumulative Rate Indices (1)			
Effective Date	Residence	Dwelling Fire	OTA Balance
08/15/03	1.607	1.607	1.000
09/28/04	1.835	1.835	1.000
12/20/07	1.912	2.092	1.000

Average Rate Index (2)			
Experience Period	Residence	Dwelling Fire	OTA Balance
09/03-09/04	1.493	1.493	1.000
09/04-09/05	1.723	1.723	1.000
09/05-09/06	1.835	1.835	1.000
09/06-09/07	1.835	1.835	1.000
09/07-09/08	1.859	1.914	1.000

Current Rate Level Factor (3)			
Experience Period	Residence	Dwelling Fire	OTA Balance
09/03-09/04	1.281	1.402	1.000
09/04-09/05	1.110	1.214	1.000
09/05-09/06	1.042	1.140	1.000
09/06-09/07	1.042	1.140	1.000
09/07-09/08	1.029	1.093	1.000

(1) Cumulative product of [1 + (Rate Change)]

(2) Average rate level in experience period using parallelogram method and (1).

(3) (Latest cumulative rate index) / (2)

ENCOMPASS INSURANCE COMPANY OF AMERICA
 ARKANSAS
 OTHER THAN AUTOMOBILE

Development of Premium Trend Factors

Selected Historical Premium Trend	Selected Prospective Premium Trend
0.0%	0.0%
0.0%	0.0%

Homeowners Annual Premium Trend Effect
 Dwelling Fire Annual Premium Trend Effect

Homeowners

Experience Period	Historical Trend Period (1)	Historical # Of Years (2)	Prospective Trend Period (3)	Prospective # Of Years (4)	Homeowners Premium Trend Factor
09/03-09/04	04/04-04/08	4.0	04/08-12/10	2.7	$(1.000)^{4.0} * (1.000)^{2.7} = 1.000$
09/04-09/05	04/05-04/08	3.0	04/08-12/10	2.7	$(1.000)^{3.0} * (1.000)^{2.7} = 1.000$
09/05-09/06	04/06-04/08	2.0	04/08-12/10	2.7	$(1.000)^{2.0} * (1.000)^{2.7} = 1.000$
09/06-09/07	04/07-04/08	1.0	04/08-12/10	2.7	$(1.000)^{1.0} * (1.000)^{2.7} = 1.000$
09/07-09/08	04/08-04/08	0.0	04/08-12/10	2.7	$(1.000)^{0.0} * (1.000)^{2.7} = 1.000$

Dwelling Fire

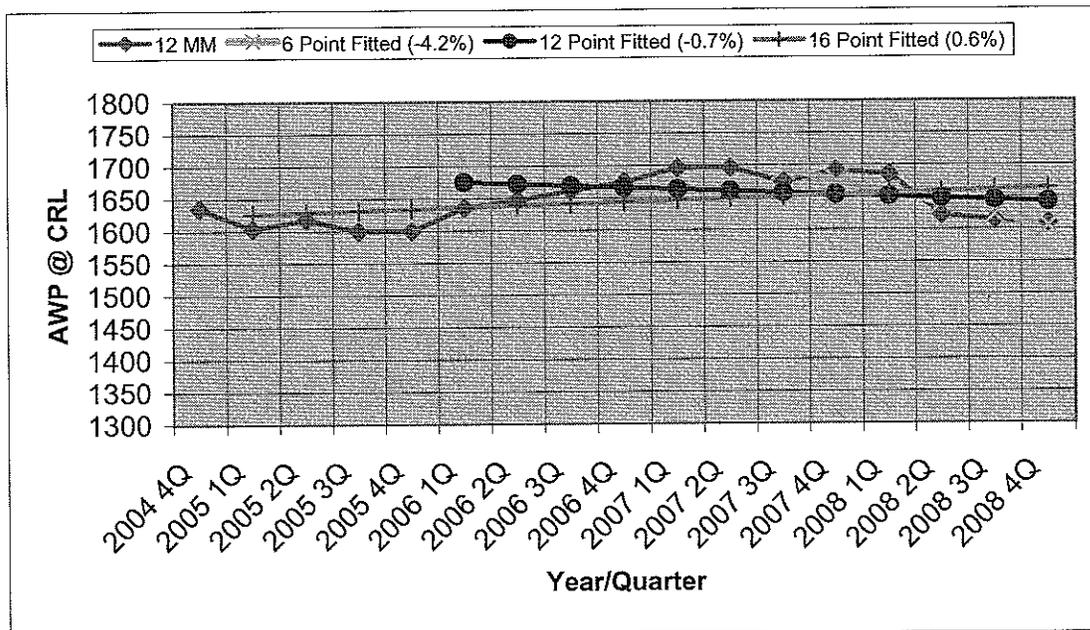
Experience Period	Historical Trend Period (1)	Historical # Of Years (2)	Prospective Trend Period (3)	Prospective # Of Years (4)	Dwelling Fire Premium Trend Factor
09/03-09/04	04/04-04/08	4.0	04/08-12/10	2.7	$(1.000)^{4.0} * (1.000)^{2.7} = 1.000$
09/04-09/05	04/05-04/08	3.0	04/08-12/10	2.7	$(1.000)^{3.0} * (1.000)^{2.7} = 1.000$
09/05-09/06	04/06-04/08	2.0	04/08-12/10	2.7	$(1.000)^{2.0} * (1.000)^{2.7} = 1.000$
09/06-09/07	04/07-04/08	1.0	04/08-12/10	2.7	$(1.000)^{1.0} * (1.000)^{2.7} = 1.000$
09/07-09/08	04/08-04/08	0.0	04/08-12/10	2.7	$(1.000)^{0.0} * (1.000)^{2.7} = 1.000$

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Homeowners Premium Trend

Quarter	12 MM	6 Point Fitted	8 Point Fitted	12 Point Fitted	16 Point Fitted
2004 2Q					
2004 3Q					
2004 4Q	1635				
2005 1Q	1603				1,626
2005 2Q	1618				1,629
2005 3Q	1600				1,631
2005 4Q	1600				1,634
2006 1Q	1636			1,675	1,636
2006 2Q	1647			1,672	1,639
2006 3Q	1661			1,669	1,641
2006 4Q	1675			1,666	1,644
2007 1Q	1697		1,711	1,663	1,646
2007 2Q	1696		1,697	1,660	1,649
2007 3Q	1674	1,694	1,682	1,657	1,651
2007 4Q	1692	1,676	1,668	1,654	1,654
2008 1Q	1685	1,658	1,654	1,651	1,657
2008 2Q	1622	1,640	1,640	1,648	1,659
2008 3Q	1614	1,623	1,626	1,645	1,662
2008 4Q	1609	1,605	1,612	1,642	1,664

6 Point Fitted 8 Point Fitted 12 Point Fitted 16 Point Fitted
 -4.2% -3.4% -0.7% 0.6%



**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Incurred Loss + ALAE Development Factors - Limited Homeowners

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 MONTHS	1,225	1,755	2,329	1,850	1,667	1,025	691	1,243	1,038	1,624
27 MONTHS	1,281	1,997	2,372	1,945	1,717	1,069	702	1,395	1,165	
39 MONTHS	1,298	2,021	2,431	1,917	1,718	1,070	699	1,396		
51 MONTHS	1,300	2,040	2,389	1,894	1,718	1,070	699			
63 MONTHS	1,300	2,069	2,390	1,894	1,718	1,070				
75 MONTHS	1,300	2,090	2,390	1,894	1,718					
87 MONTHS	1,300	2,090	2,390	1,894						
99 MONTHS	1,300	2,090	2,390							
111 MONTHS	1,300	2,090								
123 MONTHS	1,306									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 To 27	1.0461	1.1381	1.0187	1.0512	1.0300	1.0424	1.0153	1.1230	1.1220	
27 To 39	1.0128	1.0119	1.0246	0.9856	1.0007	1.0009	0.9955	1.0002		
39 To 51	1.0020	1.0094	0.9828	0.9877	1.0000	1.0003	1.0003			
51 To 63	1.0000	1.0143	1.0005	1.0004	1.0000	1.0000				
63 To 75	1.0000	1.0099	1.0000	1.0000	1.0000					
75 To 87	1.0000	1.0000	1.0000	1.0000						
87 To 99	1.0000	1.0000	1.0000							
99 To 111	1.0000	1.0000								
111 To 123	1.0041									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	5 Year Mean		Factor To Ultimate
	Ex-HiLo	Selected	
15 To 27	1.0648	1.0648	1.0648
27 To 39	0.9988	1.0000	1.0000
39 To 51	0.9960	1.0000	1.0000
51 To 63	1.0003	1.0000	1.0000
63 To 75	1.0000	1.0000	1.0000
75 To 87	1.0000	1.0000	1.0000
87 To 99	1.0000	1.0000	1.0000
99 To 111	1.0000	1.0000	1.0000
111 To 123	1.0041	1.0000	1.0000

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Incurred Loss + ALAE Development Factors - Dwelling Fire

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007	
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008	
15 MONTHS		13	77	33	16	109	28	208	275	103	118
27 MONTHS		15	78	48	16	112	28	213	274	105	
39 MONTHS		15	78	48	16	112	28	223	274		
51 MONTHS		15	78	48	16	112	28	223			
63 MONTHS		15	78	48	16	112	28				
75 MONTHS		15	78	48	16	112					
87 MONTHS		15	78	48	16						
99 MONTHS		15	78	48							
111 MONTHS		15	78								
123 MONTHS		15									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 To 27	1.1841	1.0134	1.4788	1.0000	1.0281	1.0000	1.0206	0.9980	1.0144	
27 To 39	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0507	1.0000		
39 To 51	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000			
51 To 63	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000				
63 To 75	1.0000	1.0000	1.0000	1.0000	1.0000					
75 To 87	1.0000	1.0000	1.0000	1.0000						
87 To 99	1.0000	1.0000	1.0000							
99 To 111	1.0000	1.0000								
111 To 123	1.0000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Country-wide	Factor
	Selected	To Ultimate
15 To 27	1.0848	1.1717
27 To 39	1.0430	1.0801
39 To 51	1.0183	1.0355
51 To 63	1.0015	1.0169
63 To 75	1.0121	1.0153
75 To 87	1.0032	1.0032
87 To 99	1.0000	1.0000
99 To 111	1.0000	1.0000
111 To 123	1.0000	1.0000

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Incurred Loss + ALAE Development Factors - OTA (Ex Homeowners)

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 MONTHS	60	122	181	57	72	43	41	63	76	37
27 MONTHS	58	134	181	71	61	45	43	86	76	
39 MONTHS	58	134	181	71	61	45	41	92		
51 MONTHS	58	134	181	71	61	45	41			
63 MONTHS	58	134	181	71	61	45				
75 MONTHS	58	134	181	71	61					
87 MONTHS	58	134	181	71						
99 MONTHS	58	134	181							
111 MONTHS	58	134								
123 MONTHS	58									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 To 27	0.9522	1.0941	1.0000	1.2494	0.8581	1.0573	1.0488	1.3751	1.0000	
27 To 39	1.0000	1.0064	1.0000	1.0000	1.0000	1.0011	0.9534	1.0704		
39 To 51	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000			
51 To 63	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000				
63 To 75	1.0000	1.0000	1.0000	1.0000	1.0000					
75 To 87	1.0000	1.0000	1.0000	1.0000						
87 To 99	1.0000	1.0000	1.0000							
99 To 111	1.0000	1.0000								
111 To 123	1.0000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Country-wide Selected	Factor To Selected	Ultimate
	15 To 27	1.1200	1.1200
27 To 39	1.0800	1.0800	1.1548
39 To 51	1.0329	1.0329	1.0692
51 To 63	1.0181	1.0181	1.0352
63 To 75	1.0168	1.0168	1.0168
75 To 87	1.0000	1.0000	1.0000
87 To 99	1.0000	1.0000	1.0000
99 To 111	1.0000	1.0000	1.0000
111 To 123	1.0000	1.0000	1.0000

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Incurred Loss + ALAE Development Factors - Unlimited Homeowners

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 MONTHS	1,225	1,791	2,511	1,871	1,684	2,094	841	1,274	1,655	1,931
27 MONTHS	1,281	2,043	2,550	1,966	1,734	2,093	852	1,432	2,144	
39 MONTHS	1,298	2,067	2,608	1,938	1,739	1,911	998	1,433		
51 MONTHS	1,300	2,086	2,567	1,915	1,739	1,911	998			
63 MONTHS	1,300	2,115	2,568	1,915	1,739	1,911				
75 MONTHS	1,300	2,136	2,568	1,915	1,739					
87 MONTHS	1,300	2,136	2,568	1,915						
99 MONTHS	1,300	2,136	2,568							
111 MONTHS	1,300	2,136								
123 MONTHS	1,306									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 To 27	1.0461	1.1409	1.0154	1.0506	1.0297	0.9997	1.0126	1.1245	1.2953	
27 To 39	1.0128	1.0117	1.0229	0.9858	1.0030	0.9128	1.1714	1.0002		
39 To 51	1.0020	1.0092	0.9840	0.9878	1.0000	1.0002	1.0002			
51 To 63	1.0000	1.0139	1.0005	1.0004	1.0000	1.0000				
63 To 75	1.0000	1.0097	1.0000	1.0000	1.0000					
75 To 87	1.0000	1.0000	1.0000	1.0000						
87 To 99	1.0000	1.0000	1.0000							
99 To 111	1.0000	1.0000								
111 To 123	1.0041									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	5 Year Mean		Factor To Ultimate
	Ex-HiLo	Selected	
15 To 27	1.0556	1.0556	1.0556
27 To 39	0.9963	1.0000	1.0000
39 To 51	0.9960	1.0000	1.0000
51 To 63	1.0003	1.0000	1.0000
63 To 75	1.0000	1.0000	1.0000
75 To 87	1.0000	1.0000	1.0000
87 To 99	1.0000	1.0000	1.0000
99 To 111	1.0000	1.0000	1.0000
111 To 123	1.0041	1.0000	1.0000

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Excess Loss Factor

HOME

<u>Experience</u> <u>Period</u>	<u>Ultimate Total</u> <u>Ex-Cat Losses +</u> <u>ALAE</u>	<u>Ultimate Limited</u> <u>Ex-Cat Losses</u> <u>+ ALAE</u>	<u>Total / Limited</u>
09/98-09/99	1,306	1,306	1.00
09/99-09/00	2,136	2,090	1.02
09/00-09/01	2,568	2,390	1.07
09/01-09/02	1,915	1,894	1.01
09/02-09/03	1,739	1,718	1.01
09/03-09/04	1,911	1,070	1.79
09/04-09/05	998	699	1.43
09/05-09/06	1,433	1,396	1.03
09/06-09/07	2,144	1,165	1.84
09/07-09/08	2,039	1,729	1.18
			Weighted Average 1.18
			Straight Average 1.24
			Selected 1.21

ENCOMPASS INSURANCE GROUP
 ARKANSAS
 OTHER THAN AUTOMOBILE

Loss Trend Factors - Property (All Forms Ex DF)

4 Quarters Ending	PAID FREQUENCY		ANNUAL CHANGE		PAID SEVERITY (Closed with pay)		ANNUAL CHANGE	
	Encompass	Fast Track	Encompass	Fast Track	Encompass	Fast Track	Encompass	Fast Track
4Q_2003	0.09410	0.06260			6,050	4,467		
1Q_2004	0.09300	0.05830			5,099	4,489		
2Q_2004	0.08690	0.05530			7,692	4,590		
3Q_2004	0.07530	0.05140			7,931	4,597		
4Q_2004	0.07310	0.05050	-22.3%	-19.3%	7,944	4,725	31.3%	5.8%
1Q_2005	0.06750	0.04990	-27.4%	-14.4%	8,174	5,011	60.3%	11.6%
2Q_2005	0.06630	0.04970	-23.7%	-10.1%	4,741	5,135	-38.4%	11.9%
3Q_2005	0.05150	0.04910	-31.6%	-4.5%	5,496	5,300	-30.7%	15.3%
4Q_2005	0.04850	0.04920	-33.7%	-2.6%	8,483	5,622	6.8%	19.0%
1Q_2006	0.05780	0.05010	-14.4%	0.4%	7,799	5,678	-4.6%	13.3%
2Q_2006	0.06240	0.05200	-5.9%	4.6%	7,519	5,778	58.6%	12.5%
3Q_2006	0.07940	0.05250	54.2%	6.9%	7,448	5,761	35.5%	8.7%
4Q_2006	0.08270	0.05140	70.5%	4.5%	5,572	5,898	-34.3%	4.9%
1Q_2007	0.07610	0.05180	31.7%	3.4%	5,875	5,980	-24.7%	5.3%
2Q_2007	0.06900	0.04950	10.6%	-4.8%	7,196	6,121	-4.3%	5.9%
3Q_2007	0.05650	0.04820	-28.8%	-8.2%	7,186	6,441	-3.5%	11.8%
4Q_2007	0.05750	0.04840	-30.5%	-5.8%	14,231	6,425	155.4%	8.9%
1Q_2008	0.06470	0.04870	-15.0%	-6.0%	13,059	6,470	122.3%	8.2%
2Q_2008	0.09040	0.05200	31.0%	5.1%	11,437	6,649	58.9%	8.6%
3Q_2008	0.09580	0.05490	69.6%	13.9%	11,424	6,741	59.0%	4.7%
4Q_2008	0.09640		67.7%		9,605		-32.5%	

Fitted Line 1	15pt Exp Trend	13.4%	0.9%	15pt Exp Trend	23.9%	8.5%
Fitted Line 2	8pt Exp Trend	25.8%	2.1%	8pt Exp Trend	40.0%	8.1%

SELECTED HISTORICAL ANNUAL TREND

1.0%

8.0%

SELECTED PROSPECTIVE ANNUAL TREND

1.0%

8.0%

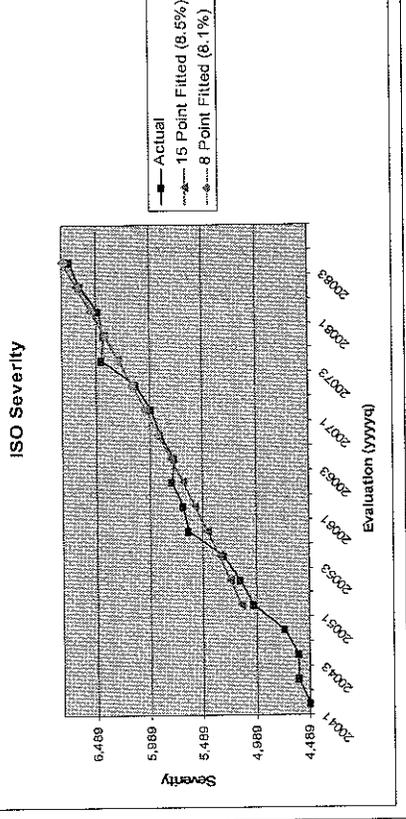
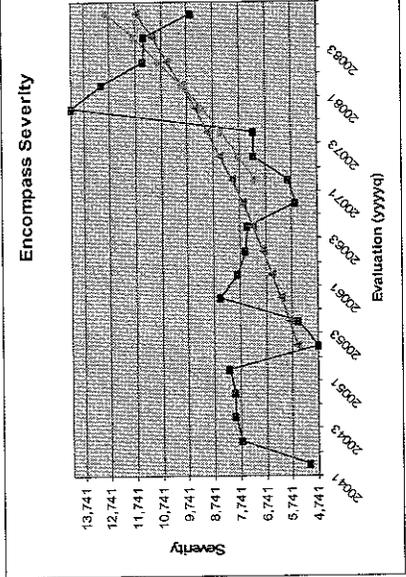
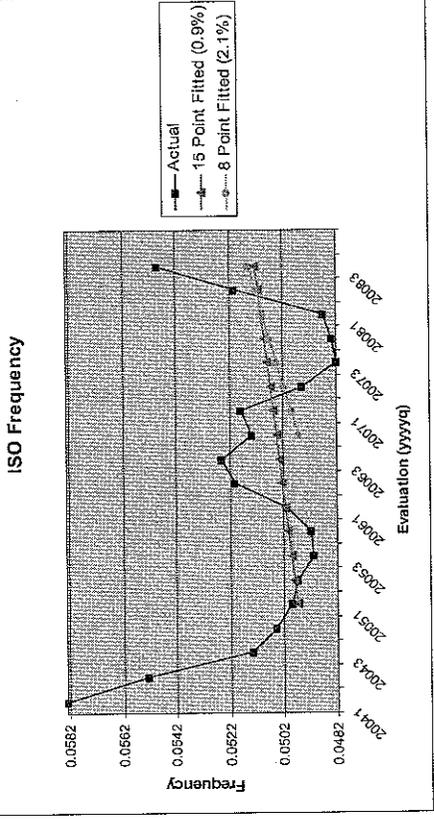
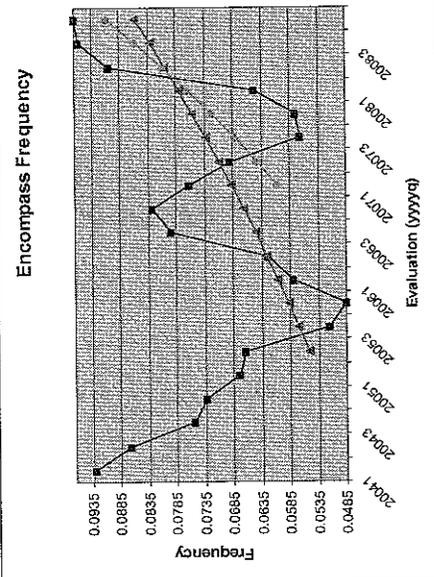
Experience Period	Historical Trend Period (1)	Historical # Of Years (2)	Prospective Trend Period (3)	Prospective # Of Years (4)	Frequency Trend Factor (5)	Severity Trend Factor (6)
09/03-09/04	04/04-04/08	4.0	04/08-12/10	2.7	$(1.010)^{4.0} * (1.010)^{2.7} = 1.069$	$(1.080)^{4.0} * (1.080)^{2.7} = 1.675$
09/04-09/05	04/05-04/08	3.0	04/08-12/10	2.7	$(1.010)^{3.0} * (1.010)^{2.7} = 1.058$	$(1.080)^{3.0} * (1.080)^{2.7} = 1.551$
09/05-09/06	04/06-04/08	2.0	04/08-12/10	2.7	$(1.010)^{2.0} * (1.010)^{2.7} = 1.048$	$(1.080)^{2.0} * (1.080)^{2.7} = 1.436$
09/06-09/07	04/07-04/08	1.0	04/08-12/10	2.7	$(1.010)^{1.0} * (1.010)^{2.7} = 1.038$	$(1.080)^{1.0} * (1.080)^{2.7} = 1.329$
09/07-09/08	04/08-04/08	0.0	04/08-12/10	2.7	$(1.010)^{0.0} * (1.010)^{2.7} = 1.027$	$(1.080)^{0.0} * (1.080)^{2.7} = 1.231$

Experience Period	RLI Loss Trend Factor (7)
09/03-09/04	1.791
09/04-09/05	1.641
09/05-09/06	1.505
09/06-09/07	1.380
09/07-09/08	1.264

- (1) Midpoint of experience period to midpoint of latest historical period.
- (2) (1) # of years.
- (3) Midpoint of latest historical period to 1 year beyond effective date of 10/22/09.
- (4) (3) # of years.
- (5) $(1 + \text{Historical Trend})^{(2)} * (1 + \text{Prospective Trend})^{(4)}$
- (6) $(1 + \text{Historical Trend})^{(2)} * (1 + \text{Prospective Trend})^{(4)}$
- (7) (5) * (6)

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Loss Trend Graphs - Property (All Forms Ex DE)



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Non-Modeled Catastrophe Factor

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Accident Year	Ex-Cat Incurred Loss + ALAE	Catastrophe Incurred Loss + ALAE	State Catastrophe Factor	Countrywide Catastrophe Factor	Relativities	<u>Relativities Adjusted For Cap Of 4.956</u>
1988	1,579,834	37,017	0.023	0.096	0.240	0.240
1989	1,849,550	1,388,113	0.751	0.279	2.692	2.692
1990	1,008,317	351,471	0.349	0.205	1.702	1.702
1991	1,454,400	205,277	0.141	0.189	0.746	0.746
1992	903,216	26,211	0.029	0.271	0.107	0.107
1993	1,189,006	23,921	0.020	0.279	0.072	0.072
1994	802,038	63,772	0.080	0.402	0.199	0.199
1995	1,538,192	139,265	0.091	0.208	0.438	0.438
1996	1,616,672	1,135,401	0.702	0.578	1.215	1.215
1997	2,167,364	942,430	0.435	0.187	2.326	2.326
1998	1,309,819	287,000	0.219	0.637	0.344	0.344
1999	1,627,244	2,635,052	1.619	0.300	5.397	2.692 **
2000	2,353,497	1,081,439	0.460	0.311	1.479	1.479
2001	2,474,959	46,576	0.019	0.240	0.079	0.079
2002	1,920,755	192,122	0.100	0.183	0.546	0.546
2003	1,337,002	423,086	0.316	0.236	1.339	1.339
2004	2,092,108	77,354	0.037	0.197	0.188	0.188
2005	872,261	0	0.000	0.119	0.000	0.000
2006	1,164,890	447,240	0.384	0.234	1.641	1.641
2007	1,890,537	40,190	0.021	0.112	0.188	0.188
(8) Average Relativity					1.047	0.912
(9) Standard Deviation					1.303	0.909
(10) Credibility						0.840
(11) Credibility Weighted Relativity						0.926
(12) Relativity Balanced to Countrywide						0.940
(13) Countrywide Selected Catastrophe Factor						0.257
(14) OTHER THAN AUTOMOBILE Catastrophe Factor						0.242

** Relativity has been capped

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Expenses

<u>Item</u>	<u>Dollars</u>
(1) Avg Direct Premiums Earned*	685,997,998
(2) Avg Incurred Loss*	291,346,571
(3) Avg General Expenses*	60,507,145
(4) Avg Other Acquisition*	1,926,765
(5) Avg Unallocated Claim Expense*	43,996,416

<u>Item</u>	<u>Percentage</u>
(6) General Expenses***	8.8%
(7) Other Acquisition ***	0.3%
(8) Unallocated Claim Expense****	15.1%

Notes

- * Average of 2005, 2006 and 2007
- ** Excludes Hagerty Agency and Involuntary Business.
- *** Ratio to Premium
- **** Ratio to Incurred Loss
- (4) Other Acquisition includes: Marketing, MVR ordering costs, Special Funds and Assessments, Writeoffs and Payment Fees (which are a contra-expense).

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Adjusted Fixed Expense Calculation

	(1)	(2)	(3)	(4)	(5) = (1)*[1+(2)]^(3)/(4)
Coverage	Fixed Expense	Fixed Expense Trend	Loss Trend Period	Premium Adjustment Factor	Adjusted Fixed Expense
Homeowners	9.1%	2.9%	2.7	1.029	9.6%
Dwelling Fire	9.1%	2.9%	2.7	1.090	9.0%
OTA Balance	9.1%	2.9%	2.7	1.000	9.8%

(4) = Adjusted Earned Premium (\$) / Actual Earned Premium (\$)

ENCOMPASS INSURANCE
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Discounted Cash Flow

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 1.95%*
force of interest, given an Operating Profit of 7.62%
and twelve-month Policy Terms

<u>Years From Start of Policy Year</u>	<u>Countrywide Cumulative Percent of Losses Paid</u>	<u>Countrywide Yearly Percent of Losses Paid</u>	<u>Time from Start of Policy Year</u>	<u>Discounted ** to avg time of profit @ 1.95%</u>	<u>Discounted Payments</u>
1	23.7%	23.7%	0.72	1.0055	23.79%
2	79.5%	55.8%	1.44	0.9915	55.36%
3	91.4%	11.9%	2.43	0.9724	11.61%
4	95.6%	4.2%	3.50	0.9525	3.96%
5	97.6%	2.0%	4.44	0.9351	1.89%
Subsequent	100.0%	2.4%	7.00	0.8896	2.11%
Total		100.0%			98.72%
Expected Losses and Loss Expense Ratio					60.94%
Present Value of Loss and Loss Expense Payments					60.16%
Taxes, Licenses and Fees		2.8%	0.65	1.0068	2.81%
Commissions		15.4%	0.58	1.0082	15.54%
Other Acquisition		0.3%	0.63	1.0072	0.30%
General Expense		8.8%	0.75	1.0049	8.84%
Contingency Provision		1.0%	1.00	1.0000	1.00%
Debt Provision		1.2%	1.00	1.0000	1.24%
Profit		9.5%	1.00	1.0000	9.52%
Total Present Value of Outgo					99.41%
Premiums		100.0%	0.57	1.0084	100.84%
Difference, Present Value of Income Less Present Value of Outgo					1.43%

*Discount rate from Investments Department forecast

**exp (0.0195 x (timing of profit being earned - timing of cash flow))

ENCOMPASS INSURANCE
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Permissible Loss + LAE Ratio

	(1)	(2)	(3)	(4)	(5)	(6) = 1 - [(1) + (2) + (3) + (4) + (5)]
Coverage	Taxes	Commissions	Profit	Debt Provision	Contingency	Permissible Loss & LAE Ratio
OTA	2.8%	15.4%	9.5%	1.2%	1.0%	70.0%

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Contingency Factor Support

Based on Allstate Insurance Company Data
Accident years 1996 - 2003

Total estimated loss from unexpected events:	\$388,265,584
Total countrywide ex-cat accident year losses:	\$14,082,669,021
Indicated contingency provision as percentage of ex-cat loss:	2.80%
Indicated contingency provision as percentage of total loss:	2.10%
Indicated contingency provision adjusted for expenses:	1.90%
Encompass-selected contingency provision:	2.00%
DOI-Requested Selected contingency provision:	1.00%

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Adjustments to Non-Catastrophe Losses
Non-Modeled Catastrophe Adjustments in Detail
Expense and Profit Provisions

SUMMARY OF CHANGES AND SUMMARY EXHIBITS

The chart below summarizes the indicated and proposed rate level changes included in this filing.

<u>Coverage</u>	<u>Adjusted Earned Premium Distribution</u>	<u>Indicated Rate Level Change</u>	<u>Proposed Rate Level Change</u>
Home	84.6%	+9.7%	+9.3%
Condo	1.6%	+9.7%	+9.3%
Renters	1.0%	+9.7%	+9.3%
Dwelling Fire	7.0%	+7.2%	+6.8%
<u>OTA Balance</u>	<u>5.8%</u>	<u>-6.1%</u>	<u>0.0%</u>
Overall	100.0%	+8.6%	+8.6%

The filing contains the revisions listed below, which result in an overall Other Than Automobile rate increase of 8.6%.

Base Premiums

Base premiums have been adjusted to reach a Homeowners, Renters and Condos impact of 9.3%. Please see the attached Home Rates Manual Pages for these changes.

Package Discount Factor

The USP Segment Factor has been adjusted. Please see the attached Home Rate Manual Pages for this change.

Occupancy Factors

Occupancy Factors have been adjusted to reach a Dwelling Fire impact of 6.8%. Please see the attached Dwelling Fire Rules Manual Page for these changes.

SUMMARY OF CHANGES AND SUMMARY EXHIBITS

HOME RATE PAGES

Home Base Rates

Revised Home Base Rates

Condo Base Rates

Revised Condo Base Rates

HOME RULE PAGES

Table of Contents

Removed reference to earthquake

Premium Determination (Rule 2)

Changed the USP Segment factor From 1.25 to 1.33

Earthquake and Volcanic Eruption Coverage (Rule 18)

Removed Rule

DWELLING FIRE RULE PAGES

Table of Contents

Removed reference to earthquake

Occupancy Factors (Rule 7)

Revised Occupancy Factors

Deductibles (Rule 10)

Removed reference to earthquake

Earthquake Coverage (Rule 13)

Removed Rule

GENERAL RULE PAGES

Policy Loss Free Discount (Rule 12)

Removed reference to earthquake

OVERVIEW OF HOMEOWNERS INDICATION METHODOLOGY

Exhibits 1 through 12 of this section show the Determination of Statewide Rate Level Indications for Arkansas. The objective of this process is to determine the indicated rate level need. This is done by evaluating the adequacy of our present rates to pay for our best estimate of losses and expenses, including a reasonable profit margin that will be incurred from annual policies written in the year after the proposed effective date.

The statewide rate level indication is based on data from five rolling accident years, with date ending September 30, 2008 and losses evaluated as of December 31, 2008.

DEVELOPMENT OF STATEWIDE RATE LEVEL INDICATION (Exhibit 2)

1. Twelve-Month Experience Period:
2. Adjusted Earned Premium:
The calculation of adjusted earned premium is shown in **Exhibit 3** and takes into account the impact of current rate levels, premium trend, and other premium adjustments.
3. Non-Cat Adjusted Incurred Loss + LAE:
The calculation is detailed in **Exhibit 4** and includes the following factors: loss development, excess loss, loss trend, other loss adjustment, and unallocated loss adjustment expenses.
4. Non-Cat Adjusted Loss Ratio:
 $(3) / (2)$
5. Formula Weights:
By weighting experience period results, an insurer can stabilize the indication while also taking into account any recent emerging trends in the data.
6. Non-Cat Ratemaking Loss Ratio:
Shows the formula non-cat adjusted loss ratio calculated using the formula weights in (5).
7. Claim Count:
Number of incurred claims in the experience periods used in the non-cat ratemaking loss ratio calculation.
8. Full Credibility Standard:
Number of incurred claims in the experience period to assign full credibility.
9. Credibility:
 $[(7) / (8)]^{0.5}$
10. Non-Cat Adjusted Prior Permissible Loss Ratio:
The prior company permissible loss ratio (reduced by fixed expenses, residual market load, and expected catastrophe provision) adjusted for annual net trend, is used as the complement of credibility. The calculation of the non-cat adjusted prior permissible loss ratio is shown in **Exhibit 2C**.
11. Credibility Weighted Non-Cat Ratemaking Loss Ratio:
 $[(6) * (9)] + [(10) * (1 - (9))]$
12. Non-Modeled Catastrophe Load:
The calculation of this provision for non-modeled catastrophes (as a percentage of incurred loss excluding catastrophes) is illustrated in **Exhibit 10**.
13. Adjusted Modeled Catastrophe Loss Ratio:
14. Catastrophe Ratemaking Loss Ratio:
 $[(19) - (16) - (17) - (13)] * [1 - 1 / (12)] + (13)$

15. Total Ratemaking Loss Ratio:
[(11) + (14)]
16. Adjusted Fixed Expense Ratio:
100% of General Expenses, Other Acquisition Expenses, and Miscellaneous Taxes, Licenses and Fees are assumed to be a fixed percentage of current premium and do not change in proportion to rate level revisions. This fixed expense ratio is adjusted for fixed expense trend, premium trend, and current rate level. Since historical premiums are adjusted to the current rate level, an adjustment to these expenses is necessary as well to adjust historical expenses to future expense levels. Please refer to **Exhibit 12 Page 1**.
17. Adjusted Residual Market Load:
Where applicable, a charge is included to reflect the cost incurred by the company as a result of residual market assignments. Similarly to the fixed expense ratio, this residual market load is adjusted for loss trend, premium trend, and current rate level.
18. Permissible Loss and LAE Ratio:
The permissible loss and LAE ratio calculation is shown in **Exhibit 12 Page 3**.
19. Selected Permissible Loss and LAE Ratio:
The permissible loss and LAE ratio calculation is shown in **Exhibit 12 Page 3**.
20. Rate Level Indication:
[((15) + (16) + (17)) / (19)] - 1

ADJUSTMENTS TO PREMIUMS

Current Rate Level Factors

Earned premiums are adjusted to current rate levels to simulate premiums that would have resulted if present Encompass rates had been charged during the experience period. The adjustments are accomplished by applying the percentage effect of any rate level change during the experience period and are calculated using the parallelogram method. A detailed explanation of the parallelogram method is included in Foundations of Casualty Actuarial Science, Chapter 3, written by Charles L. McClenahan. The development of these factors is shown in **Exhibit 5**.

Premium Trend Factors

In addition to bringing premiums to current rate level, Encompass must also account for changes in the premium level due to underlying factors such as increasing amounts of insurance and deductible drift. To account for Homeowners premium trend, changes in the average written premium at current rate level on a twelve-month moving basis were reviewed, and are shown in **Exhibit 6B**. The premium trend factors reflect the trend period from the average date of earning in each experience period to the average date of earning in the prospective policy effective period. The calculation of these factors is shown in **Exhibit 6A**.

ADJUSTMENTS TO NON-CATASTROPHE LOSSES

Historical losses are adjusted to prospective cost levels. Losses are shown including allocated loss adjustment expenses (ALAE) and excluding catastrophes. The development of Adjusted Non-Catastrophe Losses and LAE calculation is outlined in **Exhibit 4**.

Loss Development

The losses for a given accident year may not have been fully determined at the evaluation date of this review. As such, the losses must be adjusted to an ultimate settlement basis. This is accomplished by analyzing historical patterns of incurred loss development and selecting loss development factors. Encompass Group data has been considered in the selection of the loss development factors. Losses used in the analysis include ALAE but exclude catastrophes in order to minimize distortions. Age-to-age factors are selected for each coverage using total limits losses. Additional analysis of losses limited to \$100,000 per claim is performed to develop limited losses to ultimate for Homeowners coverage. The selected loss development factors that have been used in this filing are shown in **Exhibits 7.1 through 7.4**.

Excess Loss Provision

An excess loss provision is included to spread the effect of large, fortuitous losses. Total ultimate losses for Homeowners coverage are estimated by multiplying losses capped at \$100,000 per claim by a limited loss development factor and then by an excess loss factor. Encompass Group data has been considered in the selection of the loss development factors. The excess loss factor is the selected ratio of ultimate unlimited losses to ultimate limited losses. The selected excess loss factor used in this filing is shown in **Exhibit 8**.

Loss Trend

The historical losses from the experience period must be adjusted to account for any difference in historical and future cost levels. While loss development factors adjust losses and allocated loss adjustment expenses to an ultimate settlement basis, they do not reflect the prospective rate of change in the occurrence of (frequency) or in the cost of (severity) incidents that may result in the payment of claims. To properly adjust historical costs to future cost levels, a loss trend adjustment must be applied.

The annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. The trend selections and an illustrated calculation of the trend factors for both frequency and severity, accompanied by the data in graphical format, are displayed in **Exhibit 9.1**.

NON-MODELED CATASTROPHE ADJUSTMENTS IN DETAIL

Encompass separately identifies and accounts for its exposure to loss due to the occurrence of catastrophic events within a state. In order to estimate our non-hurricane, non-earthquake catastrophe exposure, we develop a long-term relativity of each state to our countrywide catastrophe factor based on all years 1988 and beyond. We then apply this relativity to a countrywide catastrophe factor based on more recent data. By using this approach, we are able to balance the stability of a long-term estimate of catastrophe potential in Arkansas (needed because of the infrequent occurrence of catastrophes) and the responsiveness of more recent data (needed because of changing demographic conditions).

Within our method we incorporate two procedures designed to stabilize the results of individual states. The first procedure caps losses for years that are uncharacteristic for that state. Relativities above three standard deviations plus the mean for the state are capped. Impacted years are limited to the highest relativity below the cap.

In addition to the capping procedure, we apply credibility to the resulting relativities in the state. The credibility is based on the standard (Buhlmann/Bayesian) credibility method as described in Loss Models, by Klugman, Panjer and Willmot, chapter 5, Pages 436 to 441. The credibility reflects the confidence we have in the state's average relativity. In order to develop the credibility, we consider the number of years used to determine the relativity as well as the variance of all states' relativities to countrywide.* The complement of credibility is applied to a relativity of 1.000.

A result of our capping and credibility process is that the average of all the statewide relativities may no longer equal a countrywide relativity of 1.000. In order to assure an adequate provision for catastrophes on a countrywide basis, the resulting state relativities are adjusted to achieve an overall countrywide relativity of 1.000. The off-balance adjustment is made in proportion to each state's variability as defined by its standard deviation. The final relativity is applied to the countrywide catastrophe factor to develop the Arkansas catastrophe factor.

Exhibit 10 displays the development of the total Homeowners non-modeled catastrophe load of 24.2% for Arkansas.

It is assumed that the Encompass Insurance Group Homeowners non-modeled catastrophe factor relativities are appropriate for Dwelling Fire. The Dwelling Fire catastrophe load for Arkansas is 24.2%.

The countrywide non-modeled catastrophe factor for the Other Than Automobile Balance is calculated using an 18-year average of the ratio of countrywide Other Than Automobile Balance non-modeled catastrophe losses to countrywide Other Than Automobile Balance ex-catastrophe losses. The resulting countrywide non-modeled catastrophe load of 1.7% is applied to the Other Than Automobile Balance experience for Arkansas.

* Note: The number of years is used rather than exposures (as recommended in the standard model) because increased exposures does not necessarily lead to more stable estimates for catastrophes, particularly when the exposures are geographically concentrated

EXPENSE AND PROFIT LOADS

General Expense, Other Acquisition Expense, Loss Adjustment Expense

Exhibit 11 shows the premium, expenses and losses incurred for calendar years 2005, 2006, and 2007. Using these three years of data, expenses ratios, as a percentage of direct earned premiums are selected for the general expense and other acquisition expense. Similarly, the provision for unallocated loss adjustment expense (ULAE) is based on a three-year average of ULAE to incurred loss.

Commission and Brokerage Expense

The proposed commission and brokerage expense provision has been developed from the actual calendar year 2007 commission and brokerage incurred expense ratio in Arkansas. The provision is shown in **Exhibit 12 Page 2**.

Taxes

Taxes reflect the actual state premium tax and, where applicable, other premium- related taxes such as Fire Marshall taxes and Municipal taxes. A provision for guaranty fund assessments is included if applicable. **Exhibit 12 Page 2** displays these expenses as a percent of premium.

Contingency Factor

A 1% contingency factor has been used to calculate the Permissible Loss and LAE Ratio. Please see **Exhibit 13** for the support for this factor.

Underwriting Profit/Operating Profit

Prior to July, 2008, Encompass relied solely on the Fama-French Three-factor (FF3F) Model to estimate its cost of equity. The methodology underlying this calculation of the cost of equity reflects developments in the field of financial economics as published in the Casualty Actuarial Society Forum, Winter, 2004 and in Journal of Risk and Insurance, Vol. 72, No. 3, September 2005 ("Estimating the Cost of Equity Capital For Property-Liability Insurers" by J. David Cummins and Richard D. Phillips).

In July, 2008, Encompass incorporated the use of a second methodology – a Discounted Cash Flow (DCF) analysis – into the estimation of its cost of equity. A DCF analysis estimates the expected future cash flows to investors in order to gauge the proper cost of equity. Once both the DCF and FF3F estimates had been calculated, Encompass selected a cost of equity of 10.00%, which reflected the outcomes of both analyses.

In addition, previously both the cost of equity and the cost of debt were used to develop the underwriting profit provision. With this filing, we will be developing the underwriting profit provision using only the cost of equity. Since the cost of debt represents expected, quantifiable future payments to be made to bondholders, confusion can result from including it in the derivation of the underwriting profit provision. Therefore, the cost of debt has been removed from the development of the underwriting profit provision and incorporated as a separate provision. Note that the resulting rate level is unaffected by this change; it is simply a matter of clarity of presentation.

An analysis of premium, loss and expense cash flows is used to calculate the investment income on policyholder supplied funds (PHSF). This methodology is one of the two examples given in Actuarial

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Standards of Practice, No. 30 as appropriate methods for recognizing investment income from insurance operations (Page 4).

The calculations detailing this investment income analysis are found in **Exhibit 12 Page 2**. The rate (applied as a force of interest) used to discount losses and expenses includes, anticipated net investment income and anticipated capital gains, both realized and unrealized. Operating cash flows are discounted to the average time of earnings of premium and profit for the policy year, rather than to the start of the policy year.

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Summary of Rate Changes

<u>Coverage</u>	<u>09/07-09/08 Adjusted EP</u>		<u>Rate Level Change</u>	
	<u>\$000s</u>	<u>%</u>	<u>Indicated</u>	<u>Filed</u>
Homeowners All Forms	1,348	87.2%	9.7%	9.3%
Home			9.7%	9.3%
Condo			9.7%	9.3%
Renter			9.7%	9.3%
<u>Dwelling Fire</u>	<u>109</u>	<u>7.0%</u>	<u>7.2%</u>	<u>6.8%</u>
Total Residence	1,457	94.2%		9.1%
Excess Liability	12	0.8%		0.0%
Scheduled Personal Property	42	2.7%		0.0%
Boat	35	2.3%		0.0%
<u>Workers Compensation</u>	<u>0</u>	<u>0.0%</u>		<u>0.0%</u>
OTA Balance	89	5.8%	-6.1%	0.0%
TOTAL OTHER THAN AUTOMOBILE	1,546	100.0%	8.6%	8.6%

ENCOMPASS INSURANCE COMPANY OF AMERICA
 ARKANSAS
 OTHER THAN AUTOMOBILE

Development of Rate Level Indication

(1) Experience Period	(2) Adjusted Premium (\$000s)	(3) Non-Cat Incurred Loss + LAE (\$000s)	(4) Non-Cat Adjusted Loss Ratio	(5) Formula Weights	(6) Non-Cat Retaining Loss Ratio	(7) Claim Count	(8) Full Credit Standard	(9) Credit Rating	(10) Non-Cat Adjusted Loss Ratio	(11) Credibility Weighted Non-Cat Retaining Loss Ratio	(12) Ordinary Catastrophe Loss	(13) Adjusted Catastrophe Loss Ratio	(14) Catastrophe Retaining Loss Ratio	(15) Total Retaining Loss Ratio	(16) Adjusted Fixed Expense Ratio	(17) Adjusted Residual Market Loss	(18) Permissible Loss + LAE Ratio	(19) Selected Permissible Loss + LAE Ratio	(20) Rate Level Indication
HOMEOWNERS ALL FORMS																			
08/03-09/04	3,969	2,529	63.7%	0.20															
08/04-09/05	3,212	1,169	36.4%	0.20															
08/05-09/06	2,560	1,656	64.7%	0.20															
08/06-09/07	2,015	854	42.4%	0.20															
08/07-09/08	1,348	951	70.6%	0.20															
			Overall		53.6%	533	1,498	59.6%		55.5%			11.8%	67.2%	9.6%	0.0%	69.0%	70.0%	9.7%
HOME	1,309	**	Overall		53.6%			59.6%		55.5%	1,242	0.0%	11.8%	67.2%	9.6%	0.0%	69.0%	70.0%	9.7%
CONDO	24	**	Overall		53.6%			59.6%		55.5%	1,242	0.0%	11.8%	67.2%	9.6%	0.0%	69.0%	70.0%	9.7%
RENTER	15	**	Overall		53.6%			59.6%		55.5%	1,242	0.0%	11.8%	67.2%	9.6%	0.0%	69.0%	70.0%	9.7%
DWELLING FIRE																			
08/03-09/04	261	58	22.4%	0.20															
08/04-09/05	233	58	25.0%	0.20															
08/05-09/06	206	58	28.4%	0.20															
08/06-09/07	165	1	0.3%	0.20															
08/07-09/08	109	64	58.8%	0.20															
			Overall		27.0%	29	1,342	14.7%	59.8%	54.1%	1,242	0.0%	11.9%	66.0%	9.0%	0.0%	69.0%	70.0%	7.2%
OTA BALANCE																			
08/03-09/04	292	33	11.1%	0.20															
08/04-09/05	239	25	10.3%	0.20															
08/05-09/06	178	93	52.3%	0.20															
08/06-09/07	136	5	3.9%	0.20															
08/07-09/08	89	40	45.0%	0.20															
			Overall		24.9%	38	1,090	18.7%	61.9%	54.9%	1,017	0.0%	1.0%	56.9%	9.6%	0.0%	69.0%	70.0%	-6.1%
TOTAL OTA																			
08/03-09/04	4,589	2,755	60.0%																
08/04-09/05	3,742	1,368	36.5%																
08/05-09/06	2,995	1,908	63.7%																
08/06-09/07	2,338	704	30.1%																
08/07-09/08	1,546	1,055	68.2%																
			Overall		50.0%					55.3%			11.2%	66.5%	9.6%	0.0%	69.0%	70.0%	8.6%

** Expense ratios and residual market beds are adjusted for expense trend, premium trend and current rate level.
 Estimated Earned premium based on in-force premium @ 12/31/08.

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Development of Rate Level Indication Supplement 2

NON-CATASTROPHE ADJUSTED PRIOR PERMISSIBLE LOSS RATIO DEVELOPMENT

Coverage	(1) Prior Permissible Loss Ratio	(2) (Exhibit 2A) Adjusted Fixed Expense Ratio*	(3) (Exhibit 2A) Adjusted Residual Market Load*	(4) (Exhibit 2A) Catastrophe Ratemaking Loss Ratio	(5) (Exhibit 2B) Net Trend	(6) [(1)-(3)-(4)] *[1+(5)] Non-Cat Adjusted Prior Permissible Loss Ratio
HOMEOWNERS ALL FORMS	70.3%	9.6%	0.0%	11.8%	18.9%	58.2%
CONDO	70.3%	9.6%	0.0%	11.8%	18.9%	58.2%
RENTER	70.3%	9.6%	0.0%	11.8%	18.9%	58.2%
DWELLING FIRE	70.3%	9.0%	0.0%	11.8%	18.9%	58.8%
OTA BALANCE	70.3%	9.8%	0.0%	1.0%	4.0%	61.9%

* Fixed expense ratios and residual market loads are adjusted for expense trend, premium trend and current rate level.

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Development of Adjusted Earned Premium

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Actual	(Exhibit 5)	(2)*(3)	(Exhibit 6)		(4)*(5)*(6)
<u>Coverage</u>	<u>Experience</u> <u>Period</u>	<u>Earned</u> <u>Premium</u> <u>(\$000s)</u>	<u>Current</u> <u>Rate Level</u> <u>Factor</u>	<u>Earned Premium</u> <u>@ CRL</u> <u>(\$000s)</u>	<u>Premium</u> <u>Trend</u> <u>Factor</u>	<u>Other</u> <u>Premium</u> <u>Adjustment</u>	<u>Adjusted</u> <u>Earned</u> <u>Premium</u> <u>(\$000s)</u>
HOMEOWNERS	09/03-09/04	3,098	1.281	3,969	1.000	1.000	3,969
ALL FORMS	09/04-09/05	2,894	1.110	3,212	1.000	1.000	3,212
	09/05-09/06	2,457	1.042	2,560	1.000	1.000	2,560
	09/06-09/07	1,934	1.042	2,015	1.000	1.000	2,015
	09/07-09/08	1,310	1.029	1,348	1.000	1.000	1,348
DWELLING	09/03-09/04	186	1.402	261	1.000	1.000	261
FIRE	09/04-09/05	192	1.214	233	1.000	1.000	233
	09/05-09/06	181	1.140	206	1.000	1.000	206
	09/06-09/07	145	1.140	165	1.000	1.000	165
	09/07-09/08	100	1.093	109	1.000	1.000	109
OTA	09/03-09/04	292	1.000	292	1.000	1.000	292
BALANCE	09/04-09/05	239	1.000	239	1.000	1.000	239
	09/05-09/06	178	1.000	178	1.000	1.000	178
	09/06-09/07	136	1.000	136	1.000	1.000	136
	09/07-09/08	90	1.000	90	1.000	1.000	90

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Development of Adjusted Non-Catastrophe Incurred Losses + LAE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			(Exhibit 7)	(Exhibit 8)	(Exhibit 9)		(Exhibit 11)	[(2)*(3)*(4)* (5)*(6)*(7)]
<u>Coverage</u>	<u>Experience Period</u>	Limited Ex-Cat Inc Losses + ALAE (\$000s)	Losses Dev Factor (Limited)	Excess Loss Factor	Loss Trend Factor	Other Loss Adjustment	ULAE Load	Non-Catastrophe Adjusted Inc Losses + LAE (\$000s)
HOMEOWNERS ALL FORMS	09/03-09/04	1,014	1.000	1.210	1.791	1.000	1.151	2,529
	09/04-09/05	512	1.000	1.210	1.641	1.000	1.151	1,169
	09/05-09/06	790	1.000	1.210	1.505	1.000	1.151	1,656
	09/06-09/07	340	1.000	1.210	1.380	1.000	1.151	654
	09/07-09/08	507	1.065	1.210	1.264	1.000	1.151	951
DWELLING FIRE	09/03-09/04	28	1.015	1.000	1.791	1.000	1.151	58
	09/04-09/05	30	1.017	1.000	1.641	1.000	1.151	58
	09/05-09/06	33	1.035	1.000	1.505	1.000	1.151	58
	09/06-09/07	0	1.080	1.000	1.380	1.000	1.151	1
	09/07-09/08	38	1.172	1.000	1.264	1.000	1.151	64
OTA BALANCE	09/03-09/04	24	1.017	1.000	1.142	1.000	1.151	33
	09/04-09/05	18	1.035	1.000	1.119	1.000	1.151	25
	09/05-09/06	69	1.069	1.000	1.098	1.000	1.151	93
	09/06-09/07	4	1.155	1.000	1.076	1.000	1.151	5
	09/07-09/08	26	1.293	1.000	1.055	1.000	1.151	40

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Development of Current Rate Level Factors

Rate Changes

Effective Date	Residence	Dwelling Fire	OTA Balance
08/15/03	22.90%	22.90%	0.00%
09/28/04	14.20%	14.20%	0.00%
12/20/07	4.20%	14.00%	0.00%

Cumulative Rate Indices (1)

Effective Date	Residence	Dwelling Fire	OTA Balance
08/15/03	1.607	1.607	1.000
09/28/04	1.835	1.835	1.000
12/20/07	1.912	2.092	1.000

Average Rate Index (2)

Experience Period	Residence	Dwelling Fire	OTA Balance
09/03-09/04	1.493	1.493	1.000
09/04-09/05	1.723	1.723	1.000
09/05-09/06	1.835	1.835	1.000
09/06-09/07	1.835	1.835	1.000
09/07-09/08	1.859	1.914	1.000

Current Rate Level Factor (3)

Experience Period	Residence	Dwelling Fire	OTA Balance
09/03-09/04	1.281	1.402	1.000
09/04-09/05	1.110	1.214	1.000
09/05-09/06	1.042	1.140	1.000
09/06-09/07	1.042	1.140	1.000
09/07-09/08	1.029	1.093	1.000

- (1) Cumulative product of [1 + (Rate Change)]
 (2) Average rate level in experience period using parallelogram method and (1).
 (3) (Latest cumulative rate index) / (2)

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Development of Premium Trend Factors

	Selected Historical Premium Trend	Selected Prospective Premium Trend
Homeowners Annual Premium Trend Effect	0.0%	0.0%
Dwelling Fire Annual Premium Trend Effect	0.0%	0.0%

Homeowners

Experience Period	Historical Trend Period (1)	Historical # Of Years (2)	Prospective Trend Period (3)	Prospective # Of Years (4)	Homeowners Premium Trend Factor
09/03-09/04	04/04-04/08	4.0	04/08-12/10	2.7	$(1.000)^{4.0} * (1.000)^{2.7} = 1.000$
09/04-09/05	04/05-04/08	3.0	04/08-12/10	2.7	$(1.000)^{3.0} * (1.000)^{2.7} = 1.000$
09/05-09/06	04/06-04/08	2.0	04/08-12/10	2.7	$(1.000)^{2.0} * (1.000)^{2.7} = 1.000$
09/06-09/07	04/07-04/08	1.0	04/08-12/10	2.7	$(1.000)^{1.0} * (1.000)^{2.7} = 1.000$
09/07-09/08	04/08-04/08	0.0	04/08-12/10	2.7	$(1.000)^{0.0} * (1.000)^{2.7} = 1.000$

Dwelling Fire

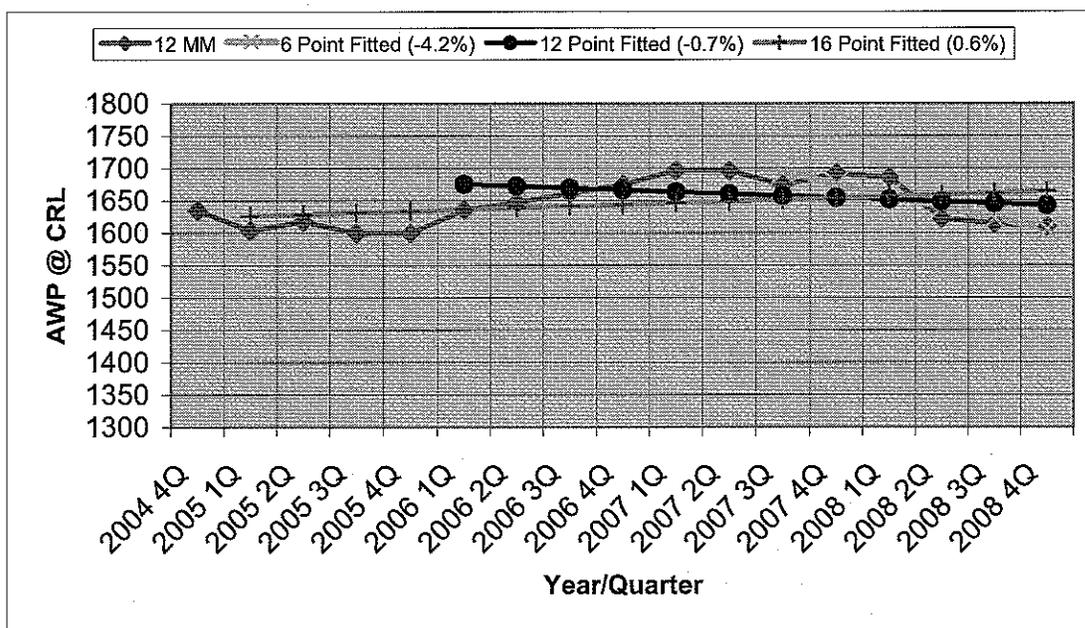
Experience Period	Historical Trend Period (1)	Historical # Of Years (2)	Prospective Trend Period (3)	Prospective # Of Years (4)	Dwelling Fire Premium Trend Factor
09/03-09/04	04/04-04/08	4.0	04/08-12/10	2.7	$(1.000)^{4.0} * (1.000)^{2.7} = 1.000$
09/04-09/05	04/05-04/08	3.0	04/08-12/10	2.7	$(1.000)^{3.0} * (1.000)^{2.7} = 1.000$
09/05-09/06	04/06-04/08	2.0	04/08-12/10	2.7	$(1.000)^{2.0} * (1.000)^{2.7} = 1.000$
09/06-09/07	04/07-04/08	1.0	04/08-12/10	2.7	$(1.000)^{1.0} * (1.000)^{2.7} = 1.000$
09/07-09/08	04/08-04/08	0.0	04/08-12/10	2.7	$(1.000)^{0.0} * (1.000)^{2.7} = 1.000$

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTOMOBILE**

Homeowners Premium Trend

Quarter	12 MM	6 Point Fitted	8 Point Fitted	12 Point Fitted	16 Point Fitted
2004 2Q					
2004 3Q					
2004 4Q	1635				
2005 1Q	1603				1,626
2005 2Q	1618				1,629
2005 3Q	1600				1,631
2005 4Q	1600				1,634
2006 1Q	1636			1,675	1,636
2006 2Q	1647			1,672	1,639
2006 3Q	1661			1,669	1,641
2006 4Q	1675			1,666	1,644
2007 1Q	1697		1,711	1,663	1,646
2007 2Q	1696		1,697	1,660	1,649
2007 3Q	1674	1,694	1,682	1,657	1,651
2007 4Q	1692	1,676	1,668	1,654	1,654
2008 1Q	1685	1,658	1,654	1,651	1,657
2008 2Q	1622	1,640	1,640	1,648	1,659
2008 3Q	1614	1,623	1,626	1,645	1,662
2008 4Q	1609	1,605	1,612	1,642	1,664

6 Point Fitted 8 Point Fitted 12 Point Fitted 16 Point Fitted
-4.2% -3.4% -0.7% 0.6%



**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Incurred Loss + ALAE Development Factors - Limited Homeowners

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 MONTHS	1,225	1,755	2,329	1,850	1,667	1,025	691	1,243	1,038	1,624
27 MONTHS	1,281	1,997	2,372	1,945	1,717	1,069	702	1,395	1,165	
39 MONTHS	1,298	2,021	2,431	1,917	1,718	1,070	699	1,396		
51 MONTHS	1,300	2,040	2,389	1,894	1,718	1,070	699			
63 MONTHS	1,300	2,069	2,390	1,894	1,718	1,070				
75 MONTHS	1,300	2,090	2,390	1,894	1,718					
87 MONTHS	1,300	2,090	2,390	1,894						
99 MONTHS	1,300	2,090	2,390							
111 MONTHS	1,300	2,090								
123 MONTHS	1,306									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 To 27	1.0461	1.1381	1.0187	1.0512	1.0300	1.0424	1.0153	1.1230	1.1220	
27 To 39	1.0128	1.0119	1.0246	0.9856	1.0007	1.0009	0.9955	1.0002		
39 To 51	1.0020	1.0094	0.9828	0.9877	1.0000	1.0003	1.0003			
51 To 63	1.0000	1.0143	1.0005	1.0004	1.0000	1.0000				
63 To 75	1.0000	1.0099	1.0000	1.0000	1.0000					
75 To 87	1.0000	1.0000	1.0000	1.0000						
87 To 99	1.0000	1.0000	1.0000							
99 To 111	1.0000	1.0000								
111 To 123	1.0041									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	5 Year Mean		Factor To
	Ex-HiLo	Selected	Ultimate
15 To 27	1.0648	1.0648	1.0648
27 To 39	0.9988	1.0000	1.0000
39 To 51	0.9960	1.0000	1.0000
51 To 63	1.0003	1.0000	1.0000
63 To 75	1.0000	1.0000	1.0000
75 To 87	1.0000	1.0000	1.0000
87 To 99	1.0000	1.0000	1.0000
99 To 111	1.0000	1.0000	1.0000
111 To 123	1.0041	1.0000	1.0000

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Incurred Loss + ALAE Development Factors - Dwelling Fire

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 MONTHS	13	77	33	16	109	28	208	275	103	118
27 MONTHS	15	78	48	16	112	28	213	274	105	
39 MONTHS	15	78	48	16	112	28	223	274		
51 MONTHS	15	78	48	16	112	28	223			
63 MONTHS	15	78	48	16	112	28				
75 MONTHS	15	78	48	16	112					
87 MONTHS	15	78	48	16						
99 MONTHS	15	78	48							
111 MONTHS	15	78								
123 MONTHS	15									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 To 27	1.1841	1.0134	1.4788	1.0000	1.0281	1.0000	1.0206	0.9980	1.0144	
27 To 39	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0507	1.0000		
39 To 51	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000			
51 To 63	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000				
63 To 75	1.0000	1.0000	1.0000	1.0000	1.0000					
75 To 87	1.0000	1.0000	1.0000	1.0000						
87 To 99	1.0000	1.0000	1.0000							
99 To 111	1.0000	1.0000								
111 To 123	1.0000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Country-wide		Factor To
	Selected	Selected	Ultimate
15 To 27	1.0848	1.0848	1.1717
27 To 39	1.0430	1.0430	1.0801
39 To 51	1.0183	1.0183	1.0355
51 To 63	1.0015	1.0015	1.0169
63 To 75	1.0121	1.0121	1.0153
75 To 87	1.0032	1.0032	1.0032
87 To 99	1.0000	1.0000	1.0000
99 To 111	1.0000	1.0000	1.0000
111 To 123	1.0000	1.0000	1.0000

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Incurred Loss + ALAE Development Factors - OTA (Ex Homeowners)

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 MONTHS	60	122	181	57	72	43	41	63	76	37
27 MONTHS	58	134	181	71	61	45	43	86	76	
39 MONTHS	58	134	181	71	61	45	41	92		
51 MONTHS	58	134	181	71	61	45	41			
63 MONTHS	58	134	181	71	61	45				
75 MONTHS	58	134	181	71	61					
87 MONTHS	58	134	181	71						
99 MONTHS	58	134	181							
111 MONTHS	58	134								
123 MONTHS	58									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 To 27	0.9522	1.0941	1.0000	1.2494	0.8581	1.0573	1.0488	1.3751	1.0000	
27 To 39	1.0000	1.0064	1.0000	1.0000	1.0000	1.0011	0.9534	1.0704		
39 To 51	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000			
51 To 63	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000				
63 To 75	1.0000	1.0000	1.0000	1.0000	1.0000					
75 To 87	1.0000	1.0000	1.0000	1.0000						
87 To 99	1.0000	1.0000	1.0000							
99 To 111	1.0000	1.0000								
111 To 123	1.0000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Country-wide		Factor To
	Selected	Selected	Ultimate
15 To 27	1.1200	1.1200	1.2934
27 To 39	1.0800	1.0800	1.1548
39 To 51	1.0329	1.0329	1.0692
51 To 63	1.0181	1.0181	1.0352
63 To 75	1.0168	1.0168	1.0168
75 To 87	1.0000	1.0000	1.0000
87 To 99	1.0000	1.0000	1.0000
99 To 111	1.0000	1.0000	1.0000
111 To 123	1.0000	1.0000	1.0000

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Incurred Loss + ALAE Development Factors - Unlimited Homeowners

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 MONTHS	1,225	1,791	2,511	1,871	1,684	2,094	841	1,274	1,655	1,931
27 MONTHS	1,281	2,043	2,550	1,966	1,734	2,093	852	1,432	2,144	
39 MONTHS	1,298	2,067	2,608	1,938	1,739	1,911	998	1,433		
51 MONTHS	1,300	2,086	2,567	1,915	1,739	1,911	998			
63 MONTHS	1,300	2,115	2,568	1,915	1,739	1,911				
75 MONTHS	1,300	2,136	2,568	1,915	1,739					
87 MONTHS	1,300	2,136	2,568	1,915						
99 MONTHS	1,300	2,136	2,568							
111 MONTHS	1,300	2,136								
123 MONTHS	1,306									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	4Q1998	4Q1999	4Q2000	4Q2001	4Q2002	4Q2003	4Q2004	4Q2005	4Q2006	4Q2007
	3Q1999	3Q2000	3Q2001	3Q2002	3Q2003	3Q2004	3Q2005	3Q2006	3Q2007	3Q2008
15 To 27	1.0461	1.1409	1.0154	1.0506	1.0297	0.9997	1.0126	1.1245	1.2953	
27 To 39	1.0128	1.0117	1.0229	0.9858	1.0030	0.9128	1.1714	1.0002		
39 To 51	1.0020	1.0092	0.9840	0.9878	1.0000	1.0002	1.0002			
51 To 63	1.0000	1.0139	1.0005	1.0004	1.0000	1.0000				
63 To 75	1.0000	1.0097	1.0000	1.0000	1.0000					
75 To 87	1.0000	1.0000	1.0000	1.0000						
87 To 99	1.0000	1.0000	1.0000							
99 To 111	1.0000	1.0000								
111 To 123	1.0041									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	5 Year Mean		Factor To
	Ex-HiLo	Selected	Ultimate
15 To 27	1.0556	1.0556	1.0556
27 To 39	0.9963	1.0000	1.0000
39 To 51	0.9960	1.0000	1.0000
51 To 63	1.0003	1.0000	1.0000
63 To 75	1.0000	1.0000	1.0000
75 To 87	1.0000	1.0000	1.0000
87 To 99	1.0000	1.0000	1.0000
99 To 111	1.0000	1.0000	1.0000
111 To 123	1.0041	1.0000	1.0000

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Excess Loss Factor

HOME

<u>Experience</u> <u>Period</u>	<u>Ultimate Total</u> <u>Ex-Cat Losses +</u> <u>ALAE</u>	<u>Ultimate Limited</u> <u>Ex-Cat Losses</u> <u>+ ALAE</u>	<u>Total / Limited</u>
09/98-09/99	1,306	1,306	1.00
09/99-09/00	2,136	2,090	1.02
09/00-09/01	2,568	2,390	1.07
09/01-09/02	1,915	1,894	1.01
09/02-09/03	1,739	1,718	1.01
09/03-09/04	1,911	1,070	1.79
09/04-09/05	998	699	1.43
09/05-09/06	1,433	1,396	1.03
09/06-09/07	2,144	1,165	1.84
09/07-09/08	2,039	1,729	1.18
	Weighted Average		1.18
	Straight Average		1.24
	Selected		1.21

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Loss Trend Factors - Property (All Forms Ex DF)

Quarters	PAID FREQUENCY		ANNUAL CHANGE		PAID SEVERITY (Closed with pay)		ANNUAL CHANGE	
	Encompass	Fast Track	Encompass	Fast Track	Encompass	Fast Track	Encompass	Fast Track
	Ending							
4Q_2003	0.09410	0.06260			6,050	4,467		
1Q_2004	0.09300	0.05830			5,099	4,489		
2Q_2004	0.08690	0.05530			7,692	4,590		
3Q_2004	0.07530	0.05140			7,931	4,597		
4Q_2004	0.07310	0.05050	-22.3%	-19.3%	7,944	4,725	31.3%	5.8%
1Q_2005	0.06750	0.04990	-27.4%	-14.4%	8,174	5,011	60.3%	11.6%
2Q_2005	0.06630	0.04970	-23.7%	-10.1%	4,741	5,135	-38.4%	11.9%
3Q_2005	0.05150	0.04910	-31.6%	-4.5%	5,496	5,300	-30.7%	15.3%
4Q_2005	0.04850	0.04920	-33.7%	-2.6%	8,483	5,622	6.8%	19.0%
1Q_2006	0.05780	0.05010	-14.4%	0.4%	7,799	5,678	-4.6%	13.3%
2Q_2006	0.06240	0.05200	-5.9%	4.6%	7,519	5,778	58.6%	12.5%
3Q_2006	0.07940	0.05250	54.2%	6.9%	7,448	5,761	35.5%	8.7%
4Q_2006	0.08270	0.05140	70.5%	4.5%	5,572	5,898	-34.3%	4.9%
1Q_2007	0.07610	0.05180	31.7%	3.4%	5,875	5,980	-24.7%	5.3%
2Q_2007	0.06900	0.04950	10.6%	-4.8%	7,196	6,121	-4.3%	5.9%
3Q_2007	0.05650	0.04820	-28.8%	-8.2%	7,186	6,441	-3.5%	11.8%
4Q_2007	0.05750	0.04840	-30.5%	-5.8%	14,231	6,425	155.4%	8.9%
1Q_2008	0.06470	0.04870	-15.0%	-6.0%	13,059	6,470	122.3%	8.2%
2Q_2008	0.09040	0.05200	31.0%	5.1%	11,437	6,649	58.9%	8.6%
3Q_2008	0.09580	0.05490	69.6%	13.9%	11,424	6,741	59.0%	4.7%
4Q_2008	0.09640		67.7%		9,605		-32.5%	

Fitted Line 1	15pt Exp Trend	13.4%	0.9%	15pt Exp Trend	23.9%	8.5%
Fitted Line 2	8pt Exp Trend	25.8%	2.1%	8pt Exp Trend	40.0%	8.1%

SELECTED HISTORICAL ANNUAL TREND	1.0%	8.0%
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SELECTED PROSPECTIVE ANNUAL TREND	1.0%	8.0%
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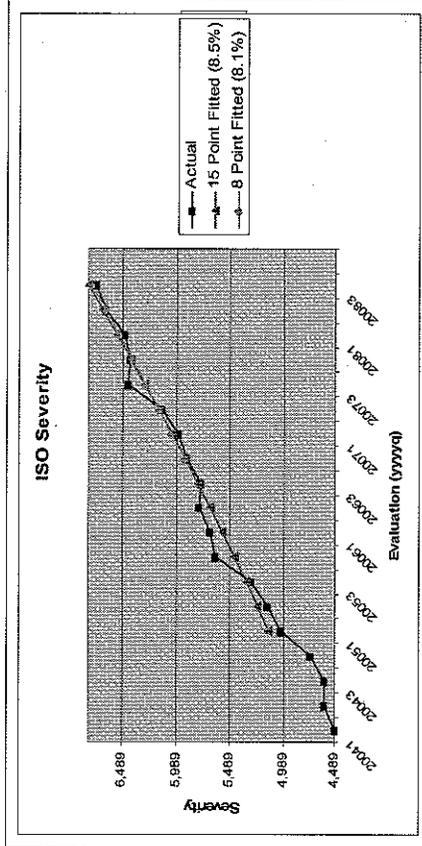
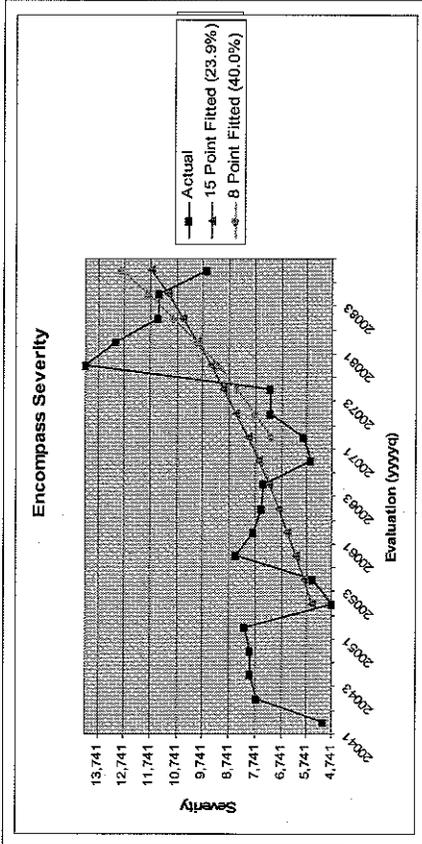
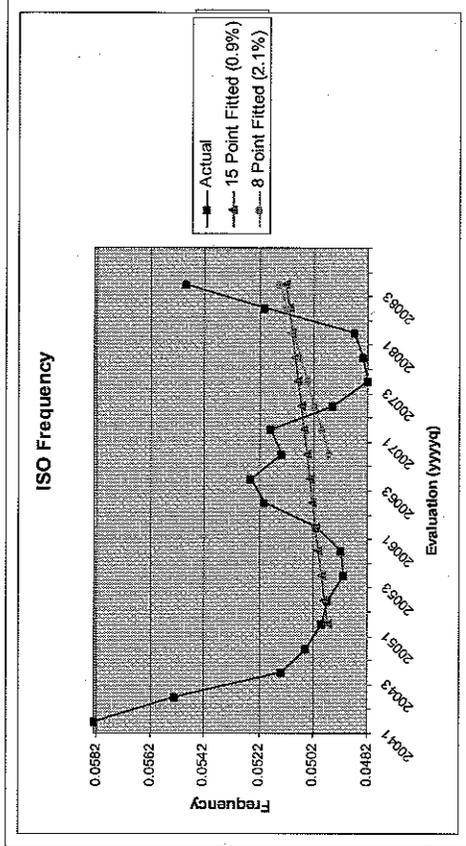
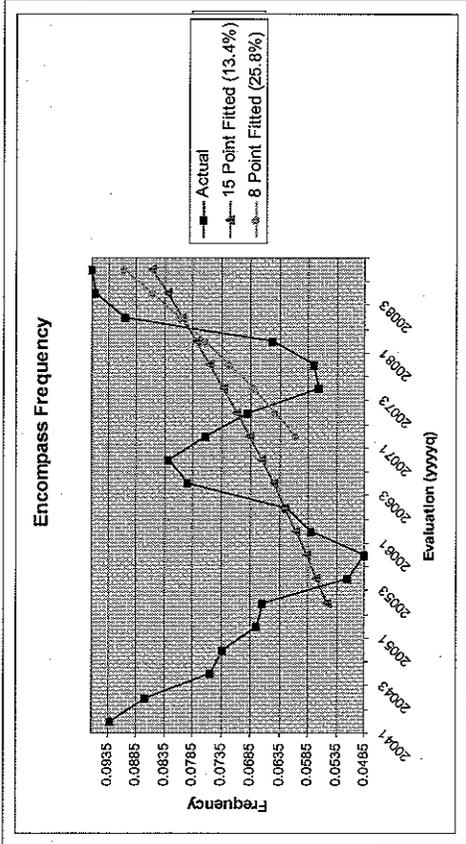
Experience Period	Historical Trend Period (1)	Historical # Of Years (2)	Prospective Trend Period (3)	Prospective # Of Years (4)	Frequency Trend Factor (5)	Severity Trend Factor (6)
09/03-09/04	04/04-04/08	4.0	04/08-12/10	2.7	$(1.010)^{4.0} * (1.010)^{2.7} = 1.069$	$(1.080)^{4.0} * (1.080)^{2.7} = 1.675$
09/04-09/05	04/05-04/08	3.0	04/08-12/10	2.7	$(1.010)^{3.0} * (1.010)^{2.7} = 1.058$	$(1.080)^{3.0} * (1.080)^{2.7} = 1.551$
09/05-09/06	04/06-04/08	2.0	04/08-12/10	2.7	$(1.010)^{2.0} * (1.010)^{2.7} = 1.048$	$(1.080)^{2.0} * (1.080)^{2.7} = 1.436$
09/06-09/07	04/07-04/08	1.0	04/08-12/10	2.7	$(1.010)^{1.0} * (1.010)^{2.7} = 1.038$	$(1.080)^{1.0} * (1.080)^{2.7} = 1.329$
09/07-09/08	04/08-04/08	0.0	04/08-12/10	2.7	$(1.010)^{0.0} * (1.010)^{2.7} = 1.027$	$(1.080)^{0.0} * (1.080)^{2.7} = 1.231$

Experience Period	RLI Loss Trend Factor (7)
09/03-09/04	1.791
09/04-09/05	1.641
09/05-09/06	1.505
09/06-09/07	1.380
09/07-09/08	1.264

- (1) Midpoint of experience period to midpoint of latest historical period.
- (2) # of years.
- (3) Midpoint of latest historical period to 1 year beyond effective date of 10/22/09.
- (4) # of years.
- (5) $(1 + \text{Historical Trend})^{(2)} * (1 + \text{Prospective Trend})^{(4)}$
- (6) $(1 + \text{Historical Trend})^{(2)} * (1 + \text{Prospective Trend})^{(4)}$
- (7) (5) * (6)

ENCOMPASS INSURANCE GROUP
 ARKANSAS
 OTHER THAN AUTOMOBILE

Loss Trend Graphs - Property (All Forms Ex DF)



ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE

Non-Modeled Catastrophe Factor

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Accident Year	Ex-Cat Incurred Loss + ALAE	Catastrophe Incurred Loss + ALAE	State Catastrophe Factor	Countrywide Catastrophe Factor	Relativities	<u>Relativities Adjusted For Cap Of 4.956</u>
1988	1,579,834	37,017	0.023	0.096	0.240	0.240
1989	1,849,550	1,388,113	0.751	0.279	2.692	2.692
1990	1,008,317	351,471	0.349	0.205	1.702	1.702
1991	1,454,400	205,277	0.141	0.189	0.746	0.746
1992	903,216	26,211	0.029	0.271	0.107	0.107
1993	1,189,006	23,921	0.020	0.279	0.072	0.072
1994	802,038	63,772	0.080	0.402	0.199	0.199
1995	1,538,192	139,265	0.091	0.208	0.438	0.438
1996	1,616,672	1,135,401	0.702	0.578	1.215	1.215
1997	2,167,364	942,430	0.435	0.187	2.326	2.326
1998	1,309,819	287,000	0.219	0.637	0.344	0.344
1999	1,627,244	2,635,052	1.619	0.300	5.397	2.692 **
2000	2,353,497	1,081,439	0.460	0.311	1.479	1.479
2001	2,474,959	46,576	0.019	0.240	0.079	0.079
2002	1,920,755	192,122	0.100	0.183	0.546	0.546
2003	1,337,002	423,086	0.316	0.236	1.339	1.339
2004	2,092,108	77,354	0.037	0.197	0.188	0.188
2005	872,261	0	0.000	0.119	0.000	0.000
2006	1,164,890	447,240	0.384	0.234	1.641	1.641
2007	1,890,537	40,190	0.021	0.112	0.188	0.188
(8) Average Relativity					1.047	0.912
(9) Standard Deviation					1.303	0.909
(10) Credibility						0.840
(11) Credibility Weighted Relativity						0.926
(12) Relativity Balanced to Countrywide						0.940
(13) Countrywide Selected Catastrophe Factor						0.257
(14) OTHER THAN AUTOMOBILE Catastrophe Factor						0.242

** Relativity has been capped

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTOMOBILE**

Expenses

<u>Item</u>	<u>Dollars</u>
(1) Avg Direct Premiums Earned*	685,997,998
(2) Avg Incurred Loss*	291,346,571
(3) Avg General Expenses*	60,507,145
(4) Avg Other Acquisition*	1,926,765
(5) Avg Unallocated Claim Expense*	43,996,416

<u>Item</u>	<u>Percentage</u>
(6) General Expenses***	8.8%
(7) Other Acquisition ***	0.3%
(8) Unallocated Claim Expense****	15.1%
(9) Permissible Loss Ratio*****	69.0%
(10) Selected Permissible Loss Ratio	70.0%

Notes

- * Average of 2005, 2006 and 2007
- ** Excludes Hagerty Agency and Involuntary Business.
- *** Ratio to Premium
- **** Ratio to Incurred Loss
- (4) Other Acquisition includes: Marketing, MVR ordering costs, Special Funds and Assessments, Writeoffs and Payment Fees (which are a contra-expense).

ENCOMPASS INSURANCE
Arkansas
Other than Automobile

Adjusted Fixed Expense Calculation

	(1)	(2)	(3)	(4)	(5) = (1)*[1+(2)]^(3)/(4)
Coverage	Fixed Expense	Fixed Expense Trend	Loss Trend Period	Premium Adjustment Factor	Adjusted Fixed Expense
Homeowners	9.1%	2.9%	2.7	1.029	9.6%
Dwelling Fire	9.1%	2.9%	2.7	1.090	9.0%
OTA Balance	9.1%	2.9%	2.7	1.000	9.8%

(4) = Adjusted Earned Premium (\$) / Actual Earned Premium (\$)

ENCOMPASS INSURANCE
Arkansas
Other than Automobile

Discounted Cash Flow

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 1.95%*
force of interest, given an Operating Profit of 7.62%
and twelve-month Policy Terms

<u>Years From Start of Policy Year</u>	<u>Countrywide Cumulative Percent of Losses Paid</u>	<u>Countrywide Yearly Percent of Losses Paid</u>	<u>Time from Start of Policy Year</u>	<u>Discounted ** to avg time of profit @ 1.95%</u>	<u>Discounted Payments</u>
1	23.7%	23.7%	0.72	1.0055	23.79%
2	79.5%	55.8%	1.44	0.9915	55.36%
3	91.4%	11.9%	2.43	0.9724	11.61%
4	95.6%	4.2%	3.50	0.9525	3.96%
5	97.6%	2.0%	4.44	0.9351	1.89%
Subsequent	100.0%	2.4%	7.00	0.8896	2.11%
Total		100.0%			98.72%
Expected Losses and Loss Expense Ratio					60.94%
Present Value of Loss and Loss Expense Payments					60.16%
Taxes, Licenses and Fees		2.8%	0.65	1.0068	2.81%
Commissions		15.4%	0.58	1.0082	15.54%
Other Acquisition		0.3%	0.63	1.0072	0.30%
General Expense		8.8%	0.75	1.0049	8.84%
Contingency Provision		1.0%	1.00	1.0000	1.00%
Debt Provision		1.2%	1.00	1.0000	1.24%
Profit		9.5%	1.00	1.0000	9.52%
Total Present Value of Outgo					99.41%
Premiums		100.0%	0.57	1.0084	100.84%
Difference, Present Value of Income Less Present Value of Outgo					1.43%

*Discount rate from Investments Department forecast

**exp (0.0195 x (timing of profit being earned - timing of cash flow))

ENCOMPASS INSURANCE
Arkansas
Other than Automobile

Permissible Loss + LAE Ratio

	(1)	(2)	(3)	(4)	(5)	(6)	(7) = 1 - [(1) + (2) + (3) + (4) + (5)]
Coverage	Taxes	Commissions	Profit	Debt Provision	DOI- Requested Contingency	Encompass Selected Contingency	Permissible Loss & LAE Ratio
OTA	2.8%	15.4%	9.5%	1.2%	1.0%	2.0%	70.0%

**ENCOMPASS INSURANCE GROUP
ARKANSAS
OTHER THAN AUTO**

Contingency Factor Support

Based on Allstate Insurance Company Data
Accident years 1996 - 2003

Total estimated loss from unexpected events:	\$388,265,584
Total countrywide ex-cat accident year losses:	\$14,082,669,021
Indicated contingency provision as percentage of ex-cat loss:	2.80%
Indicated contingency provision as percentage of total loss:	2.10%
Indicated contingency provision adjusted for expenses:	1.90%
Encompass-Selected contingency provision:	2.00%
DOI-Requested Selected contingency provision:	1.00%

**ENCOMPASS INSURANCE
ARKANSAS
OTHER THAN AUTO**

Segment Factor Support

Based on Encompass Group Data
Accident Year Data 4Q2003-3Q2008

	(1) Total Ex-CAT Developed Incurred Losses	(2) Total Ex-CAT Paid ALAE	(3) Total Premium @ CRL	(4)=[(1)+(2)]/(3) Total Loss Ratio	(5) Loss Ratio Relativity to Package	(6)=(5)-1 Indicated Percent Change	(7) Selected Percent Change	(8) Current Factor	(9) Proposed Factor
Package	\$ 3,563,228	\$ 169,474	\$ 15,019,448	24.9%	1.00	0.0%	0.0%	1.00	1.00
Segment	\$ 1,312,384	\$ 68,499	\$ 4,825,350	28.6%	1.15	15.1%	6.4%	1.25	1.33

ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTO

Loss Data by Territory

Based on Encompass Insurance Company of America Data
Accident Year 4Q2003-3Q2008

Territory	(1)		(2)		(3)=(1)/(2)		(5)=(4)/(4- Total) Loss Ratio Relativity to Total
	Total Ex-CAT Limited Developed Incurred Losses		Total Premium @ CRL		Total Loss Ratio		
30	\$ 580,181		\$ 3,819,529		15.2%		0.79
31	\$ 41,393		\$ 221,176		18.7%		0.97
32	\$ 82,758		\$ 550,485		15.0%		0.78
36	\$ 86,528		\$ 852,645		10.1%		0.53
39	\$ 136,254		\$ 1,092,790		12.5%		0.65
40	\$ 328,193		\$ 2,249,264		14.6%		0.76
41	\$ 80,840		\$ 352,264		22.9%		1.19
44	\$ 29,840		\$ 42,291		70.6%		3.67
60	\$ 66,972		\$ 501,248		13.4%		0.70
61	\$ 127,798		\$ 404,964		31.6%		1.64
62	\$ 250,447		\$ 604,494		41.4%		2.16
63	\$ 5,734		\$ 66,913		8.6%		0.45
64	\$ -		\$ 16,183		0.0%		0.00
65	\$ 1,092		\$ 486,236		0.2%		0.01
66	\$ 44,402		\$ 252,006		17.6%		0.92
67	\$ -		\$ 1,109		0.0%		0.00
68	\$ 7,151		\$ 194,069		3.7%		0.19
71	\$ -		\$ 52,082		0.0%		0.00
72	\$ 297,247		\$ 1,221,817		24.3%		1.27
100	\$ 413,881		\$ 365,118		113.4%		5.90
101	\$ 7,930		\$ 131,134		6.0%		0.31
Grand Total	\$ 2,588,641		\$ 13,477,818		19.2%		1.00

**ENCOMPASS INSURANCE COMPANY OF AMERICA
ARKANSAS
OTHER THAN AUTO**

Overall Impact by Territory

The impacts below represent the average rate change for each territory resulting from all of the changes associated with this filing.

Territory Code	Rate Impact
30	9.6%
31	13.2%
32	8.6%
36	7.2%
39	8.7%
40	7.4%
41	7.3%
44	14.2%
60	9.6%
61	7.6%
62	9.7%
63	7.0%
64	6.9%
65	8.0%
66	12.4%
68	9.6%
71	7.5%
72	7.8%
100	8.7%
101	7.3%
Total	8.6%