

SERFF Tracking Number: LBPM-126936137 State: Arkansas  
Filing Company: Liberty Mutual Fire Insurance Company State Tracking Number: EFT \$100  
Company Tracking Number: AR DF SR 02 11  
TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)  
Product Name: DF  
Project Name/Number: Premium Deviation Revision/AR DF SR 02 11

## Filing at a Glance

Company: Liberty Mutual Fire Insurance Company

Product Name: DF SERFF Tr Num: LBPM-126936137 State: Arkansas  
TOI: 01.0 Property SERFF Status: Closed-Filed State Tr Num: EFT \$100  
Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines) Co Tr Num: AR DF SR 02 11 State Status: Fees verified and received  
Filing Type: Rate Reviewer(s): Becky Harrington, Nancy Horton  
Author: Victoria Yee Disposition Date: 01/05/2011  
Date Submitted: 12/22/2010 Disposition Status: Filed  
Effective Date Requested (New): 02/24/2011 Effective Date (New): 02/24/2011  
Effective Date Requested (Renewal): 04/17/2011 Effective Date (Renewal): 04/17/2011

State Filing Description:

## General Information

Project Name: Premium Deviation Revision

Project Number: AR DF SR 02 11

Reference Organization:

Reference Title:

Filing Status Changed: 01/05/2011

State Status Changed: 01/03/2011

Created By: Victoria Yee

Corresponding Filing Tracking Number:

Filing Description:

In accordance with "file & use" provision, Liberty Mutual would like to revise the current dwelling policy loss cost multiplier from 1.879 to 2.065 for both dwelling and contents.

Status of Filing in Domicile: Not Filed

Domicile Status Comments: LMFIC is domiciled in WI

Reference Number:

Advisory Org. Circular:

Deemer Date:

Submitted By: Victoria Yee

## Company and Contact

### Filing Contact Information

Victoria Yee, Industry Filing Analyst

Victoria.Yee@LibertyMutual.com

SERFF Tracking Number: LBPM-126936137 State: Arkansas  
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Product Name: DF  
 Project Name/Number: Premium Deviation Revision/AR DF SR 02 11

175 Berkeley Street 800-225-8346 [Phone] 47161 [Ext]  
 Mailstop 04G/H 617-654-3452 [FAX]  
 Boston, MA 02116

**Filing Company Information**

Liberty Mutual Fire Insurance Company CoCode: 23035 State of Domicile: Wisconsin  
 175 Berkeley Street Group Code: 111 Company Type:  
 Boston, MA 02116 Group Name: State ID Number:  
 (800) 225-8346 ext. [Phone] FEIN Number: 04-1924000

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**Filing Fees**

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Liberty Mutual Fire Insurance Company	\$100.00	12/22/2010	43168987

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	01/05/2011	01/05/2011

### 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	01/03/2011	01/03/2011	Victoria Yee	01/04/2011	01/04/2011

SERFF Tracking Number: *LBPM-126936137* State: *Arkansas*  
 Filing Company: *Liberty Mutual Fire Insurance Company* State Tracking Number: *EFT \$100*  
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 Product Name: *DF*  
 Project Name/Number: *Premium Deviation Revision/AR DF SR 02 11*

## Disposition

Disposition Date: 01/05/2011  
 Effective Date (New): 02/24/2011  
 Effective Date (Renewal): 04/17/2011  
 Status: Filed  
 Comment:

<b>Company Name:</b>	<b>Overall % Indicated Change:</b>	<b>Overall % Rate Impact:</b>	<b>Written Premium Change for this Program:</b>	<b># of Policy Holders Affected for this Program:</b>	<b>Written Premium for this Program:</b>	<b>Maximum % Change (where required):</b>	<b>Minimum % Change (where required):</b>
Liberty Mutual Fire Insurance Company	9.800%	9.800%	\$14,377	149	\$146,216	10.200%	0.000%

SERFF Tracking Number: LBPM-126936137 State: Arkansas  
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Schedule	Schedule Item	Schedule Item Status	Public Access
<b>Supporting Document (revised)</b>	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	Yes
<b>Supporting Document</b>	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines		Yes
<b>Supporting Document</b>	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
<b>Supporting Document</b>	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
<b>Supporting Document</b>	Cover Letter	Filed	Yes
<b>Supporting Document (revised)</b>	Actuarial Justification	Filed	Yes
<b>Supporting Document</b>	Actuarial Justification		Yes
<b>Rate</b>	Premium Deviation Page	Filed	Yes

SERFF Tracking Number: LBPM-126936137 State: Arkansas  
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## Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 01/03/2011

Submitted Date 01/03/2011

Respond By Date

Dear Victoria Yee,

This will acknowledge receipt of the captioned filing.

Objection 1

- Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines (Supporting Document)

Comment: The rate change effective 4/16/10 is not shown on the RF-1. Please revise.

Objection 2

- Actuarial Justification (Supporting Document)

Comment: The indications do not appear to include the most recent rate increase. Please revise.

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

SERFF Tracking Number: LBPM-126936137 State: Arkansas  
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TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)  
Product Name: DF  
Project Name/Number: Premium Deviation Revision/AR DF SR 02 11

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 01/04/2011  
Submitted Date 01/04/2011

Dear Becky Harrington,

### Comments:

Thank you for your review of this filing.

### Response 1

Comments: We only showed five years from 2004 to 2009, because 2010 data wasn't available. Upon your request, RF-1 Loss Cost document has been updated with the 4/16/10 rate change.

#### Related Objection 1

Applies To:

- Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines (Supporting Document)

Comment:

The rate change effective 4/16/10 is not shown on the RF-1. Please revise.

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

### Response 2

Comments: The 4/16/2010 rate increase is now added to the rate change history exhibit in section II-C. Please note this rate change has already been accounted for in the premium on-level process, therefore has no impact to the indication.

#### Related Objection 1

Applies To:

SERFF Tracking Number: LBPM-126936137 State: Arkansas  
Filing Company: Liberty Mutual Fire Insurance Company State Tracking Number: EFT \$100  
Company Tracking Number: AR DF SR 02 11  
TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)

Product Name: DF  
Project Name/Number: Premium Deviation Revision/AR DF SR 02 11

- Actuarial Justification (Supporting Document)

Comment:

The indications do not appear to include the most recent rate increase. Please revise.

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: Actuarial Justification

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Please do not hesitate to contact me if you have any additional questions or concerns.

Sincerely,  
Victoria Yee

SERFF Tracking Number: *LBPM-126936137* State: *Arkansas*  
 Filing Company: *Liberty Mutual Fire Insurance Company* State Tracking Number: *EFT \$100*  
 Company Tracking Number: *AR DF SR 02 11*  
 TOI: *01.0 Property* Sub-TOI: *01.0002 Personal Property (Fire and Allied Lines)*  
 Product Name: *DF*  
 Project Name/Number: *Premium Deviation Revision/AR DF SR 02 11*

**Rate Information**

Rate data applies to filing.

**Filing Method:** File & Use  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** 15.000%  
**Effective Date of Last Rate Revision:** 04/15/2010  
**Filing Method of Last Filing:** File & Use

**Company Rate Information**

Company Name:	Company Rate Change:	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):
Liberty Mutual Fire Insurance Company	N/A	9.800%	9.800%	\$14,377	149	\$146,216	10.200%	0.000%

SERFF Tracking Number: *LBPM-126936137* State: *Arkansas*  
 Filing Company: *Liberty Mutual Fire Insurance Company* State Tracking Number: *EFT \$100*  
 Company Tracking Number: *AR DF SR 02 11*  
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 Product Name: *DF*  
 Project Name/Number: *Premium Deviation Revision/AR DF SR 02 11*

## Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
Filed 01/05/2011	Premium Deviation Page	LM-1	Replacement	LBPM-126378545 AR LM-1 Clean.pdf

**LIBERTY MUTUAL FIRE INSURANCE COMPANY**  
**DWELLING POLICY PROGRAM**  
**LIBERTY MUTUAL FIRE INSURANCE COMPANY**  
**PREMIUM DEVIATION PAGE**

The Premium Deviation of +106.5% (2.065) is applicable to Forms DP 00 01, DP 00 02 and DP 00 03.

A +106.5% deviation (2.065 rating factor) is to be applied separately to the premium computation for these coverages when applicable.

- |   |                         |
|---|-------------------------|
| 1. Fire building                                  | 7. VMM building         |
| 2. Fire other structure                           | 8. VMM other structures |
| 3. Fire contents                                  | 9. VMM contents         |
| 4. Extended, Broad and Special buildings          | 10. Broad Form theft    |
| 5. Extended, Broad and Special structures – other | 11. Limited Form theft  |
| 6. Extended and Broad contents                    | 12. Personal liability  |

**Arkansas**  
**LM-1**

**Effective: February 24, 2011**

SERFF Tracking Number: LBPM-126936137 State: Arkansas  
 Filing Company: Liberty Mutual Fire Insurance Company State Tracking Number: EFT \$100  
 Company Tracking Number: AR DF SR 02 11  
 TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)  
 Product Name: DF  
 Project Name/Number: Premium Deviation Revision/AR DF SR 02 11

## Supporting Document Schedules

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	01/05/2011

**Comments:**

**Attachment:**

Form RF-1 Loss Cost r1.pdf

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> HPCS-Homeowners Premium Comparison Survey	Filed	01/05/2011

**Comments:**

**Attachments:**

AR HPCS HO Premium Comparison.pdf  
 AR HPCS HO Premium Comparison.xls

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> Cover Letter	Filed	01/05/2011

**Comments:**

**Attachment:**

AR DF Cvr Letter.pdf

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> Actuarial Justification	Filed	01/05/2011

**Comments:**

**Attachment:**

AR DF Actuarial Justification r2.pdf

### NAIC LOSS COST DATA ENTRY DOCUMENT

<b>1.</b>	This filing transmittal is part of Company Tracking #	AR DF SR 02 11
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<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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	Company Name	Company NAIC Number
<b>3. A.</b>	Liberty Mutual Fire Insurance Company	<b>B.</b> 0111-23035

	Product Coding Matrix Line of Business (i.e., Type of Insurance)	Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
<b>4. A.</b>	01.0 Property	<b>B.</b> 01.0002 Personal Property (Fire and Allied Lines)

<b>5.</b>		FOR LOSS COSTS ONLY					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
COVERAGE (See Instructions)	Indicated % Rate Level Change	Requested % Rate Level Change	Expected Loss Ratio	Loss Cost Modification Factor	Selected Loss Cost Multiplier	Expense Constant (If Applicable)	Co. Current Loss Cost Multiplier
Dwelling Fire	9.8%	9.8%					
TOTAL OVERALL EFFECT	9.8%	9.8%					

<b>6.</b>	5 Year History	Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2005	213			96,098	3,060	3.2%	97.0%
2006	208	49.5%	8/14/06	103,410	33,681	32.6%	66.6%
2007	188			124,474	391,477	314.5%	63.0%
2008	177			132,788	152,291	114.7%	80.0%
2009	164	15.0%	04/15/09	130,651	141,141	108.0%	66.0%
2010		15.0%	04/16/10				

<b>7.</b>		
	Expense Constants	Selected Provisions
	A. Total Production Expense	22.3%
	B. General Expense	0.0%
	C. Taxes, License & Fees	3.6%
	D. Underwriting Profit & Contingencies	15.7%
	E. Other (explain)	0.0%
	F. TOTAL	41.6%

- 8.**   N   Apply Lost Cost Factors to Future filings? (Y or N)
- 9.**        Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 10.2%
- 10.**        Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): 0.0%

NAIC Number: 111-23035  
 Company Name: Liberty Mutual Fire Insurance Company  
 Contact Person: Victoria Yee  
 Telephone No.: (800) 225-8346x47161  
 Email Address: Victoria.yee@libertymutual.com  
 Effective Date: 24-Feb-10

**Homeowners Premium Comparison Survey Form  
 FORM HPCS - 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																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

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

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00
	\$120,000	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00
	\$160,000	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00
6	\$80,000	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00	\$768.00	\$910.00
	\$120,000	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00	\$1,038.00	\$1,226.00
	\$160,000	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00	\$1,309.00	\$1,544.00
9	\$80,000	\$1,056.00	\$1,375.00	\$1,056.00	\$1,375.00	\$1,056.00	\$1,375.00	\$1,056.00	\$1,375.00	\$1,056.00	\$1,375.00	\$1,056.00	\$1,375.00	\$1,056.00	\$1,375.00	\$1,056.00	\$1,375.00	\$1,056.00	\$1,375.00
	\$120,000	\$1,420.00	\$1,843.00	\$1,420.00	\$1,843.00	\$1,420.00	\$1,843.00	\$1,420.00	\$1,843.00	\$1,420.00	\$1,843.00	\$1,420.00	\$1,843.00	\$1,420.00	\$1,843.00	\$1,420.00	\$1,843.00	\$1,420.00	\$1,843.00
	\$160,000	\$1,784.00	\$2,311.00	\$1,784.00	\$2,311.00	\$1,784.00	\$2,311.00	\$1,784.00	\$2,311.00	\$1,784.00	\$2,311.00	\$1,784.00	\$2,311.00	\$1,784.00	\$2,311.00	\$1,784.00	\$2,311.00	\$1,784.00	\$2,311.00

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

**HO3 and HO4 only**

Fire Extinguisher	<input type="text"/>	%	Deadbolt Lock	<input type="text"/>	%
Burglar Alarm	<input type="text"/>	%	Window Locks	<input type="text"/>	%
Smoke Alarm	<input type="text"/>	%	\$1,000 Deductible	<input type="text"/>	%
	Other (specify)		<input type="text"/>	<input type="text"/>	%
	Maximum Credit Allowed		<input type="text"/>	<input type="text"/>	%

**EARTHQUAKE INSURANCE**

**IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this cov**  
 ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?  (yes or no)  
 WHAT IS YOUR PERCENTAGE DEDUCTIBLE?  %  
 Zone  
 Highest Risk \$  \$   
 Lowest Risk \$  \$



**Liberty Mutual Group**  
175 Berkeley Street  
Mailstop 04G/H  
Boston, MA 02116  
Telephone: (800) 225-8346  
Facsimile: (617) 654-3452

VIA SERFF

December 7, 2010

Honorable Jay Bradford  
Arkansas Insurance Department  
Property & Casualty Division  
1200 W 3<sup>rd</sup> Street  
Little Rock, AR 72201-1904

RE: **Premium Deviation Revision**  
**Dwelling Fire Policy Program**  
**Company Tracking No. AR DF SR 02 11**  
**Liberty Mutual Fire Insurance Company 111-23035**

Dear Commissioner Bradford:

In accordance with the “file and use” provision, Liberty Mutual Fire Insurance Company is revising its Dwelling Fire Rating Manual. Revisions are applicable to all new business policies produced on or after **February 24, 2011** and all renewal policies effective on or after **April 17, 2011**.

**Summary of Changes**  
**DWELLING FORMS (DP-1, DP-2, DP-3)**

**1. Revise the current dwelling policy loss cost multiplier from 1.879 to 2.065 for both dwelling and contents. This factor applies to following coverages when applicable:**

Fire building	VMM building
Fire other structure	VMM other structure
Fire contents	VMM contents
Extended, Broad & Special buildings	Broad Form theft
Extended, Broad & Special other structures	Limited Form theft
Extended & Broad contents	Personal liability

The current and proposed deviation factors are detailed below:

**Current Factors**

	<b>Coverage A</b>	<b>Coverage B</b>	<b>Coverage C</b>
Fire	1.879	1.879	1.879
Extended	1.879	1.879	1.879
Special	1.879	1.879	--
Broad	1.879	1.879	1.879
Vandalism	1.879	1.879	1.879

**Proposed Factors**

	<b>Coverage A</b>	<b>Coverage B</b>	<b>Coverage C</b>
Fire	2.065	2.065	2.065
Extended	2.065	2.065	2.065
Special	2.065	2.065	--
Broad	2.065	2.065	2.065
Vandalism	2.065	2.065	2.065

**Rating Manual Changes**

Arkansas LM-1

**Rate Effect**

There is a 9.8% rate increase associated with this revision

**Filing Information**

Applicable filing information and revised manual pages have been uploaded in SERFF. If you have any questions, please do not hesitate to contact me at (800) 225-8346x47161, fax (617) 654-3452 or by email at [Victoria.Yee@LibertyMutual.com](mailto:Victoria.Yee@LibertyMutual.com).

Sincerely,



Victoria Yee  
Industry Filings Specialist  
Industry & Regulatory Relations

**Liberty Mutual Group  
Arkansas Dwelling Fire Rate Filing- Actuarial Justification**

**Table of Contents**

Section I	Summary of Rate Filing
Section II	Dwelling Fire and Allied Lines Calendar/Accident Year Rate Level Indications
Section III	Profit Provision and Investment Income Analysis

## **I. Summary of Rate Filing**

The overall rate change proposed in the filing is +9.8%. The proposed effective date for these changes is February 24, 2011 for new business and April 17, 2011 for renewal business. The premium effect of the proposed change of increasing the deviation factor from 1.879 to 2.065 is estimated to be \$14,377.

### **Past and Prospective Experience**

Arkansas Calendar/Accident Year data for the five-year period ending December 31, 2009 is used in determining our overall rate level needed. The rate level indication is +9.8%. Our Fire & Allied Lines data used to develop the indication is 11% credible. The calculation of the indication is explained, and supporting data provided, in Section II.

### **Expenses**

The expense provision used in the indication is based on the 2010 planned expense for Southwest Region for Homeowners in Liberty Mutual.

### **Reasonable Profit Margin**

Our margin of 15.7% for profit and contingencies is calculated and explained in Section III. This margin is calculated to allow a return on surplus of 15.0%, with a 1.25:1 premium-to-surplus model.

## II. Rate Indication and Supporting Data

Liberty Mutual's rate level indication for Arkansas is calculated from five years of historical premium and loss experience, with adjustments made for loss and premium, including adjustments to smooth the effects of catastrophe losses. The attached exhibits explain how the historical data is developed and adjusted to project premium and loss levels for the proposed effective period and to determine the indicated rate change. Exhibit II-A summarizes the calculation of the rate-level indication and displays each item incorporated into the calculation. Exhibits II-B through II-H provide further detail on specific calculations and projections.

Below is a description of each item contributing to the rate-level indication (as summarized in Exhibit II-A), including an explanation of the modifications made to the reported data to project future experience:

The attached exhibits display Liberty Mutual's historical Fire & Allied Lines data and develop it to projected experience level of the future. On the basis of this projected experience, an indicated rate level change is calculated. Below is a description of the modifications made to the reported data to achieve our indication.

- 1a. Reported Earned Premium – The direct earned premiums for the latest five calendar years are listed.
- 1b. Earned Exposures - The earned exposures for the latest five calendar years are listed.
- 2a. On Level Factors – These factors represent the adjustment to Reported Earned Premium to place the experience on the current rate level. They are determined using the parallelogram method and the state's rate change history. The rate changes incorporated in this calculation, and the factors developed, are presented in Exhibit II-C.
- 2b. Premium Trend Factors – These factors are developed to reflect changes in the amount of coverage selected by the insured. The calculation of the actual factors involves regression analysis on a state-specific basis of the latest five calendar years of average earned premium at current rate level. The supporting data for this projection is presented in Exhibit II-B.
3. Earned Premium at Current Level – These result from multiplying the Reported Earned Premium (1a) with the On Level Factors (2a) and the Premium Trend Factors (2b).
4. Total Incurred Loss - These are the statewide total reported losses for the five accident years ending December 31, 2009, evaluated as of December 31, 2009.
5. X-Cat X-Severe Storm Incurred Loss - To recognize the erratic nature of unusual catastrophe events and to provide stability in the ratemaking process, incurred catastrophic and severe storm losses are removed from Total Incurred Losses (4) to produce X-cat X-Severe Storm Incurred Losses.
6. Loss Development Factor – x-Cat x-Severe Storm Incurred Losses are developed to their ultimate value by use of loss development factors. Our selected factors are based on an analysis of accident year losses evaluated at common ages and the patterns exhibited as

incurred losses change from their initial valuation to final settlement. The factors selected and the supporting data are presented in Exhibit II-D.

7. Loss Trend Factors – Using Liberty Mutual and Industry Homeowners “Fast Track” loss data for Arkansas, an annual rate of change (trend) in expected loss costs is determined. The Loss Trend Factors measure the effect of inflation on past claim costs. The factors are indexed from the average date of loss in the accident year to the average accident date in the latest experience period (7/1/2009). The factors selected and the supporting data and calculations are presented in Exhibit II-E.
8. Adjusted Normal Losses – x-Cat x-Severe Storm Incurred losses are multiplied by the appropriate loss development factor and loss trend factor.

Note: At this point in the rate indication process, the loss data have been adjusted to remove catastrophic loss activity and developed to their ultimate level. Premiums and losses have also been trended to the present time and will now be projected into the period during which the proposed rates will become effective.

- 8a. Loss Complement - The Countrywide x-Cat x-Severe Storm Pure Premium excluding Florida Fire and Allied Lines of \$285 multiplied by Earned Exposures (1a).
- 8b. Credibility Adjusted Normal Loss – Adjusted Normal Loss (8) multiplied by Credibility (18) plus one minus Credibility multiplied by Loss Complement (8a).
9. Loss Ratio Weights - These weights are used to combine the adjusted loss ratios of each year in the experience period into a single representative loss ratio. Equal weights are applied to all years.
10. Adjusted Normal Loss Ratio - This is the Credibility Adjusted Normal Losses (8b) divided by the Earned Premium at Current Level (3) for each calendar/accident year separately.
11. Weighted Normal Loss Ratio - This is the result of multiplying each year's Adjusted Normal Loss Ratio by its respective weight and adding the products.
12. Factor for Non-Hurricane Non-Severe Storm Catastrophes - This provision is for any expected catastrophic activity that is not hurricane or severe storm related. The expected Non-Hurricane Non-Severe Storm loss per \$1000 of amount of insurance factor is selected based upon 17 years of Liberty Mutual Fire and Allied Lines historical non-hurricane non-severe storm catastrophe experience in the state of Arkansas. The calculation of this provision, along with supporting data, is presented in Exhibit II-F.
- 12a. Provision for Hurricane Losses - This provision is for any expected catastrophic activity that is hurricane related. The expected Hurricane loss per \$1000 of amount of insurance factor is selected based on 17 years of Liberty Mutual Fire and Allied Lines historical hurricane catastrophe experience in the state of Arkansas. The provision is the ratio of Liberty's hurricane average annual loss to the most recent year's earned premium at current level. The calculation of this provision, along with the supporting data, is presented in Exhibit II-F.

- 12b. Provision for Severe Storm Losses – This provision is for any expected catastrophic activity that is severe storm related. The expected Severe Storm loss per \$1000 of amount of insurance factor is selected based on 17 years of Liberty Mutual Fire and Allied Lines historical severe storm catastrophe experience in the state of Arkansas. The provision is the ratio of Liberty's severe storm average annual loss to the most recent year's earned premium at current level. The calculation of this provision, along with the supporting data, is presented in Exhibit II-F.
13. Premium Projection Factor - This factor adjusts premium to the coverage levels expected to be purchased by our customers in the time periods when the proposed rates will be in effect. The calculation of this factor is presented with the calculation of the historical premium trend factors in Exhibit II-B.
14. Loss Projection Factor - The Loss Projection Factor is used to project losses from the average accident date of the latest experience period (July 1, 2009) to an average accident date of one year beyond the proposed effective date of the rate revision (February 24, 2012). The calculation of this factor is presented with the calculation of the historical loss trend factors in Exhibit II-E.
15. Loss Ratio Projection Factor - This factor is the ratio of the Loss Projection Factor (14) and the Premium Projection Factor (13) calculated above.
16. Loss Adjustment Expense Factor - To include Loss Adjustment Expense (LAE), a factor is calculated based upon the most recent three years of LAE to loss ratios for the Southwest region.
17. House-Years in Experience Period - This is the total number of earned house-years where one house-year is defined to be one house insured for 12 months.
18. Credibility - Credibility is a measure of the confidence assigned to a particular body of data for ratemaking purposes. Full credibility is defined to be 75,000 earned house-years. In this step, credibility to be assigned to the company's non-hurricane non-severe storm loss experience is calculated. The calculation of this credibility standard is presented in Exhibit II-H.
19. Projected Non-hurricane Non-Severe Storm Loss and LAE Ratio - In this step, the experience period Normal Loss Ratio is adjusted for LAE and expected Non-Hurricane Non-Severe Storm Catastrophic activity. Then, this ratio is projected to its future level by applying the Loss Ratio Projection Factor. For the expected Non-Hurricane Non-Severe Storm Catastrophic activity, since AOI is already projected into the future, the loss projection portion of the loss ratio trend is backed out so as not to double count losses.
20. Projected Total Loss and LAE Ratio - The Provisions for Non-Hurricane, Non-Severe Storm Cat, Hurricane, and Severe Storm Losses are projected to the future level and adjusted for LAE. This ratio is added to the projected x-CAT Loss and LAE Ratio to obtain the Projected Total Loss and LAE Ratio.
21. Fixed Provision for Acquisition and General Expense - The expense covers policy issuance,

sales staffing, and other administrative functions. Based on an internal expense analysis, 71% of Acquisition and General Expenses are fixed. The supporting expense data is presented in Exhibit II-G.

- 21a. Variable Provision for Acquisition and General Expense – These items vary directly with premium. The supporting expense data is presented in Exhibit II-G.
- 21b. Provision for Reinsurance Cost – The total reinsurance cost to Liberty Mutual for Fire and Allied Lines was allocated to each state based on the state’s participation in all direct losses above \$550 million. \$550 million is Liberty Mutual's corporate reinsurance treaty attachment point.
- 21c. Provision for Taxes, Licenses, Fees, and Profit & Contingency - These items vary directly with premium.
- 22. Permissible Loss and LAE & Expense Ratio - From unity, item (21a) and (21c) are subtracted.
- 23. Indicated Rate Change - The Projected Total Loss & LAE, Fixed Expense Ratio and Provision for Reinsurance Expense are added together and divided by the Permissible Loss, LAE and Expense Ratio.
- 24. Selected Rate Change

**Exhibit II-A: Arkansas Dwelling Fire Rate Level Indication**

Liberty Mutual Group  
Arkansas  
Fire and Allied  
Indicated Rate Level Change  
Evaluated as of 12/31/2009

Proposed  
Effective date:  
**2/24/2011**

(1)	(1a)	(1b)	(2a)	(2b)	(3)	(4)	(5)	
Accident	Year	Earned	Earned	On-Level	Prem Trend	E/P	Total	xCat xSS
Year	Ending	Premium	Exposures	Factor	Factor	at Current	Incurred	Incurred
	Ending					Level	Loss	Loss
12/31/2005		96,098	213	1.977	1.074	204,053	3,060	1,237
12/31/2006		103,410	208	1.896	1.055	206,820	33,681	27,413
12/31/2007		124,474	188	1.402	1.036	180,789	391,477	388,442
12/31/2008		132,788	177	1.323	1.018	178,773	152,291	75,653
<b>12/31/2009</b>		<b>130,651</b>	<b>164</b>	<b>1.274</b>	<b>1.000</b>	<b>166,405</b>	<b>141,141</b>	<b>96,120</b>
Total		587,421	949			936,839	721,651	588,865

  

(6)	(7)	(8)	(8a)	(8b)	(9)	(10)		
Accident	Year	Loss	Adjusted	Complement	Cred. Adj.	Adjusted		
Year	Ending	Development	Normal	CW PP =	Normal	Normal		
	Ending	Factor	Loss	285*Exposure	Loss	Loss Ratio		
	Ending	Factor	Loss	Weights	Loss Ratio	Loss Ratio		
12/31/2005		1.000	1.749	2,163	60,634	54,058	0.2	26.5%
12/31/2006		1.000	1.521	41,706	59,156	57,194	0.2	27.7%
12/31/2007		1.006	1.323	516,964	53,438	105,571	0.2	58.4%
12/31/2008		1.013	1.150	88,110	50,389	54,632	0.2	30.6%
<b>12/31/2009</b>		<b>1.080</b>	<b>1.000</b>	<b>103,839</b>	<b>46,768</b>	<b>53,187</b>	<b>0.2</b>	<b>32.0%</b>
Total				752,783	270,386	324,642		

  

11) Weighted Normal Loss Ratio	0.350
12) Factor for Non-hurricane Catastrophes	0.015
12a) Provision for Hurricane Losses	0.000
12b) Provision for Severe Storm Losses	0.070
13) Premium Projection Factor	1.048
14) Loss Projection Factor	1.448
15) Loss Ratio Projection Factor	1.381
16) Loss Adjustment Expense Factor	1.163
17) House Years in Experience Period	949
18) Credibility = Square root of [(17)/75,000] (max = 1.0)	11%
19) Projected Non-hurricane Loss & LAE Ratio: [(11)*(15)+(12)/(13)]*(10)	0.579
20) Projected Total Loss & LAE Ratio: (19)+[(12a)+(12b)]*(16)/(13)	0.657
21) Fixed Provision for Acquisition & General Expense	0.159
21a) Variable Provision for Acquisition & General Expense	0.065
21b) Provision for Reinsurance Cost	0.000
21c) Provision for Tax, Licenses, Fees, Profit & Contingency	0.193
22) Permissible Loss and LAE, and Expense [1.0 - (21a) - (21c)]	0.743
23) Indicated Rate Change $\{[(20)+(21)+(22)]/(24)\} - 1.0$	<b>9.8%</b>
24) Selected Rate Change	<b>9.8%</b>

**Exhibit II-B: Determination of Premium Trend and Premium Projection Factor**

To reflect changes in the amounts of coverage purchased by our policyholders over time, the premium trend factors have been developed. These factors reflect any changes in the average on-leveled earned premium including the increasing amounts of insurance purchased due to inflation, shifts towards higher deductibles, changes in territory mix, etc. The premium trend factor for each year is the ratio of the projected average on-leveled premium in the last year of the experience to the average on-leveled premium in a given year.

To project premium to the average earned day after the proposed effective date, the premium projection factor is applied. This factor is developed based upon a review of Liberty Mutual Dwelling Fire data and is equal to 1.048.

**Development of Premium Trend Factors**

Annual Premium Trend = +1.8%  
Final Day of Experience Period = 12/31/2009

Calendar Year Ending	Avg Earned Date			
		4.0		
12/31/05	07/01/05	1.018	=	1.074
		3.0		
12/31/06	07/01/06	1.018	=	1.055
		2.0		
12/31/07	07/01/07	1.018	=	1.036
		1.0		
12/31/08	07/01/08	1.018	=	1.018
		0.0		
12/31/09	07/01/09	1.018	=	1.000

**Calculation of Premium Projection Factor**

1) Annual Premium Trend Based on Liberty Data	1.8%
2) Average Earned Date of Last Year of Experience Period	07/01/09
3) Effective Date for Proposed Rates	02/24/11
4) Average Earned Date Under Proposed Rates	02/24/12
5) Number of Months Between (2) And (4)	31.8
6) Premium Projection Factor	

$$\{1\}^{31.8/12} = 1.048$$

**Exhibit II-C: Development of Current Rate Factor**

Current Rate Factors have been calculated based upon Liberty Mutual's historical rate changes in Arkansas. They are applied to Reported Earned Premiums to bring the earned premiums to what they would have been had they been written at today's rate. The Current Rate Factors are determined using the parallelogram method.

Rate Changes Not Fully Reflected In Earned Premium

<u>Date</u>	<u>Rate Change</u>
08/02/06	49.5%
04/15/09	15.0%
04/15/10	15.0%

On Level Factors Calculated Based On Rate Changes Above

<u>Period</u> <u>Ending</u>	<u>On-Level</u> <u>Factors</u>
12/31/2005	1.977
12/31/2006	1.896
12/31/2007	1.402
12/31/2008	1.323
12/31/2009	1.274

**Exhibit II-D: Loss Development**

We have calculated loss development factors based upon Liberty Mutual's countrywide experience for Fire and Allied Lines. Catastrophe and severe storm losses are excluded. We have selected the following ultimate factors based on this experience.

<u>Age as of December 31, 2009</u>	<u>Development Factor</u>
12 months	1.080
24 months	1.013
36 months	1.006
48 months	1.000
60 months	1.000

The Countrywide loss development triangle from which the above factors were selected is provided on the following page.

**Countrywide Fire and Allied Lines**  
**Loss Development Excluding Catastrophes and Severe Storms**

Accident Year Ending	12	24	36	48	60	72	84	96	108	120	132	144
JAN98 - DEC98	7,760,214	8,007,866	8,093,201	7,956,890	7,939,863	7,922,356	7,964,504	7,962,536	7,970,386	7,970,386	7,970,386	7,970,386
JAN99 - DEC99	7,595,161	8,017,700	8,076,580	7,982,066	7,966,010	7,951,526	7,928,327	7,926,358	7,926,358	7,927,435	7,927,435	
JAN00 - DEC00	10,181,578	10,685,623	11,000,823	11,042,216	11,151,880	11,588,972	11,449,624	11,453,624	11,453,624	11,257,302		
JAN01 - DEC01	10,145,419	10,336,651	10,340,058	10,197,367	10,202,392	10,202,392	10,193,309	10,182,275	10,182,029			
JAN02 - DEC02	9,630,480	10,075,054	10,272,847	10,452,839	10,209,151	10,126,195	10,134,206	10,094,633				
JAN03 - DEC03	10,545,484	10,685,271	11,026,251	11,045,674	11,061,479	11,012,210	11,007,210					
JAN04 - DEC04	14,290,892	15,519,657	15,313,137	15,067,579	15,131,249	15,152,730						
JAN05 - DEC05	19,141,430	21,253,150	21,113,436	21,643,459	21,625,468							
JAN06 - DEC06	21,826,492	23,030,736	23,656,264	23,622,985								
JAN07 - DEC07	25,048,268	25,648,407	25,611,312									
JAN08 - DEC08	29,427,689	31,163,410										
JAN09 - DEC09	34,692,338											

Accident Year Ending	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120
JAN99 - DEC99	1.056	1.007	0.988	0.998	0.998	0.997	1.000	1.000	1.000	1.000
JAN00 - DEC00	1.050	1.029	1.004	1.010	1.039	0.988	1.000	1.000	1.000	
JAN01 - DEC01	1.019	1.000	0.986	1.000	1.000	0.999	0.999	1.000		
JAN02 - DEC02	1.046	1.020	1.018	0.977	0.992	1.001	0.996			
JAN03 - DEC03	1.013	1.032	1.002	1.001	0.996	1.000				
JAN04 - DEC04	1.086	0.987	0.984	1.004	1.001					
JAN05 - DEC05	1.110	0.993	1.025	0.999						
JAN06 - DEC06	1.055	1.027	0.999							
JAN07 - DEC07	1.024	0.999								
JAN08 - DEC08	1.059									
Avg 5 ex. High/Low	1.067	1.006	1.006	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cum	1.080	1.013	1.006	1.000	1.000	1.000	1.000	1.000	1.000	1.000

**Exhibit II-E: Development of Loss Trend Factors**

Loss trend factors reflect the effects of inflation on past claim costs. Liberty Mutual uses an annual loss trend of +15.0% to trend losses from the average date of loss in the accident year to the average accident date in the latest experience period (7/1/2009). This trend is based upon a review of least squares fitted trend lines to the last five years of Liberty Mutual’s Homeowners Fast Track loss data for Arkansas. A loss trend of +15.0% was used to project losses from the average accident date in the latest experience period to the average accident date of one year beyond the proposed effective date.

**Calculation of Loss Trend Factors**

Annual Loss Trend = +15.0%  
 Final Day of Experience Period = 12/31/2009

Accident Year Ending	Avg Accident Date			
			4.0	
12/31/05	07/01/05	1.150	=	1.749
			3.0	
12/31/06	07/01/06	1.150	=	1.521
			2.0	
12/31/07	07/01/07	1.150	=	1.323
			1.0	
12/31/08	07/01/08	1.150	=	1.150
			0.0	
12/31/09	07/01/09	1.150	=	1.000

**Calculation of Loss Projection Factor**

- 1) Annual Loss Trend Based on Liberty Data 15.0%
- 2) Average Accident Date of Last Year of Experience Period 07/01/09
- 3) Effective Date for Proposed Rates 02/24/11
- 4) Average Accident Date Under Proposed Rates 02/24/12
- 5) Number of Months Between (2) And (4) 31.8
- 6) Loss Projection Factor

$$\frac{15.0\%}{\left\{ \frac{31.8}{12} \right\}} = 1.448$$

The Homeowners Fast Track data used in selecting the loss trends is provided on the following page.

## HOMEOWNERS FAST TRACK TREND DATA (xCat)

Liberty Mutual Arkansas Dwelling Forms

Prior 4 Qtrs.		Dwelling (Forms 1-3 & 5)		
Ending Year	Qtr.	Paid Severity	Paid Freq.	Paid Pure Premium
2006	2	8,268	6.04	499.45
2006	3	10,228	5.86	599.53
2006	4	10,662	5.35	570.54
2007	1	7,160	5.43	388.99
2007	2	7,584	5.38	407.90
2007	3	8,140	5.00	406.67
2007	4	9,481	4.90	464.61
2008	1	10,379	5.08	527.45
2008	2	10,547	4.88	515.08
2008	3	12,037	4.66	561.09
2008	4	10,828	4.87	527.67
2009	1	12,800	4.81	616.24
2009	2	12,827	5.15	661.04
2009	3	8,337	7.43	619.58
2009	4	8,381	8.72	731.17
2010	1	8,096	8.59	695.81
2010	2	8,909	8.22	732.37
2-Yr (5 pts)		-26.17	53.99	13.70
3-Yr (9 pts)		-17.06	44.46	19.81
4-Yr (13 pts)		0.53	21.46	22.10
5-Yr (17 pts)		2.13	9.51	11.84

Industry Arkansas Dwelling Forms

Prior 4 Qtrs.		Dwelling (Forms 1-3 & 5)		
Ending Year	Qtr.	Paid Severity	Paid Freq.	Paid Pure Premium
2006	2	5,811	5.43	315.71
2006	3	5,820	5.48	319.07
2006	4	5,994	5.37	321.80
2007	1	6,093	5.44	331.75
2007	2	6,278	5.20	326.60
2007	3	6,611	5.05	333.92
2007	4	6,609	5.07	334.80
2008	1	6,657	5.09	338.68
2008	2	6,826	5.46	373.03
2008	3	6,943	5.77	400.94
2008	4	7,465	5.83	434.93
2009	1	7,576	6.14	465.02
2009	2	7,965	6.14	489.06
2009	3	8,202	6.62	542.66
2009	4	7,946	6.92	550.15
2010	1	8,000	6.99	558.93
2010	2	8,240	6.97	574.07
2-Yr (5 pts)		1.73	13.07	15.03
3-Yr (9 pts)		9.65	13.98	24.99
4-Yr (13 pts)		10.02	13.36	24.72
5-Yr (17 pts)		10.13	7.99	18.93

Selected Historical Trend: 15.0%Selected Projected Trend: 15.0%

**Exhibit II-F: Catastrophe Analysis**

Because of the low frequency and high severity nature of catastrophes, catastrophe losses could significantly impact the financial results of an insurer from one year to another. To properly reflect the catastrophe hazard, it is appropriate to eliminate actual catastrophe losses from the experience period and to include a catastrophe provision in the rates which represents expected catastrophic loss.

The following summarized the analysis incorporated in Liberty Mutual's catastrophe provision for Arkansas. The projected loss costs below are all based on Arkansas' specific catastrophe loss experience.

**Provision for Non Hurricane, Non-Severe Storm Catastrophes**

1) Annual AOI Trend	1.045
2) Average Earned Date of Last Year of Experience Period	7/1/2009
3) Effective Date for Proposed Rates	02/24/11
4) Average Earned Date Under Proposed Rates	02/24/12
5) Number of Years Between (2) And (4)	2.65
6) AOI Projection Factor = (1)^(5)	1.124
7) Calendar Year Ending 12/31/2009 Earned AOI (000s)	15,506
8) Projected Earned AOI = (6) * (7)	17,426
9) Expected Non-Hurricane Non-Severe Storm Cat Loss Per \$1000 AOI	0.139
10) Projected Expected Non-Hurricane Non-Severe Storm Cat Losses = (8)	2,427
11) Calendar Year Ending 12/31/2009 Earned Premium	166,405
12) Provision for Ex. Hurr, Ex. Sev. Storm Cat Losses = (10) / (11)	1.5%

\*The table below displays the supporting data for item 9, Liberty Mutual's loss costs per \$1000 Amount of Insurance. This loss cost is calculated from Liberty Mutual's historical losses due to

catastrophes other than hurricanes and severe storms for Arkansas over the 17-year period ending 12/31/2009.

**Arkansas Historical Catastrophe Losses per \$1000 AOI**  
**(Excluding Hurricanes and Severe Storms)**

Liberty Mutual Group  
Arkansas  
Fire and Allied  
Historical CAT Loads  
Accident Years Ending December 1993 - 2009

Accident Year	Total Inc'd Loss	Incurred CAT Loss	Severe Storm CAT Loss	Hurricane Loss	AOI/1000	Non Hurricane Catload	Severe Storm Catload
	(1)	(2)	(3)	(4)	(5)	$(6) = ((2) - (3) - (4)) / (5)$	$(7) = (3) / (5)$
Dec-93	2,003	0	0	0	2,816	0.000	0.000
Dec-94	4,233	0	0	0	3,523	0.000	0.000
Dec-95	2,838	0	0	0	4,054	0.000	0.000
Dec-96	3,376	1,889	1,889	0	4,768	0.000	0.396
Dec-97	6,883	6,432	6,432	0	5,883	0.000	1.093
Dec-98	10,674	0	0	0	7,235	0.000	0.000
Dec-99	34,880	33,253	33,253	0	7,942	0.000	4.187
Dec-00	82,117	1,698	1,698	0	7,569	0.000	0.224
Dec-01	189,277	0	0	0	8,028	0.000	0.000
Dec-02	108,149	0	0	0	9,296	0.000	0.000
Dec-03	11,513	0	0	0	10,422	0.000	0.000
Dec-04	13,287	0	0	0	13,203	0.000	0.000
Dec-05	3,060	0	0	0	17,574	0.000	0.000
Dec-06	33,681	4,574	4,574	0	18,684	0.000	0.245
Dec-07	391,477	0	0	0	17,320	0.000	0.000
Dec-08	152,291	70,221	55,845	0	16,722	0.860	3.340
Dec-09	141,141	20,407	11,032	0	15,506	0.605	0.711
Total	\$1,190,883	\$138,475	\$114,724	\$0	\$170,542	0.139	0.673

Selected Non Hurricane Non Severe Storm Catload	0.139
Selected Severe Storm Catload	0.673

**Provision for Severe Storm Loss**

1) Annual AOI Trend	1.045
2) Average Earned Date of Last Year of Experience Period	7/1/2009
3) Effective Date for Proposed Rates	02/24/11
4) Average Earned Date Under Proposed Rates	02/24/12
5) Number of Years Between (2) And (4)	2.50
6) AOI Projection Factor = $(1)^{(5)}$	1.124
7) Calendar Year Ending 12/31/2009 Earned AOI (000s)	15,506
8) Projected Earned AOI = $(6) * (7)$	17,426
9) Expected Severe Storm Loss Per \$1000 AOI	0.673
10) Projected Expected Severe Storm Losses = $(8) * (9)$	11,722
11) Calendar Year Ending 12/31/2009 Earned Premium	166,405
12) Provision for Severe Storm Losses = $(10) / (11)$	7.0%

Note: The loss cost per \$1000 Amount of Insurance is estimated from Liberty Mutual's historical losses due to severe storms for Arkansas over the 17-year period ending 12/31/2009.

Provision for Hurricane Loss

1) Annual AOI Trend	1.045
2) Average Earned Date of Last Year of Experience Period	7/1/2009
3) Effective Date for Proposed Rates	02/24/11
4) Average Earned Date Under Proposed Rates	02/24/12
5) Number of Years Between (2) And (4)	2.65
6) AOI Projection Factor = $(1)^{(5)}$	1.124
7) Calendar Year Ending 12/31/2009 Earned AOI (000s)	15,506
8) Projected Earned AOI = $(6) * (7)$	17,426
9) Expected Hurricane Cat Loss Per \$1000 AOI	0.000
10) Projected Expected Hurricane Cat Losses = $(8) * (9)$	0
11) Calendar Year Ending 12/31/2009 Earned Premium	166,405
12) Provision for Hurricane Cat Losses = $(10) / (11)$	0.0%

Note: The loss cost per \$1000 Amount of Insurance is estimated from Liberty Mutual's historical losses due to hurricanes for Arkansas over the 17-year period ending 12/31/2009.

**Exhibit II-G: Expense Data**

The table below summarizes Liberty Mutual's expense data for Arkansas based on Southwest regional data for Homeowner. The expense data below serves as the basis for all of the expense provisions in the rate-level indication.

Liberty Mutual Group  
Fire and Allied  
Arkansas

Expense Provision -- Regional Data						
Item	Historical				Planned	Selected
	2007	2008	2009	Average	2010	
Expenses Based on Losses						<b>3 Yr. Avg.</b>
ALAE	\$1,632,356	-\$91,706	\$3,586,420	\$1,709,023	\$3,386,890	\$1,709,023
ULAE	\$16,953,576	\$22,066,325	\$21,138,682	\$20,052,861	\$20,163,850	\$20,052,861
Incurred Loss	-\$29,911,909	\$298,568,327	\$131,487,250	\$133,381,223	\$122,841,102	\$133,381,223
LAE / Loss	-62.1%	7.4%	18.8%	16.3%	19.2%	16.3%
LAE / Earned Premium	10.6%	11.6%	11.8%	11.4%	10.2%	11.4%
Expenses Based on Earned Premium						<b>Planned</b>
General Expense	\$38,863,668	\$45,190,744	\$45,806,165	\$43,286,859	\$51,398,343	\$51,398,343
Earned Premium	\$175,410,083	\$189,552,804	\$209,617,761	\$191,526,883	\$230,043,664	\$230,043,664
Total General Ratio	22.2%	23.8%	21.9%	22.6%	22.3%	22.3%
Fixed General					15.9%	15.9%
Variable General					6.5%	6.5%
Expenses Based on Written Premium						
Premium Tax (State Specific, Latest Year)					3.6%	3.6%
Contingency					1.0%	1.0%
Profit					14.7%	14.7%
(General + LAE) / Earned Premium	32.8%	35.4%	33.6%	33.9%	32.6%	33.7%
Total Expense Ratio (excl. LAE)					41.6%	41.6%
Permissible Loss + LAE Ratio					58.4%	<b>58.4%</b>

**Exhibit II-H: Credibility Standard**

For Dwelling Fire and Allied Lines, Liberty Mutual uses a full credibility standard of 75,000 earned house-years based on Homeowners data.

This standard is based upon the intent to have 99.5% confidence that the calculated value is within 5.0% of the true value of the statistic. According to Longley-Cook's 1962 PCAS paper, 3,163 claims are needed.

To translate this into an exposure standard, we reviewed our countrywide claim frequency figures excluding catastrophic claims for Dwelling Forms. For the last five years, they show:

2003	4.9 claims/100 house-years
2004	4.2 claims/100 house-years
2005	3.9 claims/100 house-years
2006	3.8 claims/100 house-years
2007	3.6 claims/100 house-years

5 year mean of frequencies:

4.1 claims/100 house-years

Dividing the claims necessary for full credibility by the experience claim frequency produces the house-years full standard.

$$\frac{3,163}{0.041} = 77,552$$

For convenience sake, a full credibility standard of 75,000 house-years was used.

### III. Profit Provision

As the Liberty Mutual Group is organized under a mutual holding company system, our company has limited recourse to stock market capitalization to generate needed surplus funds, unlike a publicly-traded insurance company or an insurance company with a publicly-traded parent. Any increase in surplus for a mutual company must come from (1) underwriting profit, (2) investment income, (3) realized capital gains or (4) unrealized capital gains. In the following analysis, Liberty Mutual selects a provision for underwriting profit which will ensure that anticipated income from all sources produces net income after taxes that is commensurate with the risk assumed in the business of property/casualty insurance. Furthermore, this provision ensures that projected changes in policyholder surplus are sufficiently similar (in direction and magnitude) to changes in premium accounts so that confidence in the Companies' financial integrity can be maintained.

Exhibit III-A, Table 1 shows a history of calendar year rates of return for investment income expressed as a percentage of mean invested assets. The primary source is interest, dividends, and real estate income shown in Column (3). Based on the current market yield, it is reasonable to anticipate before tax rates of 4.20% from interest, dividends, and real estate income during the time rates are effective. Historically, realized capital gains have contributed very little to earnings. For the prospective period, we have selected 0.6%, which is the average return of the last five years. After federal income taxes, the total anticipated rate of return is 3.60% of invested assets.

Exhibit III-B, Table 1 presents the investment income derived from unearned premium reserves. The model uses historical information, modified for the current tax rate. This income is separated into two categories. First, there are premium finance charges (Table 1, Line 10) collected by allowing policyholders to pay their premiums in installments over the 12-month policy term. Line 3 is the corresponding portion of the unearned premium reserve representing the premium which is being financed by the company. Second, there is the remaining reserve, after prepaid expense and taxes, (Line 7) which develops income based on the anticipated rate of return.

Exhibit III-C, Table 1 applies the rate of return to mean loss and loss adjustment expense reserves. These exhibits relate investment income to premium earned. Exhibit III-D provides pertinent expense data. Exhibit III-E deals with the calculation of federal income taxes applicable to unearned premium and loss reserves.

We have determined that, related to surplus, 15.0% is an appropriate and fair rate of return for property-casualty insurers in comparison with other industries, given the variability in the overall return. The profit provision of 14.7% is derived using an iterative method to yield the appropriate rate of return.

Income from all of the above sources is combined with our selected underwriting profit provisions in the following 1.25:1 premium-to-surplus model:

Let Premium = \$100; Surplus = \$80

1) Investment Income on Unearned Premium Reserves \$100 x (Exhibit III-B, Table 1, Item 12)	\$1.17
2) Investment Income on Loss Reserves \$100 x (Exhibit III-C, Table 1, Item 5)	\$0.75
3) Investment Income on Surplus \$80 x (Exhibit III-A, Table 1, Column 7)	\$2.88
4) Underwriting Income After Tax \$100 x (1-.35) x Profit Provision (Exhibit III-D, Item 5 + Item 6)	\$10.21
5) Total Expected Return [1]+[2]+[3]+[4]	\$15.01
6) Expected Return on Surplus [5]/\$80 x 100%	18.8%
7) GAAP Adjusted Return [6]/GAAP Adj. Factor (Exhibit III-F, Item 6)	15.0%

The end product of our selected underwriting profit provision is an anticipated 15.0% GAAP adjusted return on surplus.

**Exhibit III-A: Effective Rate of Return on Investable Assets**

Table 1: Historical Investments Returns 1986-2008

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Calendar Year	Mean Invested Assets (a)	Net Investment Income (b)	Net Inv. Inc. % of (2)	Net Realized Capital Gains (c)	Net Realized Cap. Gains % of (2)	Total Return
1986	8,118,335,491	638,231,286	7.9	306,142,812	3.8	
1987	9,808,729,009	733,126,525	7.5	117,222,704	1.2	
1988	11,272,895,755	868,278,838	7.7	34,851,447	0.3	
1989	12,415,308,080	965,013,926	7.8	45,991,686	0.4	
1990	13,727,246,565	1,040,182,466	7.6	43,141,539	0.3	
1991	14,085,608,244	1,084,863,706	7.7	16,195,685	0.1	
1992	14,872,603,927	1,078,372,300	7.3	356,556,819	2.4	
1993	15,380,644,905	1,019,000,685	6.6	192,575,284	1.3	
1994	15,728,080,374	1,000,703,107	6.4	42,091,361	0.3	
1995	16,644,320,729	1,004,243,423	6.4	58,061,803	0.3	
1996	17,754,458,149	1,024,976,627	5.8	80,172,253	0.5	
1997	19,051,878,513	1,049,458,975	5.5	112,763,515	0.6	
1998	20,008,196,638	1,114,613,916	5.6	199,016,656	1.0	
1999	21,692,869,206	1,259,013,722	5.8	559,579,315	2.6	
2000	23,097,086,037	1,249,282,280	5.4	336,548,991	1.5	
2001	22,316,155,306	1,180,115,309	5.3	295,996,921	1.3	
2002	22,117,700,188	1,149,160,133	5.2	236,186,278	1.1	
2003	24,593,328,553	1,213,180,583	4.9	186,183,583	0.8	
2004	28,362,100,873	1,278,067,945	4.5	411,926,118	1.5	
2005	31,616,013,191	1,277,698,305	4.0	273,728,472	0.9	
2006	35,560,878,142	1,370,600,938	3.9	106,166,957	0.3	
2007	40,342,136,927	1,668,935,624	4.1	189,655,540	0.5	
2008	44,670,013,186	2,071,514,943	4.6	(48,560,181)	-0.1	
Latest 10 Years	294,368,281,609	13,717,569,782	4.8	2,547,411,994	1.0	
Latest 5 Years	180,551,142,319	7,666,817,755	4.2	932,916,906	0.6	
Anticipated Returns (Before Tax)			4.2		0.6	4.8
2008 Federal Tax Rate (Exhibit III-A, Table 2)			0.2445		0.3500	
Anticipated Returns (After Tax)			3.2		0.4	3.6

(a) Mean of current and prior year Annual Statements: Page 2, Line 10 Less Page SI04, Column (2), Lines 25, 39 and 53.

(b) 2008 Annual Statement: Page 4, Line 9 less Page 12, Part 1, Column (2), Lines 1.3, 2.11, 2.21, and 8.

(c) 2008 Annual Statement: Page 4, Line 10.

Table 2: Effective Federal Tax Rate

	Earned <u>Income</u>		<u>Distribution</u>	Federal Tax <u>Rate</u>
BONDS (Ex Tax Exempt)	\$1,258,934,792	(a)	0.608	0.3500
BONDS (Tax Exempt)				
Acquired Before 8/7/86	\$7,004,832		0.003	0.0000
Acquired After 8/7/86	628,646,381		0.303	0.0525
STOCKS				
Acquired Before 8/7/86				
Non-Affiliated	\$2,992,685		0.001	0.1050
Foreign	<u>0</u>		0.000	0.3500
Total	\$2,992,685			
Acquired After 8/7/86				
Non-Affiliated	\$135,661,665		0.065	0.1418
Foreign	<u>12,623,023</u>		0.006	0.3500
Total	\$148,284,688			
All Other Investment Income (b)	\$25,651,565	(c)	0.012	0.3500
Net Investment Income Gain/(Loss)	\$2,071,514,943	(d)	1.000	0.2445 (e)

(a) 2008 Annual Statement: Page 12, Part 1, Column (2), Lines 1 + 1.2  
(Excludes bonds of affiliates)

(b) Reduced by investment expenses and depreciation on real estate

(c) 2008 Annual Statement: Page 12, Part 1, Column (2), lines 3, 4, 6, 7, and 9 less line 16

(d) Exhibit III-A, Table 1, Column 3

(e) Weighted average rate using "Distribution" column

### **Exhibit III-B: Investment Income from Unearned Premium Reserves**

Table 1: Investment Income from Unearned Premium Reserves as Factor of Earned Premium  
(Homeowner's Insurance)

1) Earned Premium	\$100.00
2) Mean Unearned Premium Reserve 0.502 x [1]	\$50.20
3) Mean Premium Subject to Installment Payment Finance Plan 0.23 x [2]	\$11.55
4) Funds Available for Prepaid Expense, Tax, and Investment [2] - [3]	\$38.65
5) Prepaid Expense 0.284 x (2)	\$14.26
6) Federal Tax - 1986 Reform Act 0.000 x [2]	\$0.00
7) Funds Available for Investment [4] - [5] - [6]	\$24.40
8) Rate of Return, After Tax	3.6%
9) Income on Invested Reserve [7] x [8]	\$0.88
10) Income from Installment Payment Premium Finance Plan 0.025 x (3)	\$0.29
11) Total Investment Income [9] + [10]	\$1.17
12) Investment Income as a Factor of Earned Premium [11] / [1]	0.0117

Notes

Lines [2], [3], and [10]: Exhibit III-B, Table 2, Columns [9], [10] and [6], 'Selected'

Line [5]: Exhibit III-D - Acquisition (23.1%), 50% of General (2.6%) and Taxes (2.7%)

Line [6]: Exhibit III-E, Section A, Line [5]

Line [8]: Exhibit III-A, Table 1

Table 2: Investment Income from Installment Payment Premium Finance Plan (\$000)  
(Homeowner's Insurance)

<u>Year</u>	[1] Premium Finance Charges	[2] Premium Charged-Off	[3]=[1]-[2] Net Investment Income
1999	1,567	260	1,307
2000	2,238	365	1,872
2001	5,398	449	4,949
2002	6,970	790	6,180
2003	8,919	726	8,193
2004	9,778	1,040	8,738
2005	11,506	2,111	9,396
2006	12,392	2,334	10,059
2007	14,137	3,573	10,564
2008	13,395	4,317	9,078

<u>Year</u>	[4]=[3]*0.65 After-Tax Investment Income	[5] Mean Premium Financed	[6]=[4]/[5] Ratio of Investment Income to Mean Premium Financed
1999	850	54,620	0.016
2000	1,217	60,213	0.020
2001	3,217	67,910	0.047
2002	4,017	82,183	0.049
2003	5,326	108,101	0.049
2004	5,680	138,091	0.041
2005	6,107	180,942	0.034
2006	6,538	228,417	0.029
2007	6,867	268,226	0.026
2008	5,901	293,077	0.020

Selected

0.025

<u>Year</u>	[7] Direct Earned Premium	[8] Mean Direct Unearned Premium Reserve	[9]=[8]/[7] Ratio	[10]=[5]/[8] Ratio
1999	660,717	312,567	0.473	0.175
2000	689,933	362,752	0.526	0.166
2001	739,462	389,198	0.526	0.174
2002	826,871	444,125	0.537	0.185
2003	1,358,063	625,902	0.461	0.173
2004	1,508,424	809,142	0.536	0.171
2005	1,655,694	880,583	0.532	0.205
2006	1,794,027	958,478	0.534	0.238
2007	2,133,422	1,090,872	0.511	0.246
2008	3,113,954	1,431,251	0.460	0.205

Selected

0.502

0.230

**Exhibit III-C: Investment Income from Loss Reserves**

Table 1: Investment Income from Loss Reserves as a Factor of Premium

1) Ratio of Loss & LAE Reserves to Incurred Loss & LAE	0.431
2) Ratio of Federal Tax Payable to Incurred Loss & LAE	0.005
3) Permissible Loss & LAE Ratio	0.486
4) Net Effective Rate of Return After Tax	0.036
5) Investment Income as a Factor of Premium $\{(1) - (2)\} * (3) * (4)$	0.007

Notes

Line [1]: Exhibit III-C, Table 2, Column [9]

Line [2]: Exhibit III-E, Section B, Line [11]

Line [3]: Exhibit III-D, Line [8]

Line [4]: Exhibit III-A, Table 1

Table 2: Ratio of Loss and LAE Reserves to Loss and LAE Incurred

	[1]	[2]	[3]
Year	Year-End Net <u>Loss Reserve</u>	Prior Year Net <u>Loss Reserve</u>	Mean Net <u>Loss Reserve</u>
1999	171,405	139,385	155,395
2000	183,292	171,405	177,349
2001	194,335	183,292	188,814
2002	232,327	194,335	213,331
2003	348,145	232,327	290,236
2004	379,136	348,145	363,641
2005	322,796	379,136	350,966
2006	395,561	322,796	359,179
2007	535,884	395,561	465,723
2008	904,669	535,884	720,277

	[4]	[5]	[6]
Year	Year End Net <u>LAE Reserve</u>	Prior Year Net <u>LAE Reserve</u>	Mean Net <u>LAE Reserve</u>
1999	50,000	43,575	46,788
2000	49,226	50,000	49,613
2001	40,363	49,226	44,795
2002	48,392	40,363	44,378
2003	82,322	48,392	65,357
2004	94,668	82,322	88,495
2005	94,365	94,668	94,517
2006	93,546	94,365	93,956
2007	122,893	93,546	108,220
2008	165,833	122,893	144,363

	[7]	[8]	[9]
Year	Net Incurred <u>Losses</u>	Net Incurred <u>LAE</u>	Ratio of Reserves to Incurred
1999	404,869	67,106	0.428
2000	465,672	69,629	0.424
2001	553,844	74,962	0.372
2002	509,392	93,398	0.428
2003	766,082	160,409	0.384
2004	818,434	163,904	0.460
2005	878,866	162,485	0.428
2006	885,181	148,526	0.438
2007	1,043,380	180,533	0.469
2008	2,090,118	305,655	0.361

Selected

0.431

**Exhibit III-D: Expense Ratios for Homeowners' Insurance**

1) Acquisition	23.1%
2) General	5.2%
3) Taxes	2.7%
4) Reinsurance	4.7%
5) Profit	14.7%
6) Contingency	1.0%
7) Total	51.4%
8) Permissible Loss and LAE Ratio	48.6%

Notes

Data from 2008 Insurance Expense Exhibit (Direct)

**Exhibit III-E: Federal Income Tax Payable Due to Tax Reform Act of 1986****A. Tax on Unearned Premium Reserves (\$000)**

1) Net Unearned Premium Reserve 12/31/07	\$1,155,530
2) Net Unearned Premium Reserve 12/31/08	\$1,149,979
3) Mean Net Unearned Premium Reserve {[1] + [2]} / 2	\$1,152,755
4) Federal Tax Payable on Change in Net Unearned Premium Reserve {[2]-[1]} x 20% x 0.35	(\$389)
5) Ratio of Tax Payable to Mean Net Unearned Premium Reserve [4] / [3]	0.000

**B. Loss & LAE Reserve Discounting (\$000,000)**

1) Net Reserve at 12/31/07	\$658.78 (a)
2) Net Reserve at 12/31/08	\$1,070.50 (a)
3) Discounted Net Reserve at 12/31/07	\$608.62 (b)
4) Discounted Net Reserve at 12/31/08	\$983.86 (b)
5) Change in Net Reserve [2]-[1]	\$411.73
6) Change in Discounted Net Reserve [4]-[3]	\$375.24
7) Additional Taxable Income [5]-[6]	\$36.49
8) Federal Tax Payable [7] x 0.35	\$12.77
9) 2008 Incurred Loss & LAE (Insurance Expense Exhibit)	\$2,395.77 (c)
10) Ratio of Federal Tax Payable to Incurred Loss & LAE [8] / [9]	0.005
11) Selected	0.005

(a) Insurance Expense Exhibit, Part II, Columns 13 + 15 + 17

(b) Discount ratios are provided internally by the Financial Department

(c) Insurance Expense Exhibit, Part II, Columns 7, 9 and 11 divided by 1,000.

**Exhibit III-F: Expected Total Return - Adjustment to GAAP**

<b>Expected Total Return - Adjustment to GAAP</b>		Amounts in Millions		
Item	2006	2007	2008	Source
(1) Policyholders Surplus	12,131	14,154	12,330	Annual Statement: Page 3, Column (1), line 35
(2) Non-Admitted Assets	919	1,585	2,518	Annual Statement: Page 2, Column (2), line 26
(3) Equity in the UPR [= (h) calculated below]	1,419	1,794	2,285	calculated field
(4) Total Adjustments (2)+(3)	2,338	3,379	4,803	calculated field
(5) GAAP Surplus Adjustment Factor [(4)+(1)]/(1)	1.193	1.239	1.390	calculated field
(6) Selected GAAP Surplus Adjustment Factor		1.250		

**Calculation of Equity in UPR**

Item	2006	2007	2008	Source
(a) Commissions and Brokerage Expense Incd	1,323	1,619	2,462	IEE: Page 7, Part 3, Column (23), Totals
(b) Taxes, License & Fees	590	653	776	IEE: Page 7, Part 3, Column (25), Totals
(c) Other Acquisition Expenses Incd	1,486	1,839	2,268	IEE: Page 7, Part 3, Column (27), Totals
(d) General Expense Incd	1,375	1,703	1,633	IEE: Page 7, Part 3, Column (29), Totals
(e) Total of (a) + (b) + (c) + 0.5(d)	4,087	4,963	6,323	calculated field
(f) Written Premium	18,122	20,236	26,329	IEE: Page 6, Part 3, Column (1), Totals
(g) Ending UPR	6,292	7,317	9,516	IEE: Page 6, Part 3, Column (19), Totals
(h) Equity in UPR (g)*(e)/(f)	1,419	1,794	2,285	calculated field

SERFF Tracking Number: *LBPM-126936137* State: *Arkansas*  
 Filing Company: *Liberty Mutual Fire Insurance Company* State Tracking Number: *EFT \$100*  
 Company Tracking Number: *AR DF SR 02 11*  
 TOI: *01.0 Property* Sub-TOI: *01.0002 Personal Property (Fire and Allied Lines)*  
 Product Name: *DF*  
 Project Name/Number: *Premium Deviation Revision/AR DF SR 02 11*

## Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

<b>Creation Date:</b>	<b>Schedule</b>	<b>Schedule Item Name</b>	<b>Replacement Creation Date</b>	<b>Attached Document(s)</b>
12/07/2010	Supporting Document	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	01/04/2011	Form RF-1 Loss Cost.pdf (Superseded)
12/07/2010	Supporting Document	Actuarial Justification	01/04/2011	AR DF Actuarial Justification.pdf (Superseded)

**NAIC LOSS COST DATA ENTRY DOCUMENT**

<b>1.</b>	This filing transmittal is part of Company Tracking #	AR DF SR 02 11
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<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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Company Name		Company NAIC Number	
<b>3. A.</b>	Liberty Mutual Fire Insurance Company	<b>B.</b>	0111-23035

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
<b>4. A.</b>	01.0 Property	<b>B.</b>	01.0002 Personal Property (Fire and Allied Lines)

<b>5.</b>			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
Dwelling Fire	9.8%	9.8%					
<b>TOTAL OVERALL EFFECT</b>	9.8%	9.8%					

<b>6.</b>		5 Year History						Rate Change History	
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio		
2005	213			96,098	3,060	3.2%	97.0%		
2006	208	49.5%	8/14/06	103,410	33,681	32.6%	66.6%		
2007	188			124,474	391,477	314.5%	63.0%		
2008	177			132,788	152,291	114.7%	80.0%		
2009	164	15.0%	04/15/09	130,651	141,141	108.0%	66.0%		

<b>7.</b>	
Expense Constants	Selected Provisions
A. Total Production Expense	22.3%
B. General Expense	0.0%
C. Taxes, License & Fees	3.6%
D. Underwriting Profit & Contingencies	15.7%
E. Other (explain)	0.0%
<b>F. TOTAL</b>	<b>41.6%</b>

- 8.**   N   Apply Lost Cost Factors to Future filings? (Y or N)
- 9.**        Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 10.2%
- 10.**        Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): 0.0%

**Liberty Mutual Group  
Arkansas Dwelling Fire Rate Filing- Actuarial Justification**

**Table of Contents**

Section I	Summary of Rate Filing
Section II	Dwelling Fire and Allied Lines Calendar/Accident Year Rate Level Indications
Section III	Profit Provision and Investment Income Analysis

## **I. Summary of Rate Filing**

The overall rate change proposed in the filing is +9.8%. The proposed effective date for these changes is February 24, 2011 for new business and April 17, 2011 for renewal business. The premium effect of the proposed change of increasing the deviation factor from 1.879 to 2.065 is estimated to be \$14,377.

### **Past and Prospective Experience**

Arkansas Calendar/Accident Year data for the five-year period ending December 31, 2009 is used in determining our overall rate level needed. The rate level indication is +9.8%. Our Fire & Allied Lines data used to develop the indication is 11% credible. The calculation of the indication is explained, and supporting data provided, in Section II.

### **Expenses**

The expense provision used in the indication is based on the 2010 planned expense for Southwest Region for Homeowners in Liberty Mutual.

### **Reasonable Profit Margin**

Our margin of 15.7% for profit and contingencies is calculated and explained in Section III. This margin is calculated to allow a return on surplus of 15.0%, with a 1.25:1 premium-to-surplus model.

## II. Rate Indication and Supporting Data

Liberty Mutual's rate level indication for Arkansas is calculated from five years of historical premium and loss experience, with adjustments made for loss and premium, including adjustments to smooth the effects of catastrophe losses. The attached exhibits explain how the historical data is developed and adjusted to project premium and loss levels for the proposed effective period and to determine the indicated rate change. Exhibit II-A summarizes the calculation of the rate-level indication and displays each item incorporated into the calculation. Exhibits II-B through II-H provide further detail on specific calculations and projections.

Below is a description of each item contributing to the rate-level indication (as summarized in Exhibit II-A), including an explanation of the modifications made to the reported data to project future experience:

The attached exhibits display Liberty Mutual's historical Fire & Allied Lines data and develop it to projected experience level of the future. On the basis of this projected experience, an indicated rate level change is calculated. Below is a description of the modifications made to the reported data to achieve our indication.

- 1a. Reported Earned Premium – The direct earned premiums for the latest five calendar years are listed.
- 1b. Earned Exposures - The earned exposures for the latest five calendar years are listed.
- 2a. On Level Factors – These factors represent the adjustment to Reported Earned Premium to place the experience on the current rate level. They are determined using the parallelogram method and the state's rate change history. The rate changes incorporated in this calculation, and the factors developed, are presented in Exhibit II-C.
- 2b. Premium Trend Factors – These factors are developed to reflect changes in the amount of coverage selected by the insured. The calculation of the actual factors involves regression analysis on a state-specific basis of the latest five calendar years of average earned premium at current rate level. The supporting data for this projection is presented in Exhibit II-B.
3. Earned Premium at Current Level – These result from multiplying the Reported Earned Premium (1a) with the On Level Factors (2a) and the Premium Trend Factors (2b).
4. Total Incurred Loss - These are the statewide total reported losses for the five accident years ending December 31, 2009, evaluated as of December 31, 2009.
5. X-Cat X-Severe Storm Incurred Loss - To recognize the erratic nature of unusual catastrophe events and to provide stability in the ratemaking process, incurred catastrophic and severe storm losses are removed from Total Incurred Losses (4) to produce X-cat X-Severe Storm Incurred Losses.
6. Loss Development Factor – x-Cat x-Severe Storm Incurred Losses are developed to their ultimate value by use of loss development factors. Our selected factors are based on an analysis of accident year losses evaluated at common ages and the patterns exhibited as

incurred losses change from their initial valuation to final settlement. The factors selected and the supporting data are presented in Exhibit II-D.

7. Loss Trend Factors – Using Liberty Mutual and Industry Homeowners “Fast Track” loss data for Arkansas, an annual rate of change (trend) in expected loss costs is determined. The Loss Trend Factors measure the effect of inflation on past claim costs. The factors are indexed from the average date of loss in the accident year to the average accident date in the latest experience period (7/1/2009). The factors selected and the supporting data and calculations are presented in Exhibit II-E.
8. Adjusted Normal Losses – x-Cat x-Severe Storm Incurred losses are multiplied by the appropriate loss development factor and loss trend factor.

Note: At this point in the rate indication process, the loss data have been adjusted to remove catastrophic loss activity and developed to their ultimate level. Premiums and losses have also been trended to the present time and will now be projected into the period during which the proposed rates will become effective.

- 8a. Loss Complement - The Countrywide x-Cat x-Severe Storm Pure Premium excluding Florida Fire and Allied Lines of \$285 multiplied by Earned Exposures (1a).
- 8b. Credibility Adjusted Normal Loss – Adjusted Normal Loss (8) multiplied by Credibility (18) plus one minus Credibility multiplied by Loss Complement (8a).
9. Loss Ratio Weights - These weights are used to combine the adjusted loss ratios of each year in the experience period into a single representative loss ratio. Equal weights are applied to all years.
10. Adjusted Normal Loss Ratio - This is the Credibility Adjusted Normal Losses (8b) divided by the Earned Premium at Current Level (3) for each calendar/accident year separately.
11. Weighted Normal Loss Ratio - This is the result of multiplying each year's Adjusted Normal Loss Ratio by its respective weight and adding the products.
12. Factor for Non-Hurricane Non-Severe Storm Catastrophes - This provision is for any expected catastrophic activity that is not hurricane or severe storm related. The expected Non-Hurricane Non-Severe Storm loss per \$1000 of amount of insurance factor is selected based upon 17 years of Liberty Mutual Fire and Allied Lines historical non-hurricane non-severe storm catastrophe experience in the state of Arkansas. The calculation of this provision, along with supporting data, is presented in Exhibit II-F.
- 12a. Provision for Hurricane Losses - This provision is for any expected catastrophic activity that is hurricane related. The expected Hurricane loss per \$1000 of amount of insurance factor is selected based on 17 years of Liberty Mutual Fire and Allied Lines historical hurricane catastrophe experience in the state of Arkansas. The provision is the ratio of Liberty's hurricane average annual loss to the most recent year's earned premium at current level. The calculation of this provision, along with the supporting data, is presented in Exhibit II-F.

- 12b. Provision for Severe Storm Losses – This provision is for any expected catastrophic activity that is severe storm related. The expected Severe Storm loss per \$1000 of amount of insurance factor is selected based on 17 years of Liberty Mutual Fire and Allied Lines historical severe storm catastrophe experience in the state of Arkansas. The provision is the ratio of Liberty's severe storm average annual loss to the most recent year's earned premium at current level. The calculation of this provision, along with the supporting data, is presented in Exhibit II-F.
13. Premium Projection Factor - This factor adjusts premium to the coverage levels expected to be purchased by our customers in the time periods when the proposed rates will be in effect. The calculation of this factor is presented with the calculation of the historical premium trend factors in Exhibit II-B.
14. Loss Projection Factor - The Loss Projection Factor is used to project losses from the average accident date of the latest experience period (July 1, 2009) to an average accident date of one year beyond the proposed effective date of the rate revision (February 24, 2012). The calculation of this factor is presented with the calculation of the historical loss trend factors in Exhibit II-E.
15. Loss Ratio Projection Factor - This factor is the ratio of the Loss Projection Factor (14) and the Premium Projection Factor (13) calculated above.
16. Loss Adjustment Expense Factor - To include Loss Adjustment Expense (LAE), a factor is calculated based upon the most recent three years of LAE to loss ratios for the Southwest region.
17. House-Years in Experience Period - This is the total number of earned house-years where one house-year is defined to be one house insured for 12 months.
18. Credibility - Credibility is a measure of the confidence assigned to a particular body of data for ratemaking purposes. Full credibility is defined to be 75,000 earned house-years. In this step, credibility to be assigned to the company's non-hurricane non-severe storm loss experience is calculated. The calculation of this credibility standard is presented in Exhibit II-H.
19. Projected Non-hurricane Non-Severe Storm Loss and LAE Ratio - In this step, the experience period Normal Loss Ratio is adjusted for LAE and expected Non-Hurricane Non-Severe Storm Catastrophic activity. Then, this ratio is projected to its future level by applying the Loss Ratio Projection Factor. For the expected Non-Hurricane Non-Severe Storm Catastrophic activity, since AOI is already projected into the future, the loss projection portion of the loss ratio trend is backed out so as not to double count losses.
20. Projected Total Loss and LAE Ratio - The Provisions for Non-Hurricane, Non-Severe Storm Cat, Hurricane, and Severe Storm Losses are projected to the future level and adjusted for LAE. This ratio is added to the projected x-CAT Loss and LAE Ratio to obtain the Projected Total Loss and LAE Ratio.

21. Fixed Provision for Acquisition and General Expense - The expense covers policy issuance, sales staffing, and other administrative functions. Based on an internal expense analysis, 71% of Acquisition and General Expenses are fixed. The supporting expense data is presented in Exhibit II-G.
- 21a. Variable Provision for Acquisition and General Expense – These items vary directly with premium. The supporting expense data is presented in Exhibit II-G.
- 21b. Provision for Reinsurance Cost – The total reinsurance cost to Liberty Mutual for Fire and Allied Lines was allocated to each state based on the state's participation in all direct losses above \$550 million. \$550 million is Liberty Mutual's corporate reinsurance treaty attachment point.
- 21c. Provision for Taxes, Licenses, Fees, and Profit & Contingency - These items vary directly with premium.
22. Permissible Loss and LAE & Expense Ratio - From unity, item (21a) and (21c) are subtracted.
23. Indicated Rate Change - The Projected Total Loss & LAE, Fixed Expense Ratio and Provision for Reinsurance Expense are added together and divided by the Permissible Loss, LAE and Expense Ratio.
24. Selected Rate Change

**Exhibit II-A: Arkansas Dwelling Fire Rate Level Indication**

Liberty Mutual Group  
Arkansas  
Fire and Allied  
Indicated Rate Level Change  
Evaluated as of 12/31/2009

Proposed  
Effective date:  
**2/24/2011**

(1)	(1a)	(1b)	(2a)	(2b)	(3)	(4)	(5)	
Accident	Year	Earned	Earned	On-Level	Prem Trend	E/P	Total	xCat xSS
Year	Ending	Premium	Exposures	Factor	Factor	at Current	Incurred	Incurred
	Ending					Level	Loss	Loss
12/31/2005		96,098	213	1.977	1.074	204,053	3,060	1,237
12/31/2006		103,410	208	1.896	1.055	206,820	33,681	27,413
12/31/2007		124,474	188	1.402	1.036	180,789	391,477	388,442
12/31/2008		132,788	177	1.323	1.018	178,773	152,291	75,653
<b>12/31/2009</b>		<b>130,651</b>	<b>164</b>	<b>1.274</b>	<b>1.000</b>	<b>166,405</b>	<b>141,141</b>	<b>96,120</b>
Total		587,421	949			936,839	721,651	588,865

  

(6)	(7)	(8)	(8a)	(8b)	(9)	(10)		
Accident	Year	Loss	Adjusted	Complement	Cred. Adj.	Adjusted		
Year	Ending	Development	Normal	CW PP =	Normal	Normal		
	Ending	Factor	Loss	285*Exposure	Loss	Loss Ratio		
	Ending				Weights	Loss Ratio		
12/31/2005		1.000	1.749	2,163	60,634	54,058	0.2	26.5%
12/31/2006		1.000	1.521	41,706	59,156	57,194	0.2	27.7%
12/31/2007		1.006	1.323	516,964	53,438	105,571	0.2	58.4%
12/31/2008		1.013	1.150	88,110	50,389	54,632	0.2	30.6%
<b>12/31/2009</b>		<b>1.080</b>	<b>1.000</b>	<b>103,839</b>	<b>46,768</b>	<b>53,187</b>	<b>0.2</b>	<b>32.0%</b>
Total			752,783	270,386	324,642			

  

11) Weighted Normal Loss Ratio	0.350
12) Factor for Non-hurricane Catastrophes	0.015
12a) Provision for Hurricane Losses	0.000
12b) Provision for Severe Storm Losses	0.070
13) Premium Projection Factor	1.048
14) Loss Projection Factor	1.448
15) Loss Ratio Projection Factor	1.381
16) Loss Adjustment Expense Factor	1.163
17) House Years in Experience Period	949
18) Credibility = Square root of [(17)/75,000] (max = 1.0)	11%
19) Projected Non-hurricane Loss & LAE Ratio: [(11)*(15)+(12)/(13)]*(10)	0.579
20) Projected Total Loss & LAE Ratio: (19)+[(12a)+(12b)]*(16)/(13)	0.657
21) Fixed Provision for Acquisition & General Expense	0.159
21a) Variable Provision for Acquisition & General Expense	0.065
21b) Provision for Reinsurance Cost	0.000
21c) Provision for Tax, Licenses, Fees, Profit & Contingency	0.193
22) Permissible Loss and LAE, and Expense [1.0 - (21a) - (21c)]	0.743
23) Indicated Rate Change $\{[(20)+(21)+(22)]/(24)\} - 1.0$	<b>9.8%</b>
24) Selected Rate Change	<b>9.8%</b>

**Exhibit II-B: Determination of Premium Trend and Premium Projection Factor**

To reflect changes in the amounts of coverage purchased by our policyholders over time, the premium trend factors have been developed. These factors reflect any changes in the average on-leveled earned premium including the increasing amounts of insurance purchased due to inflation, shifts towards higher deductibles, changes in territory mix, etc. The premium trend factor for each year is the ratio of the projected average on-leveled premium in the last year of the experience to the average on-leveled premium in a given year.

To project premium to the average earned day after the proposed effective date, the premium projection factor is applied. This factor is developed based upon a review of Liberty Mutual Dwelling Fire data and is equal to 1.048.

**Development of Premium Trend Factors**

Annual Premium Trend = +1.8%  
Final Day of Experience Period = 12/31/2009

Calendar Year Ending	Avg Earned Date			
		4.0		
12/31/05	07/01/05	1.018	=	1.074
		3.0		
12/31/06	07/01/06	1.018	=	1.055
		2.0		
12/31/07	07/01/07	1.018	=	1.036
		1.0		
12/31/08	07/01/08	1.018	=	1.018
		0.0		
12/31/09	07/01/09	1.018	=	1.000

**Calculation of Premium Projection Factor**

1) Annual Premium Trend Based on Liberty Data	1.8%
2) Average Earned Date of Last Year of Experience Period	07/01/09
3) Effective Date for Proposed Rates	02/24/11
4) Average Earned Date Under Proposed Rates	02/24/12
5) Number of Months Between (2) And (4)	31.8
6) Premium Projection Factor	

$$\{1\}^{\{5\}/12} = 1.048$$

**Exhibit II-C: Development of Current Rate Factor**

Current Rate Factors have been calculated based upon Liberty Mutual's historical rate changes in Arkansas. They are applied to Reported Earned Premiums to bring the earned premiums to what they would have been had they been written at today's rate. The Current Rate Factors are determined using the parallelogram method.

Rate Changes Not Fully Reflected In Earned Premium

<u>Date</u>	<u>Rate Change</u>
08/02/06	49.5%
04/15/09	15.0%

On Level Factors Calculated Based On Rate Changes Above

<u>Period</u> <u>Ending</u>	<u>On-Level</u> <u>Factors</u>
12/31/2005	1.977
12/31/2006	1.896
12/31/2007	1.402
12/31/2008	1.323
12/31/2009	1.274

**Exhibit II-D: Loss Development**

We have calculated loss development factors based upon Liberty Mutual's countrywide experience for Fire and Allied Lines. Catastrophe and severe storm losses are excluded. We have selected the following ultimate factors based on this experience.

<u>Age as of December 31, 2009</u>	<u>Development Factor</u>
12 months	1.080
24 months	1.013
36 months	1.006
48 months	1.000
60 months	1.000

The Countrywide loss development triangle from which the above factors were selected is provided on the following page.

**Countrywide Fire and Allied Lines**  
**Loss Development Excluding Catastrophes and Severe Storms**

Accident Year Ending	12	24	36	48	60	72	84	96	108	120	132	144
JAN98 - DEC98	7,760,214	8,007,866	8,093,201	7,956,890	7,939,863	7,922,356	7,964,504	7,962,536	7,970,386	7,970,386	7,970,386	7,970,386
JAN99 - DEC99	7,595,161	8,017,700	8,076,580	7,982,066	7,966,010	7,951,526	7,928,327	7,926,358	7,926,358	7,927,435	7,927,435	
JAN00 - DEC00	10,181,578	10,685,623	11,000,823	11,042,216	11,151,880	11,588,972	11,449,624	11,453,624	11,453,624	11,257,302		
JAN01 - DEC01	10,145,419	10,336,651	10,340,058	10,197,367	10,202,392	10,202,392	10,193,309	10,182,275	10,182,029			
JAN02 - DEC02	9,630,480	10,075,054	10,272,847	10,452,839	10,209,151	10,126,195	10,134,206	10,094,633				
JAN03 - DEC03	10,545,484	10,685,271	11,026,251	11,045,674	11,061,479	11,012,210	11,007,210					
JAN04 - DEC04	14,290,892	15,519,657	15,313,137	15,067,579	15,131,249	15,152,730						
JAN05 - DEC05	19,141,430	21,253,150	21,113,436	21,643,459	21,625,468							
JAN06 - DEC06	21,826,492	23,030,736	23,656,264	23,622,985								
JAN07 - DEC07	25,048,268	25,648,407	25,611,312									
JAN08 - DEC08	29,427,689	31,163,410										
JAN09 - DEC09	34,692,338											

Accident Year Ending	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120
JAN99 - DEC99	1.056	1.007	0.988	0.998	0.998	0.997	1.000	1.000	1.000	1.000
JAN00 - DEC00	1.050	1.029	1.004	1.010	1.039	0.988	1.000	1.000	1.000	
JAN01 - DEC01	1.019	1.000	0.986	1.000	1.000	0.999	0.999	1.000		
JAN02 - DEC02	1.046	1.020	1.018	0.977	0.992	1.001	0.996			
JAN03 - DEC03	1.013	1.032	1.002	1.001	0.996	1.000				
JAN04 - DEC04	1.086	0.987	0.984	1.004	1.001					
JAN05 - DEC05	1.110	0.993	1.025	0.999						
JAN06 - DEC06	1.055	1.027	0.999							
JAN07 - DEC07	1.024	0.999								
JAN08 - DEC08	1.059									
Avg 5 ex. High/Low	1.067	1.006	1.006	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cum	1.080	1.013	1.006	1.000	1.000	1.000	1.000	1.000	1.000	1.000

**Exhibit II-E: Development of Loss Trend Factors**

Loss trend factors reflect the effects of inflation on past claim costs. Liberty Mutual uses an annual loss trend of +15.0% to trend losses from the average date of loss in the accident year to the average accident date in the latest experience period (7/1/2009). This trend is based upon a review of least squares fitted trend lines to the last five years of Liberty Mutual’s Homeowners Fast Track loss data for Arkansas. A loss trend of +15.0% was used to project losses from the average accident date in the latest experience period to the average accident date of one year beyond the proposed effective date.

Calculation of Loss Trend Factors

Annual Loss Trend = +15.0%  
 Final Day of Experience Period = 12/31/2009

Accident Year Ending	Avg Accident Date			
			4.0	
12/31/05	07/01/05	1.150	=	1.749
			3.0	
12/31/06	07/01/06	1.150	=	1.521
			2.0	
12/31/07	07/01/07	1.150	=	1.323
			1.0	
12/31/08	07/01/08	1.150	=	1.150
			0.0	
12/31/09	07/01/09	1.150	=	1.000

Calculation of Loss Projection Factor

- 1) Annual Loss Trend Based on Liberty Data 15.0%
- 2) Average Accident Date of Last Year of Experience Period 07/01/09
- 3) Effective Date for Proposed Rates 02/24/11
- 4) Average Accident Date Under Proposed Rates 02/24/12
- 5) Number of Months Between (2) And (4) 31.8
- 6) Loss Projection Factor

$$\frac{15.0\%}{\left\{ \frac{31.8}{12} \right\}} = 1.448$$

The Homeowners Fast Track data used in selecting the loss trends is provided on the following page.

## HOMEOWNERS FAST TRACK TREND DATA (xCat)

Liberty Mutual Arkansas Dwelling Forms

Prior 4 Qtrs.		Dwelling (Forms 1-3 & 5)		
Ending Year	Qtr.	Paid Severity	Paid Freq.	Paid Pure Premium
2006	2	8,268	6.04	499.45
2006	3	10,228	5.86	599.53
2006	4	10,662	5.35	570.54
2007	1	7,160	5.43	388.99
2007	2	7,584	5.38	407.90
2007	3	8,140	5.00	406.67
2007	4	9,481	4.90	464.61
2008	1	10,379	5.08	527.45
2008	2	10,547	4.88	515.08
2008	3	12,037	4.66	561.09
2008	4	10,828	4.87	527.67
2009	1	12,800	4.81	616.24
2009	2	12,827	5.15	661.04
2009	3	8,337	7.43	619.58
2009	4	8,381	8.72	731.17
2010	1	8,096	8.59	695.81
2010	2	8,909	8.22	732.37
2-Yr (5 pts)		-26.17	53.99	13.70
3-Yr (9 pts)		-17.06	44.46	19.81
4-Yr (13 pts)		0.53	21.46	22.10
5-Yr (17 pts)		2.13	9.51	11.84

Industry Arkansas Dwelling Forms

Prior 4 Qtrs.		Dwelling (Forms 1-3 & 5)		
Ending Year	Qtr.	Paid Severity	Paid Freq.	Paid Pure Premium
2006	2	5,811	5.43	315.71
2006	3	5,820	5.48	319.07
2006	4	5,994	5.37	321.80
2007	1	6,093	5.44	331.75
2007	2	6,278	5.20	326.60
2007	3	6,611	5.05	333.92
2007	4	6,609	5.07	334.80
2008	1	6,657	5.09	338.68
2008	2	6,826	5.46	373.03
2008	3	6,943	5.77	400.94
2008	4	7,465	5.83	434.93
2009	1	7,576	6.14	465.02
2009	2	7,965	6.14	489.06
2009	3	8,202	6.62	542.66
2009	4	7,946	6.92	550.15
2010	1	8,000	6.99	558.93
2010	2	8,240	6.97	574.07
2-Yr (5 pts)		1.73	13.07	15.03
3-Yr (9 pts)		9.65	13.98	24.99
4-Yr (13 pts)		10.02	13.36	24.72
5-Yr (17 pts)		10.13	7.99	18.93

Selected Historical Trend: 15.0%Selected Projected Trend: 15.0%

**Exhibit II-F: Catastrophe Analysis**

Because of the low frequency and high severity nature of catastrophes, catastrophe losses could significantly impact the financial results of an insurer from one year to another. To properly reflect the catastrophe hazard, it is appropriate to eliminate actual catastrophe losses from the experience period and to include a catastrophe provision in the rates which represents expected catastrophic loss.

The following summarized the analysis incorporated in Liberty Mutual's catastrophe provision for Arkansas. The projected loss costs below are all based on Arkansas' specific catastrophe loss experience.

**Provision for Non Hurricane, Non-Severe Storm Catastrophes**

1) Annual AOI Trend	1.045
2) Average Earned Date of Last Year of Experience Period	7/1/2009
3) Effective Date for Proposed Rates	02/24/11
4) Average Earned Date Under Proposed Rates	02/24/12
5) Number of Years Between (2) And (4)	2.65
6) AOI Projection Factor = (1)^(5)	1.124
7) Calendar Year Ending 12/31/2009 Earned AOI (000s)	15,506
8) Projected Earned AOI = (6) * (7)	17,426
9) Expected Non-Hurricane Non-Severe Storm Cat Loss Per \$1000 AOI	0.139
10) Projected Expected Non-Hurricane Non-Severe Storm Cat Losses = (8)	2,427
11) Calendar Year Ending 12/31/2009 Earned Premium	166,405
12) Provision for Ex. Hurr, Ex. Sev. Storm Cat Losses = (10) / (11)	1.5%

\*The table below displays the supporting data for item 9, Liberty Mutual's loss costs per \$1000 Amount of Insurance. This loss cost is calculated from Liberty Mutual's historical losses due to catastrophes other than hurricanes and severe storms for Arkansas over the 17-year period ending 12/31/2009.

**Arkansas Historical Catastrophe Losses per \$1000 AOI**  
**(Excluding Hurricanes and Severe Storms)**

Liberty Mutual Group  
Arkansas  
Fire and Allied  
Historical CAT Loads  
Accident Years Ending December 1993 - 2009

Accident Year	Total Inc'd Loss	Incurred CAT Loss	Severe Storm CAT Loss	Hurricane Loss	AOI/1000	Non Hurricane Catload	Severe Storm Catload
	(1)	(2)	(3)	(4)	(5)	$(6) = ((2) - (3) - (4)) / (5)$	$(7) = (3) / (5)$
Dec-93	2,003	0	0	0	2,816	0.000	0.000
Dec-94	4,233	0	0	0	3,523	0.000	0.000
Dec-95	2,838	0	0	0	4,054	0.000	0.000
Dec-96	3,376	1,889	1,889	0	4,768	0.000	0.396
Dec-97	6,883	6,432	6,432	0	5,883	0.000	1.093
Dec-98	10,674	0	0	0	7,235	0.000	0.000
Dec-99	34,880	33,253	33,253	0	7,942	0.000	4.187
Dec-00	82,117	1,698	1,698	0	7,569	0.000	0.224
Dec-01	189,277	0	0	0	8,028	0.000	0.000
Dec-02	108,149	0	0	0	9,296	0.000	0.000
Dec-03	11,513	0	0	0	10,422	0.000	0.000
Dec-04	13,287	0	0	0	13,203	0.000	0.000
Dec-05	3,060	0	0	0	17,574	0.000	0.000
Dec-06	33,681	4,574	4,574	0	18,684	0.000	0.245
Dec-07	391,477	0	0	0	17,320	0.000	0.000
Dec-08	152,291	70,221	55,845	0	16,722	0.860	3.340
Dec-09	141,141	20,407	11,032	0	15,506	0.605	0.711
Total	\$1,190,883	\$138,475	\$114,724	\$0	\$170,542	0.139	0.673

Selected Non Hurricane Non Severe Storm Catload	0.139
Selected Severe Storm Catload	0.673

**Provision for Severe Storm Loss**

1) Annual AOI Trend	1.045
2) Average Earned Date of Last Year of Experience Period	7/1/2009
3) Effective Date for Proposed Rates	02/24/11
4) Average Earned Date Under Proposed Rates	02/24/12
5) Number of Years Between (2) And (4)	2.50
6) AOI Projection Factor = $(1)^{(5)}$	1.124
7) Calendar Year Ending 12/31/2009 Earned AOI (000s)	15,506
8) Projected Earned AOI = (6) * (7)	17,426
9) Expected Severe Storm Loss Per \$1000 AOI	0.673
10) Projected Expected Severe Storm Losses = (8) * (9)	11,722
11) Calendar Year Ending 12/31/2009 Earned Premium	166,405
12) Provision for Severe Storm Losses = (10) / (11)	7.0%

Note: The loss cost per \$1000 Amount of Insurance is estimated from Liberty Mutual's historical losses due to severe storms for Arkansas over the 17-year period ending 12/31/2009.

Provision for Hurricane Loss

1) Annual AOI Trend	1.045
2) Average Earned Date of Last Year of Experience Period	7/1/2009
3) Effective Date for Proposed Rates	02/24/11
4) Average Earned Date Under Proposed Rates	02/24/12
5) Number of Years Between (2) And (4)	2.65
6) AOI Projection Factor = $(1)^{(5)}$	1.124
7) Calendar Year Ending 12/31/2009 Earned AOI (000s)	15,506
8) Projected Earned AOI = $(6) * (7)$	17,426
9) Expected Hurricane Cat Loss Per \$1000 AOI	0.000
10) Projected Expected Hurricane Cat Losses = $(8) * (9)$	0
11) Calendar Year Ending 12/31/2009 Earned Premium	166,405
12) Provision for Hurricane Cat Losses = $(10) / (11)$	0.0%

Note: The loss cost per \$1000 Amount of Insurance is estimated from Liberty Mutual's historical losses due to hurricanes for Arkansas over the 17-year period ending 12/31/2009.

**Exhibit II-G: Expense Data**

The table below summarizes Liberty Mutual's expense data for Arkansas based on Southwest regional data for Homeowner. The expense data below serves as the basis for all of the expense provisions in the rate-level indication.

Liberty Mutual Group  
Fire and Allied  
Arkansas

Expense Provision -- Regional Data						
Item	Historical				Planned	Selected
	2007	2008	2009	Average	2010	
Expenses Based on Losses						<b>3 Yr. Avg.</b>
ALAE	\$1,632,356	-\$91,706	\$3,586,420	\$1,709,023	\$3,386,890	\$1,709,023
ULAE	\$16,953,576	\$22,066,325	\$21,138,682	\$20,052,861	\$20,163,850	\$20,052,861
Incurred Loss	-\$29,911,909	\$298,568,327	\$131,487,250	\$133,381,223	\$122,841,102	\$133,381,223
LAE / Loss	-62.1%	7.4%	18.8%	16.3%	19.2%	16.3%
LAE / Earned Premium	10.6%	11.6%	11.8%	11.4%	10.2%	11.4%
Expenses Based on Earned Premium						<b>Planned</b>
General Expense	\$38,863,668	\$45,190,744	\$45,806,165	\$43,286,859	\$51,398,343	\$51,398,343
Earned Premium	\$175,410,083	\$189,552,804	\$209,617,761	\$191,526,883	\$230,043,664	\$230,043,664
Total General Ratio	22.2%	23.8%	21.9%	22.6%	22.3%	22.3%
Fixed General					15.9%	15.9%
Variable General					6.5%	6.5%
Expenses Based on Written Premium						
Premium Tax (State Specific, Latest Year)					3.6%	3.6%
Contingency					1.0%	1.0%
Profit					14.7%	14.7%
(General + LAE) / Earned Premium	32.8%	35.4%	33.6%	33.9%	32.6%	33.7%
Total Expense Ratio (excl. LAE)					41.6%	41.6%
Permissible Loss + LAE Ratio					58.4%	<b>58.4%</b>

**Exhibit II-H: Credibility Standard**

For Dwelling Fire and Allied Lines, Liberty Mutual uses a full credibility standard of 75,000 earned house-years based on Homeowners data.

This standard is based upon the intent to have 99.5% confidence that the calculated value is within 5.0% of the true value of the statistic. According to Longley-Cook's 1962 PCAS paper, 3,163 claims are needed.

To translate this into an exposure standard, we reviewed our countrywide claim frequency figures excluding catastrophic claims for Dwelling Forms. For the last five years, they show:

2003	4.9 claims/100 house-years
2004	4.2 claims/100 house-years
2005	3.9 claims/100 house-years
2006	3.8 claims/100 house-years
2007	3.6 claims/100 house-years

5 year mean of frequencies:

4.1 claims/100 house-years

Dividing the claims necessary for full credibility by the experience claim frequency produces the house-years full standard.

$$\frac{3,163}{0.041} = 77,552$$

For convenience sake, a full credibility standard of 75,000 house-years was used.

### III. Profit Provision

As the Liberty Mutual Group is organized under a mutual holding company system, our company has limited recourse to stock market capitalization to generate needed surplus funds, unlike a publicly-traded insurance company or an insurance company with a publicly-traded parent. Any increase in surplus for a mutual company must come from (1) underwriting profit, (2) investment income, (3) realized capital gains or (4) unrealized capital gains. In the following analysis, Liberty Mutual selects a provision for underwriting profit which will ensure that anticipated income from all sources produces net income after taxes that is commensurate with the risk assumed in the business of property/casualty insurance. Furthermore, this provision ensures that projected changes in policyholder surplus are sufficiently similar (in direction and magnitude) to changes in premium accounts so that confidence in the Companies' financial integrity can be maintained.

Exhibit III-A, Table 1 shows a history of calendar year rates of return for investment income expressed as a percentage of mean invested assets. The primary source is interest, dividends, and real estate income shown in Column (3). Based on the current market yield, it is reasonable to anticipate before tax rates of 4.20% from interest, dividends, and real estate income during the time rates are effective. Historically, realized capital gains have contributed very little to earnings. For the prospective period, we have selected 0.6%, which is the average return of the last five years. After federal income taxes, the total anticipated rate of return is 3.60% of invested assets.

Exhibit III-B, Table 1 presents the investment income derived from unearned premium reserves. The model uses historical information, modified for the current tax rate. This income is separated into two categories. First, there are premium finance charges (Table 1, Line 10) collected by allowing policyholders to pay their premiums in installments over the 12-month policy term. Line 3 is the corresponding portion of the unearned premium reserve representing the premium which is being financed by the company. Second, there is the remaining reserve, after prepaid expense and taxes, (Line 7) which develops income based on the anticipated rate of return.

Exhibit III-C, Table 1 applies the rate of return to mean loss and loss adjustment expense reserves. These exhibits relate investment income to premium earned. Exhibit III-D provides pertinent expense data. Exhibit III-E deals with the calculation of federal income taxes applicable to unearned premium and loss reserves.

We have determined that, related to surplus, 15.0% is an appropriate and fair rate of return for property-casualty insurers in comparison with other industries, given the variability in the overall return. The profit provision of 14.7% is derived using an iterative method to yield the appropriate rate of return.

Income from all of the above sources is combined with our selected underwriting profit provisions in the following 1.25:1 premium-to-surplus model:

Let Premium = \$100; Surplus = \$80

1) Investment Income on Unearned Premium Reserves \$100 x (Exhibit III-B, Table 1, Item 12)	\$1.17
2) Investment Income on Loss Reserves \$100 x (Exhibit III-C, Table 1, Item 5)	\$0.75
3) Investment Income on Surplus \$80 x (Exhibit III-A, Table 1, Column 7)	\$2.88
4) Underwriting Income After Tax \$100 x (1-.35) x Profit Provision (Exhibit III-D, Item 5 + Item 6)	\$10.21
5) Total Expected Return [1]+[2]+[3]+[4]	\$15.01
6) Expected Return on Surplus [5]/\$80 x 100%	18.8%
7) GAAP Adjusted Return [6]/GAAP Adj. Factor (Exhibit III-F, Item 6)	15.0%

The end product of our selected underwriting profit provision is an anticipated 15.0% GAAP adjusted return on surplus.

**Exhibit III-A: Effective Rate of Return on Investable Assets**

Table 1: Historical Investments Returns 1986-2008

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Calendar Year	Mean Invested Assets (a)	Net Investment Income (b)	Net Inv. Inc. % of (2)	Net Realized Capital Gains (c)	Net Realized Cap. Gains % of (2)	Total Return
1986	8,118,335,491	638,231,286	7.9	306,142,812	3.8	
1987	9,808,729,009	733,126,525	7.5	117,222,704	1.2	
1988	11,272,895,755	868,278,838	7.7	34,851,447	0.3	
1989	12,415,308,080	965,013,926	7.8	45,991,686	0.4	
1990	13,727,246,565	1,040,182,466	7.6	43,141,539	0.3	
1991	14,085,608,244	1,084,863,706	7.7	16,195,685	0.1	
1992	14,872,603,927	1,078,372,300	7.3	356,556,819	2.4	
1993	15,380,644,905	1,019,000,685	6.6	192,575,284	1.3	
1994	15,728,080,374	1,000,703,107	6.4	42,091,361	0.3	
1995	16,644,320,729	1,004,243,423	6.4	58,061,803	0.3	
1996	17,754,458,149	1,024,976,627	5.8	80,172,253	0.5	
1997	19,051,878,513	1,049,458,975	5.5	112,763,515	0.6	
1998	20,008,196,638	1,114,613,916	5.6	199,016,656	1.0	
1999	21,692,869,206	1,259,013,722	5.8	559,579,315	2.6	
2000	23,097,086,037	1,249,282,280	5.4	336,548,991	1.5	
2001	22,316,155,306	1,180,115,309	5.3	295,996,921	1.3	
2002	22,117,700,188	1,149,160,133	5.2	236,186,278	1.1	
2003	24,593,328,553	1,213,180,583	4.9	186,183,583	0.8	
2004	28,362,100,873	1,278,067,945	4.5	411,926,118	1.5	
2005	31,616,013,191	1,277,698,305	4.0	273,728,472	0.9	
2006	35,560,878,142	1,370,600,938	3.9	106,166,957	0.3	
2007	40,342,136,927	1,668,935,624	4.1	189,655,540	0.5	
2008	44,670,013,186	2,071,514,943	4.6	(48,560,181)	-0.1	
Latest 10 Years	294,368,281,609	13,717,569,782	4.8	2,547,411,994	1.0	
Latest 5 Years	180,551,142,319	7,666,817,755	4.2	932,916,906	0.6	
Anticipated Returns (Before Tax)			4.2		0.6	4.8
2008 Federal Tax Rate (Exhibit III-A, Table 2)			0.2445		0.3500	
Anticipated Returns (After Tax)			3.2		0.4	3.6

(a) Mean of current and prior year Annual Statements: Page 2, Line 10 Less Page SI04, Column (2), Lines 25, 39 and 53.

(b) 2008 Annual Statement: Page 4, Line 9 less Page 12, Part 1, Column (2), Lines 1.3, 2.11, 2.21, and 8.

(c) 2008 Annual Statement: Page 4, Line 10.

Table 2: Effective Federal Tax Rate

	<u>Earned Income</u>		<u>Distribution</u>	<u>Federal Tax Rate</u>
BONDS (Ex Tax Exempt)	\$1,258,934,792	(a)	0.608	0.3500
BONDS (Tax Exempt)				
Acquired Before 8/7/86	\$7,004,832		0.003	0.0000
Acquired After 8/7/86	628,646,381		0.303	0.0525
STOCKS				
Acquired Before 8/7/86				
Non-Affiliated	\$2,992,685		0.001	0.1050
Foreign	0		0.000	0.3500
Total	\$2,992,685			
Acquired After 8/7/86				
Non-Affiliated	\$135,661,665		0.065	0.1418
Foreign	<u>12,623,023</u>		0.006	0.3500
Total	\$148,284,688			
All Other Investment Income (b)	\$25,651,565	(c)	0.012	0.3500
Net Investment Income Gain/(Loss)	\$2,071,514,943	(d)	1.000	0.2445 (e)

(a) 2008 Annual Statement: Page 12, Part 1, Column (2), Lines 1 + 1.2  
(Excludes bonds of affiliates)

(b) Reduced by investment expenses and depreciation on real estate

(c) 2008 Annual Statement: Page 12, Part 1, Column (2), lines 3, 4, 6, 7, and 9 less line 16

(d) Exhibit III-A, Table 1, Column 3

(e) Weighted average rate using "Distribution" column

**Exhibit III-B: Investment Income from Unearned Premium Reserves**

Table 1: Investment Income from Unearned Premium Reserves as Factor of Earned Premium (Homeowner's Insurance)

1) Earned Premium	\$100.00
2) Mean Unearned Premium Reserve 0.502 x [1]	\$50.20
3) Mean Premium Subject to Installment Payment Finance Plan 0.23 x [2]	\$11.55
4) Funds Available for Prepaid Expense, Tax, and Investment [2] - [3]	\$38.65
5) Prepaid Expense 0.284 x (2)	\$14.26
6) Federal Tax - 1986 Reform Act 0.000 x [2]	\$0.00
7) Funds Available for Investment [4] - [5] - [6]	\$24.40
8) Rate of Return, After Tax	3.6%
9) Income on Invested Reserve [7] x [8]	\$0.88
10) Income from Installment Payment Premium Finance Plan 0.025 x (3)	\$0.29
11) Total Investment Income [9] + [10]	\$1.17
12) Investment Income as a Factor of Earned Premium [11] / [1]	0.0117

**Notes**

Lines [2], [3], and [10]: Exhibit III-B, Table 2, Columns [9], [10] and [6], 'Selected'

Line [5]: Exhibit III-D - Acquisition (23.1%), 50% of General (2.6%) and Taxes (2.7%)

Line [6]: Exhibit III-E, Section A, Line [5]

Line [8]: Exhibit III-A, Table 1

Table 2: Investment Income from Installment Payment Premium Finance Plan (\$000)  
(Homeowner’s Insurance)

Year	[1] Premium Finance Charges	[2] Premium Charged-Off	[3]=[1]-[2] Net Investment Income	[4]=[3]*0.65 After-Tax Investment Income	[5] Mean Premium Financed	[6]=[4]/[5] Ratio of Investment Income to Mean Premium Financed	[7] Direct Earned Premium	[8] Mean Direct Unearned Premium Reserve	[9]=[8]/[7] Ratio	[10]=[5]/[8] Ratio
1999	1,567	260	1,307	850	54,620	0.016	660,717	312,567	0.473	0.175
2000	2,238	365	1,872	1,217	60,213	0.020	689,933	362,752	0.526	0.166
2001	5,398	449	4,949	3,217	67,910	0.047	739,462	389,198	0.526	0.174
2002	6,970	790	6,180	4,017	82,183	0.049	826,871	444,125	0.537	0.185
2003	8,919	726	8,193	5,326	108,101	0.049	1,358,063	625,902	0.461	0.173
2004	9,778	1,040	8,738	5,680	138,091	0.041	1,508,424	809,142	0.536	0.171
2005	11,506	2,111	9,396	6,107	180,942	0.034	1,655,694	880,583	0.532	0.205
2006	12,392	2,334	10,059	6,538	228,417	0.029	1,794,027	958,478	0.534	0.238
2007	14,137	3,573	10,564	6,867	268,226	0.026	2,133,422	1,090,872	0.511	0.246
2008	13,395	4,317	9,078	5,901	293,077	0.020	3,113,954	1,431,251	0.460	0.205
Selected						0.025				
Selected						0.502			0.230	

**Exhibit III-C: Investment Income from Loss Reserves**

Table 1: Investment Income from Loss Reserves as a Factor of Premium

1) Ratio of Loss & LAE Reserves to Incurred Loss & LAE	0.431
2) Ratio of Federal Tax Payable to Incurred Loss & LAE	0.005
3) Permissible Loss & LAE Ratio	0.486
4) Net Effective Rate of Return After Tax	0.036
5) Investment Income as a Factor of Premium $\{(1) - (2)\} * (3) * (4)$	0.007

Notes

Line [1]: Exhibit III-C, Table 2, Column [9]

Line [2]: Exhibit III-E, Section B, Line [11]

Line [3]: Exhibit III-D, Line [8]

Line [4]: Exhibit III-A, Table 1

Table 2: Ratio of Loss and LAE Reserves to Loss and LAE Incurred

	[1]	[2]	[3]
	Year-End Net	Prior Year Net	Mean Net
<u>Year</u>	<u>Loss Reserve</u>	<u>Loss Reserve</u>	<u>Loss Reserve</u>
1999	171,405	139,385	155,395
2000	183,292	171,405	177,349
2001	194,335	183,292	188,814
2002	232,327	194,335	213,331
2003	348,145	232,327	290,236
2004	379,136	348,145	363,641
2005	322,796	379,136	350,966
2006	395,561	322,796	359,179
2007	535,884	395,561	465,723
2008	904,669	535,884	720,277
	[4]	[5]	[6]
	Year End Net	Prior Year Net	Mean Net
<u>Year</u>	<u>LAE Reserve</u>	<u>LAE Reserve</u>	<u>LAE Reserve</u>
1999	50,000	43,575	46,788
2000	49,226	50,000	49,613
2001	40,363	49,226	44,795
2002	48,392	40,363	44,378
2003	82,322	48,392	65,357
2004	94,668	82,322	88,495
2005	94,365	94,668	94,517
2006	93,546	94,365	93,956
2007	122,893	93,546	108,220
2008	165,833	122,893	144,363
	[7]	[8]	[9]
	Net	Net	Ratio of
	Incurred	Incurred	Reserves
<u>Year</u>	<u>Losses</u>	<u>LAE</u>	<u>to Incurred</u>
1999	404,869	67,106	0.428
2000	465,672	69,629	0.424
2001	553,844	74,962	0.372
2002	509,392	93,398	0.428
2003	766,082	160,409	0.384
2004	818,434	163,904	0.460
2005	878,866	162,485	0.428
2006	885,181	148,526	0.438
2007	1,043,380	180,533	0.469
2008	2,090,118	305,655	0.361
Selected			0.431

**Exhibit III-D: Expense Ratios for Homeowners' Insurance**

1) Acquisition	23.1%
2) General	5.2%
3) Taxes	2.7%
4) Reinsurance	4.7%
5) Profit	14.7%
6) Contingency	1.0%
7) Total	51.4%
8) Permissible Loss and LAE Ratio	48.6%

Notes

Data from 2008 Insurance Expense Exhibit (Direct)

**Exhibit III-E: Federal Income Tax Payable Due to Tax Reform Act of 1986****A. Tax on Unearned Premium Reserves (\$000)**

1) Net Unearned Premium Reserve 12/31/07	\$1,155,530
2) Net Unearned Premium Reserve 12/31/08	\$1,149,979
3) Mean Net Unearned Premium Reserve {[1] + [2]} / 2	\$1,152,755
4) Federal Tax Payable on Change in Net Unearned Premium Reserve {[2]-[1]} x 20% x 0.35	(\$389)
5) Ratio of Tax Payable to Mean Net Unearned Premium Reserve [4] / [3]	0.000

**B. Loss & LAE Reserve Discounting (\$000,000)**

1) Net Reserve at 12/31/07	\$658.78 (a)
2) Net Reserve at 12/31/08	\$1,070.50 (a)
3) Discounted Net Reserve at 12/31/07	\$608.62 (b)
4) Discounted Net Reserve at 12/31/08	\$983.86 (b)
5) Change in Net Reserve [2]-[1]	\$411.73
6) Change in Discounted Net Reserve [4]-[3]	\$375.24
7) Additional Taxable Income [5]-[6]	\$36.49
8) Federal Tax Payable [7] x 0.35	\$12.77
9) 2008 Incurred Loss & LAE (Insurance Expense Exhibit)	\$2,395.77 (c)
10) Ratio of Federal Tax Payable to Incurred Loss & LAE [8] / [9]	0.005
11) Selected	0.005

(a) Insurance Expense Exhibit, Part II, Columns 13 + 15 + 17

(b) Discount ratios are provided internally by the Financial Department

(c) Insurance Expense Exhibit, Part II, Columns 7, 9 and 11 divided by 1,000.

**Exhibit III-F: Expected Total Return - Adjustment to GAAP**

<b>Expected Total Return - Adjustment to GAAP</b>		Amounts in Millions		
Item	2006	2007	2008	Source
(1) Policyholders Surplus	12,131	14,154	12,330	Annual Statement: Page 3, Column (1), line 35
(2) Non-Admitted Assets	919	1,585	2,518	Annual Statement: Page 2, Column (2), line 26
(3) Equity in the UPR [= (h) calculated below]	1,419	1,794	2,285	calculated field
(4) Total Adjustments (2)+(3)	2,338	3,379	4,803	calculated field
(5) GAAP Surplus Adjustment Factor [(4)+(1)]/(1)	1.193	1.239	1.390	calculated field
(6) Selected GAAP Surplus Adjustment Factor		1.250		

**Calculation of Equity in UPR**

Item	2006	2007	2008	Source
(a) Commissions and Brokerage Expense Incd	1,323	1,619	2,462	IEE: Page 7, Part 3, Column (23), Totals
(b) Taxes, License & Fees	590	653	776	IEE: Page 7, Part 3, Column (25), Totals
(c) Other Acquisition Expenses Incd	1,486	1,839	2,268	IEE: Page 7, Part 3, Column (27), Totals
(d) General Expense Incd	1,375	1,703	1,633	IEE: Page 7, Part 3, Column (29), Totals
(e) Total of (a) + (b) + (c) + 0.5(d)	4,087	4,963	6,323	calculated field
(f) Written Premium	18,122	20,236	26,329	IEE: Page 6, Part 3, Column (1), Totals
(g) Ending UPR	6,292	7,317	9,516	IEE: Page 6, Part 3, Column (19), Totals
(h) Equity in UPR (g)*(e)/(f)	1,419	1,794	2,285	calculated field