

SERFF Tracking Number: LBPM-126962305 State: Arkansas  
 First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100  
 Company Tracking Number: AR HO SR 02 11  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
 Project Name/Number: Rate Revision/AR HO SR 02 11

## Filing at a Glance

Companies: Liberty Mutual Fire Insurance Company, The First Liberty Insurance Corporation

Product Name: Home SERFF Tr Num: LBPM-126962305 State: Arkansas  
 TOI: 04.0 Homeowners SERFF Status: Closed-Filed State Tr Num: EFT \$100  
 Sub-TOI: 04.0000 Homeowners Sub-TOI Co Tr Num: AR HO SR 02 11 State Status: Fees verified and received  
 Combinations  
 Filing Type: Rate Reviewer(s): Becky Harrington, Nancy Horton  
 Author: Victoria Yee Disposition Date: 01/19/2011  
 Date Submitted: 12/29/2010 Disposition Status: Filed  
 Effective Date Requested (New): 02/21/2011 Effective Date (New): 02/21/2011  
 Effective Date Requested (Renewal): 03/28/2011 Effective Date (Renewal): 03/28/2011

State Filing Description:

## General Information

Project Name: Rate Revision Status of Filing in Domicile: Not Filed  
 Project Number: AR HO SR 02 11 Domicile Status Comments: Filed only in AR  
 Reference Organization: Reference Number:  
 Reference Title: Advisory Org. Circular:  
 Filing Status Changed: 01/19/2011  
 State Status Changed: 01/03/2011 Deemer Date:  
 Created By: Victoria Yee Submitted By: Victoria Yee

Corresponding Filing Tracking Number:

Filing Description:

In accordance with applicable "File & Use" provisions, Liberty Mutual respectfully submits the following revisions to their Homeowner Rating Program:

1. Revise Property base rates
2. Increase Water Backup rate from \$40 to \$44
3. Revise Form H2, H3 and H6 Tier 21 from 0.900 to 1.000. This reflects the changes to the tier matrix proposed as part of the recent homeowner rate plan review earlier this year (SERFF tracking # LBPM-126737346).

Total rate effect is +19.4%

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## Company and Contact

### Filing Contact Information

Victoria Yee, Industry Filing Analyst  
 175 Berkeley Street  
 Mailstop 04G/H  
 Boston, MA 02116  
 Victoria.Yee@LibertyMutual.com  
 800-225-8346 [Phone] 47161 [Ext]  
 617-654-3452 [FAX]

### Filing Company Information

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

The First Liberty Insurance Corporation  
 175 Berkeley Street  
 Boston, MA 02116  
 (800) 225-8346 ext. [Phone]  
 -----  
 CoCode: 33588 State of Domicile: Illinois  
 Group Code: 111 Company Type:  
 Group Name: State ID Number:  
 FEIN Number: 04-3058503

## Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
The First Liberty Insurance Corporation	\$0.00	12/29/2010	
Liberty Mutual Fire Insurance Company	\$100.00	12/29/2010	43301151

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	01/19/2011	01/19/2011

### 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	01/07/2011	01/07/2011	John Donnelly	01/18/2011	01/19/2011
Pending Industry Response	Becky Harrington	01/03/2011	01/03/2011	Victoria Yee	01/07/2011	01/07/2011

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## Disposition

Disposition Date: 01/19/2011  
 Effective Date (New): 02/21/2011  
 Effective Date (Renewal): 03/28/2011  
 Status: Filed  
 Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
Liberty Mutual Fire Insurance Company	31.700%	9.800%	\$390,910	3,858	\$3,984,442	10.100%	5.300%
The First Liberty Insurance Corporation	31.700%	9.800%	\$0	0	\$0	19.700%	5.300%

### Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	31.700%
Overall Percentage Rate Impact For This Filing	9.800%
Effect of Rate Filing-Written Premium Change For This Program	\$390,910
Effect of Rate Filing - Number of Policyholders Affected	3,858

SERFF Tracking Number: LBPM-126962305 State: Arkansas  
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 Product Name: Home  
 Project Name/Number: Rate Revision/AR HO SR 02 11

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document (revised)	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	H-1 Homeowners Abstract		Yes
Supporting Document (revised)	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document (revised)	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC loss cost data entry document		Yes
Supporting Document	Cover Letter	Filed	Yes
Supporting Document	Actuarial Justification	Filed	Yes
Supporting Document	1/3/2011 Objection Response	Filed	Yes
Rate (revised)	Rating Manual	Filed	Yes
Rate	Rating Manual		Yes
Rate (revised)	Rating Manual	Filed	Yes
Rate	Rating Manual		Yes
Rate (revised)	Rating Manual	Filed	Yes
Rate	Rating Manual		Yes

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TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Rate Revision/AR HO SR 02 11

## Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 01/07/2011

Submitted Date 01/07/2011

Respond By Date

Dear Victoria Yee,

This will acknowledge receipt of the recent response.

The requested rate change has been reviewed by Commissioner Bradford. Please reduce the overall requested change to 10% with maximum of 15% for any one insured.

Please feel free to contact me if you have questions.

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

Sincerely,

Becky Harrington

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TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Rate Revision/AR HO SR 02 11

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 01/18/2011  
Submitted Date 01/19/2011

Dear Becky Harrington,

### Comments:

Thank you for reviewing our filing.

### Response 1

Comments: Per your recent objection, we are revising this filing to meet your request. Please find a post submission update with new rate filing information as well as attached revised rating manual pages, HO Abstract, Premium Comparisons and loss cost data.

The new rate effect is as follows:

H3 Dwelling 10.1%  
H4 Tenant 4.8%  
H6 Condo 5.3%  
Total: 9.8%

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: H-1 Homeowners Abstract

Comment:

Satisfied -Name: HPCS-Homeowners Premium Comparison Survey

Comment:

Satisfied -Name: NAIC loss cost data entry document

Comment:

No Form Schedule items changed.

#### Rate/Rule Schedule Item Changes

SERFF Tracking Number: LBPM-126962305 State: Arkansas  
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 Product Name: Home  
 Project Name/Number: Rate Revision/AR HO SR 02 11

<b>Exhibit Name</b>	<b>Rule # or Page #</b>	<b>Rate Action</b>	<b>Previous State Filing #</b>
Rating Manual	R-1	Replacement	LBPM-126270522
<b>Previous Version</b>			
<i>Rating Manual</i>	<i>R-1</i>	<i>Replacement</i>	<i>LBPM-126270522</i>
Rating Manual	R-1a	Replacement	LBPM-125739751
<b>Previous Version</b>			
<i>Rating Manual</i>	<i>R-1a</i>	<i>Replacement</i>	<i>LBPM-125739751</i>
Rating Manual	R-11	Replacement	LBPM-125715111
<b>Previous Version</b>			
<i>Rating Manual</i>	<i>R-11</i>	<i>Replacement</i>	<i>LBPM-125715111</i>

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

Sincerely,  
Victoria Yee

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First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100  
Company Tracking Number: AR HO SR 02 11  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Rate Revision/AR HO SR 02 11

## 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

- Actuarial Justification (Supporting Document)

Comment: ACA 23-67-209 requires historical data be used to develop rates. We do not allow modeling for weather related events. Please recalculate your indications by removing the tornado/hail/severe thundersotrm wind losses provisions developed using models.

### Objection 2

- Actuarial Justification (Supporting Document)

Comment: Hurricane provisions are not allowed in AR. Please amend your calculations by removing the provision.

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-126962305 State: Arkansas  
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Product Name: Home  
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## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 01/07/2011  
Submitted Date 01/07/2011

Dear Becky Harrington,

### Comments:

Thank you for your review of this filing.

### Response 1

Comments: Please find our response attached.

#### Related Objection 1

Applies To:

- Actuarial Justification (Supporting Document)

Comment:

ACA 23-67-209 requires historical data be used to develop rates. We do not allow modeling for weather related events. Please recalculate your indications by removing the tornado/hail/severe thundersotrm wind losses provisions developed using models.

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: 1/3/2011 Objection Response

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

### Response 2

Comments: Please find our response attached.

#### Related Objection 1

Applies To:

- Actuarial Justification (Supporting Document)

SERFF Tracking Number: LBPM-126962305 State: Arkansas  
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TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Rate Revision/AR HO SR 02 11

**Comment:**

Hurricane provisions are not allowed in AR. Please amend your calculations by removing the provision.

**Changed Items:**

**Supporting Document Schedule Item Changes**

Satisfied -Name: 1/3/2011 Objection Response

**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

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 Product Name: Home  
 Project Name/Number: Rate Revision/AR HO SR 02 11

**Post Submission Update Request Processed On 01/19/2011**

**Status:** Allowed  
**Created By:** Victoria Yee  
**Processed By:** Becky Harrington  
**Comments:**

**Company Rate Information:**

**Company Name:** Liberty Mutual Fire Insurance Company

Field Name	Requested Change	Prior Value
Overall % Indicated Change	31.700%	34.700%
Overall % Rate Impact	9.800%	19.400%
Written Premium Change for this Program	\$390910	\$772496
Maximum %Change (where required)	10.100%	19.700%

**Company Name:** The First Liberty Insurance Corporation

Field Name	Requested Change	Prior Value
Overall % Indicated Change	31.700%	34.700%
Overall % Rate Impact	9.800%	19.400%

**Overall Rate Information:**

Field Name	Requested Change	Prior Value
Overall Percentage Rate Indicated For This Filing	31.700%	34.700%
Overall Percentage Rate Impact For This Filing	9.800%	19.400%

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**Rate Information**

Rate data applies to filing.

**Filing Method:** File & Use  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** 11.800%  
**Effective Date of Last Rate Revision:** 09/21/2009  
**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	31.700%	9.800%	\$390,910	3,858	\$3,984,442	10.100%	5.300%
The First Liberty Insurance Corporation	N/A	31.700%	9.800%	\$0	0	\$0	19.700%	5.300%

**Overall Rate Information for Multiple Company Filings**

**Overall % Rate Indicated:** 31.700%

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Product Name: Home  
Project Name/Number: Rate Revision/AR HO SR 02 11

**Overall Percentage Rate Impact For This Filing:** 9.800%  
**Effect of Rate Filing - Written Premium Change For This Program:** \$390,910  
**Effect of Rate Filing - Number of Policyholders Affected:** 3858

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 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
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## Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
Filed 01/19/2011	Rating Manual	R-1	Replacement	LBPM-126270522 AR HO 2011 R pages - Final.pdf AR HO 2011 R pages - Mocked.pdf
Filed 01/19/2011	Rating Manual	R-1a	Replacement	LBPM-125739751 AR HO 2011 R pages - Final2.pdf AR HO 2011 R pages - Mocked2.pdf
Filed 01/19/2011	Rating Manual	R-11	Replacement	LBPM-125715111 AR HO 2011 R pages - Final r11.pdf AR HO 2011 R pages - Mocked3.pdf

**Arkansas**  
Homeowners Rating Manual

<b>Homeowner Base Rates</b>			
<b>Dwelling Territory</b>	<b>H3</b>	<b>H4</b>	<b>H6</b>
<b>031</b>	2944	358	461
<b>032</b>	2834	358	461
<b>033</b>	2343	358	461
<b>034</b>	3083	358	461
<b>035</b>	2528	358	461
<b>036</b>	2275	358	461
<b>081</b>	2050	358	461
<b>084</b>	2870	358	461
<b>086</b>	2938	358	461
<b>097</b>	3252	358	461
<b>098</b>	2938	358	461

<b>Row or Town House</b>			
<b>Protection Class</b>	<b># of Units</b>		
	<b>1-2</b>	<b>3-4</b>	<b>5-8</b>
<b>1-8</b>	1.00	1.10	1.25
<b>9-10</b>	1.00	1.15	1.30

<b>Construction/Occupancy Charge</b>			
<b>Number Apts/ Firewalls</b>	<b>Construction</b>		
	<b>Frame</b>	<b>Masonry</b>	<b>Superior</b>
<b>4</b>	1.00	1.00	1.00
<b>9999999</b>	1.35	1.35	1.00

<b>Excess Dwelling</b>	
<b>Rate</b>	<b>5</b>

<b>Form Factor</b>	
<b>Type</b>	<b>Factor</b>
<b>H2</b>	.95
<b>H3</b>	1.00

**Arkansas**  
Homeowners Rating Manual

<b>Homeowner Base Rates</b>			
Dwelling Territory	H3	H4	H6
031	<del>2676</del> 2944	<del>350</del> 358	<del>438</del> 461
032	<del>2576</del> 2834	<del>364</del> 358	<del>438</del> 461
033	<del>2130</del> 2343	<del>339</del> 358	<del>438</del> 461
034	<del>2803</del> 3083	<del>328</del> 358	<del>438</del> 461
035	<del>2298</del> 2528	<del>345</del> 358	<del>438</del> 461
036	<del>2068</del> 2275	<del>328</del> 358	<del>438</del> 461
081	<del>1864</del> 2050	<del>312</del> 358	<del>438</del> 461
084	<del>2609</del> 2870	<del>364</del> 358	<del>438</del> 461
086	<del>2671</del> 2938	<del>364</del> 358	<del>438</del> 461
097	<del>2956</del> 3252	<del>364</del> 358	<del>438</del> 461
098	<del>2671</del> 2938	<del>364</del> 358	<del>438</del> 461

<b>Row or Town House</b>			
Protection Class	# of Units		
	1-2	3-4	5-8
1-8	1.00	1.10	1.25
9-10	1.00	1.15	1.30

<b>Construction/Occupancy Charge</b>			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.00

<b>Excess Dwelling</b>	
Rate	5

<b>Form Factor</b>	
Type	Factor
H2	.95
H3	1.00

4

**Arkansas**  
Homeowners Rating Manual

Tier Factors		
Tier	H2 and H3	H6
1	0.500	1.000
2	0.550	1.000
3	0.600	1.000
4	0.725	1.000
5	0.925	1.000
6	1.000	1.000
7	1.200	1.000
8	1.350	1.000
10	0.410	0.410
11	0.430	0.430
12	0.450	0.450
13	0.470	0.470
14	0.490	0.490
15	0.510	0.510
16	0.540	0.540
17	0.600	0.600
18	0.690	0.690
19	0.750	0.750
20	0.840	0.840
21	1.000	1.000
22	1.000	1.000
23	1.050	1.050
24	1.200	1.200
25	1.320	1.320
26	1.500	1.500

Tier Factors					
Tier	H4	Tier	H4	Tier	H4
1	1.000	34	0.980	67	2.638
2	0.375	35	1.010	68	2.718
3	0.387	36	1.041	69	2.801
4	0.399	37	1.073	70	2.886
5	0.411	38	1.105	71	2.974
6	0.423	39	1.139	72	3.065
7	0.436	40	1.174	73	3.158
8	0.449	41	1.209	74	3.254
9	0.463	42	1.246	75	3.353
10	0.477	43	1.284	76	3.456
11	0.492	44	1.323	77	3.561
12	0.507	45	1.363	78	3.669
13	0.522	46	1.405	79	3.781
14	0.538	47	1.448	80	3.896
15	0.554	48	1.492	81	4.015
16	0.571	49	1.537	82	4.137
17	0.589	50	1.584	83	4.263
18	0.607	51	1.632	84	4.393
19	0.625	52	1.682	85	4.527
20	0.644	53	1.733	86	4.665
21	0.664	54	1.786	87	4.807
22	0.684	55	1.840	88	4.953
23	0.705	56	1.896	89	5.104
24	0.726	57	1.954	90	5.259
25	0.748	58	2.014	91	5.419
26	0.771	59	2.075	92	5.585
27	0.795	60	2.138	93	5.755
28	0.819	61	2.203	94	5.930
29	0.844	62	2.270	95	6.110
30	0.869	63	2.340	96	6.297
31	0.896	64	2.411	97	6.488
32	0.923	65	2.484	98	6.686
33	0.951	66	2.560	99	6.890

**Arkansas**  
Homeowners Rating Manual

Tier Factors		
Tier	H2 and H3	H6
1	0.500	1.000
2	0.550	1.000
3	0.600	1.000
4	0.725	1.000
5	0.925	1.000
6	1.000	1.000
7	1.200	1.000
8	1.350	1.000
10	0.410	0.410
11	0.430	0.430
12	0.450	0.450
13	0.470	0.470
14	0.490	0.490
15	0.510	0.510
16	0.540	0.540
17	0.600	0.600
18	0.690	0.690
19	0.750	0.750
20	0.840	0.840
21	<del>0.9</del> 1.000	<del>0.9</del> 1.000
22	1.000	1.000
23	1.050	1.050
24	1.200	1.200
25	1.320	1.320
26	1.500	1.500

Tier Factors					
Tier	H4	Tier	H4	Tier	H4
1	1.000	34	0.980	67	2.638
2	0.375	35	1.010	68	2.718
3	0.387	36	1.041	69	2.801
4	0.399	37	1.073	70	2.886
5	0.411	38	1.105	71	2.974
6	0.423	39	1.139	72	3.065
7	0.436	40	1.174	73	3.158
8	0.449	41	1.209	74	3.254
9	0.463	42	1.246	75	3.353
10	0.477	43	1.284	76	3.456
11	0.492	44	1.323	77	3.561
12	0.507	45	1.363	78	3.669
13	0.522	46	1.405	79	3.781
14	0.538	47	1.448	80	3.896
15	0.554	48	1.492	81	4.015
16	0.571	49	1.537	82	4.137
17	0.589	50	1.584	83	4.263
18	0.607	51	1.632	84	4.393
19	0.625	52	1.682	85	4.527
20	0.644	53	1.733	86	4.665
21	0.664	54	1.786	87	4.807
22	0.684	55	1.840	88	4.953
23	0.705	56	1.896	89	5.104
24	0.726	57	1.954	90	5.259
25	0.748	58	2.014	91	5.419
26	0.771	59	2.075	92	5.585
27	0.795	60	2.138	93	5.755
28	0.819	61	2.203	94	5.930
29	0.844	62	2.270	95	6.110
30	0.869	63	2.340	96	6.297
31	0.896	64	2.411	97	6.488
32	0.923	65	2.484	98	6.686
33	0.951	66	2.560	99	6.890

# Arkansas

## Homeowners Rating Manual

### Section I Optional Coverages

Refrigerated Property	
<b>Rate</b>	10

Additions & Alterations Rented	
<b>Rate</b>	.25

Water Backup	
<b>Rate</b>	44

Second Location Discount	
<b>Rate</b>	11

Special Dwelling	
<b>Rate</b>	2

Identity Fraud Expense Coverage	
<b>Rate per Policy</b>	25

Inc Other Structure & Loss of Use	
<b>Rate per \$1000</b>	4

Inc Other Structures Rented	
<b>Rate per \$1000</b>	5

Loss Assessment - Residence Premises					
Loss Assessment	Form Type				
	H2	H3	H4	H6	H6 w/ Special Dwelling
<b>5000</b>	3	4	3	3	4
<b>10000</b>	5	7	5	5	7

Increased Loss Assessment per \$5000				
Form Type				
H2	H3	H4	H6	H6 w/ Special Dwelling
1	2	1	1	2

Increased Loss of Use Percentage				
Home Protector Plus	Form Type			
	H2	H3	H4	H6
<b>No</b>	.20	.20	.20	.40
<b>Yes</b>	N/A	.30	N/A	N/A

# Arkansas

## Homeowners Rating Manual

### Section I Optional Coverages

Refrigerated Property	
<b>Rate</b>	10

Additions & Alterations Rented	
<b>Rate</b>	.25

Water Backup	
<b>Rate</b>	<del>40</del> 44

Second Location Discount	
<b>Rate</b>	11

Special Dwelling	
<b>Rate</b>	2

Identity Fraud Expense Coverage	
<b>Rate per Policy</b>	25

Inc Other Structure & Loss of Use	
<b>Rate per \$1000</b>	4

Inc Other Structures Rented	
<b>Rate per \$1000</b>	5

Loss Assessment - Residence Premises					
Loss Assessment	Form Type				H6 w/ Special Dwelling
	H2	H3	H4	H6	
<b>5000</b>	3	4	3	3	4
<b>10000</b>	5	7	5	5	7

Increased Loss Assessment per \$5000				
Form Type				
H2	H3	H4	H6	H6 w/ Special Dwelling
1	2	1	1	2

Increased Loss of Use Percentage				
Home Protector Plus	Form Type			
	H2	H3	H4	H6
<b>No</b>	.20	.20	.20	.40
<b>Yes</b>	N/A	.30	N/A	N/A

Effective: 09/15/2003  
Effective: 02/21/2011

SERFF Tracking Number: LBPM-126962305 State: Arkansas  
 First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100  
 Company Tracking Number: AR HO SR 02 11  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
 Project Name/Number: Rate Revision/AR HO SR 02 11

## Supporting Document Schedules

	Item Status:	Status Date:
<b>Bypassed - Item:</b> Form RF-2 Loss Costs Only (not for workers' compensation) <b>Bypass Reason:</b> not applicable <b>Comments:</b>		
<b>Satisfied - Item:</b> H-1 Homeowners Abstract <b>Comments:</b> <b>Attachment:</b> AR H 1 HO Filing Abstract r1.pdf	Filed	01/19/2011
<b>Satisfied - Item:</b> HPCS-Homeowners Premium Comparison Survey <b>Comments:</b> <b>Attachments:</b> AR HPCS HO Premium Comparison LMFIC Revised2.pdf Copy of AR HPCS HO Premium Comparison LMFIC Revised2.xls Copy of AR HPCS HO Premium Comparison TFLIC Revised2.pdf Copy of AR HPCS HO Premium Comparison TFLIC Revised2.xls	Filed	01/19/2011
<b>Satisfied - Item:</b> NAIC loss cost data entry document <b>Comments:</b> <b>Attachments:</b> AR NAIC Loss Cost Data Entry TFLIC.pdf AR NAIC Loss Cost Data Entry LMFIC2.pdf	Filed	01/19/2011

SERFF Tracking Number: LBPM-126962305 State: Arkansas  
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100  
Company Tracking Number: AR HO SR 02 11  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Rate Revision/AR HO SR 02 11

**Item Status:** Filed **Status Date:** 01/19/2011  
**Satisfied - Item:** Cover Letter  
**Comments:**  
**Attachment:**  
AR HO Cvr Letter r1.pdf

**Item Status:** Filed **Status Date:** 01/19/2011  
**Satisfied - Item:** Actuarial Justification  
**Comments:**  
**Attachment:**  
AR HO Actuarial Justification 3 28 2011.pdf

**Item Status:** Filed **Status Date:** 01/19/2011  
**Satisfied - Item:** 1/3/2011 Objection Response  
**Comments:**  
**Attachment:**  
Objection Response 1-6-2011.pdf

ARKANSAS INSURANCE DEPARTMENT

FORM H-1 HOMEOWNERS ABSTRACT

INSTRUCTIONS: All questions must be answered. If the answer is "none" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent homeowners rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name Liberty Mutual Fire Insurance Company and the First Liberty Insurance Corporation  
NAIC # (including group #) LMFIC - 23035 and TFLIC - 33588 Group #0111

1. If you have had an insurance to value campaign during the experience filing period, describe the campaign and estimate its impact.  
Not applicable - no impact
  
2. If you use a cost estimator (or some similar method) in order to make sure that dwellings (or contents) are insured at their value, state when this program was started in Arkansas and estimate its impact.  
In 2004, we implemented a new cost estimator from an outside vendor, Xactware.

Estimated impact - The current evaluator collects more detailed information about our policyholders' homes than our previous estimator. The impact on the policyholder is a more detailed and more accurate home evaluation.

3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used.  
Not applicable.
  
4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact.  
At the option of the insured, a Homeowners Policy may be endorsed to provide for automatic increases in the limits of liability on Coverages A, B, C, and D during the term of the policy. Guide factors are developed based on information provided by an outside vendor, Xactware, for Forms HO 00 02 and HO 00 03; or by the U.S. Consumer Price Index for Forms HO 00 04 and HO 00 06.

Estimated impact - The inflation factors are updated monthly and the current factor for December 2010 is 1.00.

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

a. Fire Extinguisher	<u>6%</u>
b. Burglar Alarm	<u>5% - 10%</u>
c. Smoke Alarm	<u>6%</u>
d. Insured who has both homeowners and auto with your company	<u>10%</u>
e. Deadbolt Locks	<u>6%</u>
f. Window or Door Locks	<u>N/A</u>
g. Other (specify) <u>Sprinkler System</u>	<u>8% - 13%</u>

6. Are there any areas in the State of Arkansas In which your company will not write homeowners insurance? If so, state the areas and explain reason for not writing.

No, N/A

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

Form	Premium Volume
<u>H2, H3</u>	<u>\$3,765,807 12 months ending December 1, 2010</u>
<u>H4</u>	<u>\$204,776</u>
<u>H6</u>	<u>\$13,859</u>

AID PC H-1 (1/06)  
Page 1 of 2

Form H-1 (1/06)  
Page 2 of 2

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

9. Is there a surcharge on risks with wood heat? No

If yes, state the surcharge N/A

Does the surcharge apply to conventional fire places? N/A

If yes, state the surcharge N/A

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



Signature

Victoria Yee

Printed Name

Industry Filings Specialist

Title

(800) 225-8346 x47161

Telephone Number

Victoria.Yee@LibertyMutual.com

Email address

NAIC Number: Group number 111 23035  
 Company Name: Liberty Mutual Fire Insurance Company  
 Contact Person: Gulshani Kenney  
 Telephone No.: (617) 357-9500 ext 41233  
 Email Address: Gulshani.Kenney@LibertyMutual.com  
 Effective Date: 2/21/2011

**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](mailto: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**

NOTE: Assumed Tier 1, per rating manual

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	\$628	\$695	\$628	\$695	\$945	\$1,045	\$900	\$995	\$900	\$995	\$869	\$960	\$996	\$1,102	\$698	\$771	\$902	\$997
	\$120,000	\$896	\$991	\$973	\$1,076	\$1,348	\$1,491	\$1,284	\$1,420	\$1,284	\$1,420	\$1,239	\$1,370	\$1,422	\$1,572	\$995	\$1,100	\$1,287	\$1,423
	\$160,000	\$1,197	\$1,324	\$1,197	\$1,324	\$1,801	\$1,991	\$1,716	\$1,898	\$1,716	\$1,898	\$1,655	\$1,831	\$1,899	\$2,101	\$1,329	\$1,469	\$1,720	\$1,902
6	\$80,000	\$739	\$828	\$739	\$828	\$1,111	\$1,245	\$1,059	\$1,186	\$1,059	\$1,186	\$1,022	\$1,144	\$1,172	\$1,313	\$820	\$918	\$1,061	\$1,189
	\$120,000	\$1,145	\$1,282	\$1,145	\$1,282	\$1,586	\$1,776	\$1,511	\$1,692	\$1,511	\$1,692	\$1,458	\$1,633	\$1,673	\$1,873	\$1,170	\$1,311	\$1,514	\$1,696
	\$160,000	\$1,409	\$1,578	\$1,409	\$1,578	\$2,118	\$2,373	\$2,019	\$2,261	\$2,019	\$2,261	\$1,947	\$2,181	\$2,235	\$2,503	\$1,563	\$1,751	\$2,023	\$2,266
9	\$80,000	\$1,374	\$1,589	\$1,374	\$1,589	\$2,067	\$2,389	\$1,970	\$2,277	\$1,970	\$2,277	\$1,900	\$2,196	\$2,180	\$2,520	\$1,525	\$1,763	\$1,974	\$2,282
	\$120,000	\$2,129	\$2,461	\$2,129	\$2,461	\$2,949	\$3,409	\$2,811	\$3,249	\$2,811	\$3,249	\$2,711	\$3,134	\$3,111	\$3,596	\$2,176	\$2,516	\$2,816	\$3,256
	\$160,000	\$2,620	\$3,029	\$2,620	\$3,029	\$3,940	\$4,555	\$3,755	\$4,341	\$3,755	\$4,341	\$3,622	\$4,187	\$4,156	\$4,804	\$2,908	\$3,361	\$3,763	\$4,349

NOTE: Assumed Tier 1, per rating manual

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	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134
	\$15,000	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224
	\$25,000	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298
6	\$5,000	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146
	\$15,000	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244
	\$25,000	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324
9	\$5,000	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204
	\$15,000	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341
	\$25,000	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453

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																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

**SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:**  
**HO3 and HO4 only**

Fire Extinguisher	6 %	Deadbolt Lock	6 %
Burglar Alarm	5-10 %	Window Locks	0 %
Smoke Alarm	1-2 %	\$1,000 Deductible	26-30 %
		Other (specify)	
		Maximum Credit Allowed	8-13 %

**EARTHQUAKE INSURANCE**

**IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this cover.**  
 ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS? Yes  (yes or no)  
 WHAT IS YOUR PERCENTAGE DEDUCTIBLE? 5-25 %  
 Zone Brick Frame  
 Highest Risk \$ .71 \$ .58  
 Lowest Risk \$ .21 \$ .18

NAIC Number: Group number 111 33588  
 Company Name: The First Liberty Insurance Corporation  
 Contact Person: Gulshani Kenney  
 Telephone No.: (617) 357-9500 ext 41233  
 Email Address: Gulshani.Kenney@LibertyMutual.com  
 Effective Date: 2/21/2010

**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**

NOTE: Assumed Tier 1, per rating manual

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	\$628	\$695	\$628	\$695	\$945	\$1,045	\$900	\$995	\$900	\$995	\$869	\$960	\$996	\$1,102	\$698	\$771	\$902	\$997
	\$120,000	\$896	\$991	\$973	\$1,076	\$1,348	\$1,491	\$1,284	\$1,420	\$1,284	\$1,420	\$1,239	\$1,370	\$1,422	\$1,572	\$995	\$1,100	\$1,287	\$1,423
	\$160,000	\$1,197	\$1,324	\$1,197	\$1,324	\$1,801	\$1,991	\$1,716	\$1,898	\$1,716	\$1,898	\$1,655	\$1,831	\$1,899	\$2,101	\$1,329	\$1,469	\$1,720	\$1,902
6	\$80,000	\$739	\$828	\$739	\$828	\$1,111	\$1,245	\$1,059	\$1,186	\$1,059	\$1,186	\$1,022	\$1,144	\$1,172	\$1,313	\$820	\$918	\$1,061	\$1,189
	\$120,000	\$1,145	\$1,282	\$1,145	\$1,282	\$1,586	\$1,776	\$1,511	\$1,692	\$1,511	\$1,692	\$1,458	\$1,633	\$1,673	\$1,873	\$1,170	\$1,311	\$1,514	\$1,696
	\$160,000	\$1,409	\$1,578	\$1,409	\$1,578	\$2,118	\$2,373	\$2,019	\$2,261	\$2,019	\$2,261	\$1,947	\$2,181	\$2,235	\$2,503	\$1,563	\$1,751	\$2,023	\$2,266
9	\$80,000	\$1,374	\$1,589	\$1,374	\$1,589	\$2,067	\$2,389	\$1,970	\$2,277	\$1,970	\$2,277	\$1,900	\$2,196	\$2,180	\$2,520	\$1,525	\$1,763	\$1,974	\$2,282
	\$120,000	\$2,129	\$2,461	\$2,129	\$0	\$2,949	\$3,409	\$2,811	\$3,249	\$2,811	\$3,249	\$2,711	\$3,134	\$3,111	\$3,596	\$2,176	\$2,516	\$2,816	\$3,256
	\$160,000	\$2,620	\$3,029	\$2,620	\$3,029	\$3,940	\$4,555	\$3,755	\$4,341	\$3,755	\$4,341	\$3,622	\$4,187	\$4,156	\$4,804	\$2,908	\$3,361	\$3,763	\$4,349

NOTE: Assumed Tier 1, per rating manual

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	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134
	\$15,000	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224
	\$25,000	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298	\$298
6	\$5,000	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146	\$146
	\$15,000	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244
	\$25,000	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324	\$324
9	\$5,000	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204	\$204
	\$15,000	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341	\$341
	\$25,000	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453	\$453

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																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

**SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:**  
**HO3 and HO4 only**

Fire Extinguisher	6	%	Deadbolt Lock	6	%
Burglar Alarm	5-10	%	Window Locks	0	%
Smoke Alarm	1-2	%	\$1,000 Deductible	26-30	%
			Other (specify)		
			Maximum Credit Allowed	8-13	%

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?  
 Yes  (yes or no)  
 No

WHAT IS YOUR PERCENTAGE DEDUCTIBLE?  
 5-25 %

WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?  
 Zone Highest Risk \$ .71  
 Lowest Risk \$ .21

Zone Brick Frame  
 Highest Risk \$ .71 \$ .58  
 Lowest Risk \$ .21 \$ .18

### NAIC LOSS COST DATA ENTRY DOCUMENT

<b>1.</b>	This filing transmittal is part of Company Tracking #	<b>AR HO SR 02 11</b>
-----------	---	-----------------------

<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	<b>N/A</b>
-----------	---	------------

Company Name		Company NAIC Number		
<b>3.</b>	<b>A.</b>	<b>The First Liberty Insurance Corporation</b>	<b>B.</b>	<b>33588</b>

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

<b>5.</b>			<b>FOR LOSS COSTS ONLY</b>				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
<b>H3</b>	<b>+31.7%</b>	<b>+10.1%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>H4</b>	<b>+48.3%</b>	<b>+4.8%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>H6</b>	<b>+10.0%</b>	<b>+5.3%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL OVERALL EFFECT</b>	<b>+31.7%</b>	<b>+9.8%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

<b>6.</b>		<b>5 Year History Rate Change History</b>					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
<b>2005</b>	0	--	--	0	0	n/a	77.3%
<b>2006</b>	0	--	--	0	0	n/a	56.6%
<b>2007</b>	0	--	--	0	0	n/a	47.7%
<b>2008</b>	0	+3.9%	11/12/08	0	0	n/a	64.3%
<b>2009</b>	0	+11.9%	10/26/2009	0	0	n/a	67.3%
<b>2011</b>	0	+9.8	2/21/2011				

<b>7.</b>	
Expense Constants	Selected Provisions
A. Total Production Expense	n/a
B. General Expense	21.6%
C. Taxes, License & Fees	3.5%
D. Underwriting Profit & Contingencies	15.7%
E. Other (explain)	0.0%
F. TOTAL	40.8%

- 8.** N/A Apply Lost Cost Factors to Future filings? (Y or N)
- 9.** 14.7% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_ **81** \_\_\_\_\_
- 10.** 0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_ **N/A** \_\_\_\_\_

## NAIC LOSS COST DATA ENTRY DOCUMENT

1. This filing transmittal is part of Company Tracking #	AR HO SR 02 11
--	----------------

2. If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
--	-----

Company Name	Company NAIC Number
3. A. <b>Liberty Mutual Fire Insurance Company</b>	B. <b>23035</b>

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

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(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
H3	+31.7%	+10.1%	N/A	N/A	N/A	N/A	N/A
H4	+48.3%	+4.8%	N/A	N/A	N/A	N/A	N/A
H6	+10.0%	+5.3%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT	+31.7%	+9.8%	N/A	N/A	N/A	N/A	N/A

6. 5 Year History Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2005	2,316	--	--	\$2,717	\$872	32.1%	77.3%
2006	2,400	--	--	\$2,796	\$1,502	53.7%	56.6%
2007	2,382	--	--	\$2,834	\$1,554	54.8%	47.7%
2008	2,466	+3.9%	11/12/08	\$2,838	\$3,778	133.1%	64.3%
2009	2,392	+11.9%	10/26/2009	\$3,049	\$2,629	86.2%	67.3%
2011	3,858	+9.8%	2/21/2011				

7.

Expense Constants	Selected Provisions
A. Total Production Expense	n/a
B. General Expense	21.6%
C. Taxes, License & Fees	3.5%
D. Underwriting Profit & Contingencies	15.7%
E. Other (explain)	0.0%
F. TOTAL	40.8%

8. N/A Apply Lost Cost Factors to Future filings? (Y or N)
9. 14.7% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_ **81** \_\_\_\_\_
10. 0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_ **N/A** \_\_\_\_\_



**Liberty  
Mutual®**

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

December 29, 2010

Jay Bradford  
Commissioner of Insurance  
Arkansas Insurance Department  
1200 W 3rd St  
Little Rock, AR 72201-1904

**RE: Homeowner Rate Revision**  
**Company Tracking No. AR HO SR 02 11**  
**Liberty Mutual Fire Insurance Corporation, NAIC #111-23035**  
**The First Liberty Insurance Corporation, NAIC #111-33588**

Dear Commissioner Bradford:

In accordance with applicable “File & Use” provisions, Liberty Mutual Fire Insurance Company (LMFIC) and The First Liberty Insurance Corporation (TFLIC), respectfully submit the following revisions to their Homeowner Rating Program. These changes will be effective for new business policies produced and effective on or after **February 21, 2011** and renewal business policies produced and effective on or after **March 28, 2011**.

**Summary of Changes**

1. Revise Property base rates
2. Increase Water Backup rate from \$40 to \$44
3. Revise Form H2, H3 and H6 Tier 21 from 0.900 to 1.000. This reflects the changes to the tier matrix proposed as part of the recent homeowner rate plan review earlier this year (SERFF tracking # LBPM-126737346).

**Rate Effect**

Homeowner State Review Rate Impact				
Form	LMFIC	TFLIC	LIC	Overall Effect
H3 Dwelling	19.7%	0.0%	0.0%	19.7%
H4 Tenant	14.6%	0.0%	0.0%	14.6%
H6 Condo	5.3%	0.0%	0.0%	5.3%
Total	19.4%	0.0%	0.0%	19.4%

## **Rating Manual**

- Section R, Page 1 - Revise Property base rates
- Section R, Page 1A – Revise H2, H3 and H6 Tier 21 factor
- Section R, Page 11 – Revise Water Backup rate

## **Filing Information**

Applicable filing information and revised rate 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). Thank you.

Sincerely,



Victoria Yee  
Industry Filings Specialist  
Industry & Regulatory Relations

**Liberty Mutual Group  
Arkansas Homeowners Rate Filing- Actuarial Justification**

**Table of Contents**

Section I	Summary of Rate Filing
Section II	Homeowners 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 +19.4% (+19.7% for Form 3, 14.6% for Form 4 and 5.3% for Form 6). The proposed effective date for these changes is February 21, 2011 for New Business and March 28, 2011 for Renewal Business. The premium effect of the proposed change is estimated to be +\$772,496.

## **Past and Prospective Experience**

Arkansas Calendar/Accident Year data for the five-year period ending September 30, 2009 is used in determining our overall rate level needed. The dwelling rate level indication is +34.7%. The indication for Dwelling Forms serves as justification for all forms, as our experience for Contents Forms does not have significant credibility and, hence, is not reliable as an indicator of the adequacy of the company's current rates. The data used to develop the indication is 50% 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 2010 Homeowner's planned expense numbers for the Southwest region.

## **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 GAAP 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 and severe storm 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-I provides 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:

1. Reported Earned Premiums - The direct earned premiums for the latest five calendar years are listed.
2. Earned House Years - The earned exposures for the latest five calendar years are listed.
3. 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.
4. Current Rate Factors - These "on-level" 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.
5. Premium Adjustment Factor - The Premium Trend and Current Rate Factors are combined to produce a single factor applicable to Reported Earned Premium.
6. Premium at Current Level - These result from the application of the Premium Adjustment Factors to the Reported Earned Premium.
7. Capped Incurred Losses Excluding Catastrophe and Severe Storms - These are the statewide total reported losses (excluding tornado/hail/severe storm wind losses and excluding catastrophes) capped at \$250,000 per occurrence for the five accident years ending September 30, 2009, evaluated as of September 30, 2009.
8. Capped Loss Factors - These factors represent the estimated relativity of total losses (excluding catastrophes and severe storms) to losses capped at \$250,000 per occurrence. These factors are applied to the Capped Incurred Losses Excluding Catastrophe and Severe Storms to gross them up to their expected, uncapped level as shown in Exhibit II-I.
9. Loss Development Factor - Capped Incurred Losses Excluding Catastrophe and Severe Storms are developed to their ultimate value by use of loss development factors. Our selected factors are based on an analysis of accident year losses (excluding catastrophes and

severe storms) evaluated at common ages and the patterns exhibited as these losses change from their initial valuation to final settlement. The factors selected and the supporting data are presented in Exhibit II-D.

10. Loss Trend Factors - Using Liberty Mutual's "Fast Track" loss data for both Arkansas and the Southwest region, 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 (April 1, 2009). The factors selected and the supporting data and calculations are presented in Exhibit II-E.
11. Adjusted Normal Incurred Losses - Capped Incurred Losses Excluding Catastrophe and Severe Storms are brought to their final expected, uncapped level by multiplying these losses by (1) the appropriate loss development factor, (2) the appropriate capped loss factor, and (3) the appropriate loss trend factor.

Note: At this point in the rate indication process, the non-catastrophe, non-severe storm losses and the earned premium are trended to the end of the experience period and developed to ultimate level. The remaining adjustments described below are intended to (1) account for the excluded catastrophe and severe storm losses and (2) project premiums and losses forward to the period during which the proposed rates will become effective.

- 12a. Loss Complement – The product of the Southwest regional x-catastrophe pure premium and the number of Liberty's earned exposures in the state of Arkansas is used as the Loss Complement. The regional pure premium is determined based on Liberty's average pure premium in the Southwest region.
- 12b. Credibility Adjusted Normal Losses – The credibility adjusted normal losses are a weighted average of the adjusted normal incurred losses and the loss complement.
13. 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 selected for each year.
14. Normal Loss Ratio - This is the Credibility Adjusted Normal Incurred Loss divided by the Premium at Current Level for each calendar/accident year separately.
15. Weighted Normal Loss Ratio - This is the result of multiplying each year's Normal Loss Ratio by its respective weight and adding the products.
16. Provision for Non-Hurricane, Non-Severe Storm Catastrophes - This provision is for any expected catastrophic activity excluding hurricanes and severe storms. The factor is selected based upon a 17-year average of Liberty Mutual historical non-hurricane, non-severe storm catastrophe losses to amount of insurance in the state of Arkansas. The calculation of this provision, along with supporting data, is presented in Exhibit II-F.
- 16a. Provision for Hurricane Wind Losses – This provision is based on average annual hurricane losses for Arkansas modeled from the AIR CLASIC/2 v 10.0 Hurricane model. These

models are based on scientific data and mathematical and empirical models. Liberty Mutual's 7/1/2009 policyholder exposure information is used with the model to estimate the average annual loss. The provision is the ratio of Liberty Mutual's expected annual hurricane loss to the most recent year's earned premium at current level. The calculation of this provision is presented in Exhibit II-F.

16b. Provision for Tornado/Hail/Severe Thunderstorm Wind Losses – This provision is based on the combination of

1. Average annual severe storm losses for Arkansas modeled from the AIR CLASIC/2 v10.0 Severe Storm model, and
2. An adjustment factor of 1.16 that reflects the difference in the last 17 years of Countrywide observed loss experience and the Countrywide mean damage ratio.

The AIR CLASIC/2 v 10.0 model is based on scientific data and mathematical and empirical models. Liberty Mutual's 7/1/2009 policyholder exposure information is used with the model to estimate the average annual loss. The provision is the ratio of Liberty Mutual's expected annual severe storm loss to the most recent year's earned premium at current level. The calculation of this provision is presented in Exhibit II-F.

17. Premium Projection Factor - This factor projects 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.

18. Loss Projection Factor - The Loss Projection Factor is used to project losses from the average accident date of the latest experience period (April 1, 2009) to an average accident date of one year beyond the proposed effective date of the rate revision (March 28, 2011). The calculation of this factor is presented with the calculation of the historical loss trend factors in Exhibit II-E.

19. Loss Ratio Projection Factor - This factor is the ratio of the Loss Projection Factor and the Premium Projection Factor calculated above.

20. Loss Adjustment Expense Factor - To include Loss Adjustment Expense (LAE), a factor is calculated based upon the 3-year average of stable Southwest regional LAE to incurred loss experience (2006, 2008, and 2009). The supporting expense data is presented in Exhibit II-G.

21. 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.

22. Credibility - Credibility is a measure of the credence assigned to a particular body of data for ratemaking purposes. In this rate indication, full credibility is defined to be 75,000 earned house-years. In this step, credibility to be assigned to the company's x-cat loss experience is calculated. A minimum of 50% credibility is given to state-specific experience. The calculation of this credibility standard is presented in Exhibit II-H.

23. Projected X-cat Loss and LAE Ratio - In this step, the experience period Normal Loss Ratio is adjusted for LAE. Then, this ratio is projected to its future level by applying the Loss Ratio Projection Factor.
24. 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.
- 24a. Projected Total Loss and LAE Ratio adjusted for EPA Standards – Due to a federal statute regarding lead in paint, the losses have been increased by 1% to adjust for additional costs stemming from mitigation and reconstruction of covered interior structures.
25. Provision for Fixed Acquisition and General Expense - These expenses cover policy issuance, sales staffing, and other administrative functions. The supporting expense data is presented in Exhibit II-G.
26. Provision for Reinsurance Cost – The total reinsurance cost to Liberty Mutual for Dwelling Forms was allocated to Arkansas based on the state's participation in all direct losses above \$550 million CTE. \$550 million is Liberty Mutual's 2009 Personal Market's reinsurance treaty attachment point.
27. Provision for Variable Expense (Taxes, Licenses, Fees, Profit & Contingency, Variable Acquisition and General) - These items vary directly with premium. The supporting expense data is presented in Exhibit II-G.
28. Permissible Loss and LAE, Fixed and Reinsurance Expense Ratio - From unity, item (27) is subtracted.
29. 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 and LAE, Fixed and Reinsurance Expense Ratio.
30. Selected Rate Change

**Exhibit II-A: Arkansas Homeowners' Rate Level Indication – Dwelling Forms**

Liberty Mutual Group

Effective Date:

Homeowners

03/28/11

Arkansas

Dwelling Forms

Statewide Indicated Rate Level Change

	(1)	(2)		(3)	(4)	(5)	(6)
Accident Year Ending	Reported Earned Premium	Earned House Years		Premium Trend Factor	Current Rate Factor	Premium Adjustment Factor (3)*(4)	Premium at Current Level (1)*(5)
9/30/2005	\$2,460,230	2,549		1.046	1.187	1.243	\$3,056,982
9/30/2006	\$2,628,374	2,603		1.035	1.163	1.203	\$3,161,577
9/30/2007	\$2,700,854	2,610		1.023	1.163	1.189	\$3,212,136
9/30/2008	\$2,712,180	2,625		1.011	1.163	1.176	\$3,189,244
9/30/2009	<u>\$2,821,518</u>	<u>2,695</u>		1.000	1.145	1.145	<u>\$3,231,072</u>
	\$13,323,156	13,081					\$15,851,012

Accident Year Ending	(7) Xcat xSevere Storm Capped Loss	(8) 1/Capped Loss Factor xSevere Storms	(9) Loss Dev. Factor xSevere Storms	(10) Loss Trend Factor	(11) Adjusted Normal Losses (7)*(8)*(9)*(10)	(12a) Loss Complement Regional PP (\$290) *Exposures	(12b) Cred. Adjusted Normal Losses Cred.*(11)+(1-Cred.)*(12a)	(13) Loss Ratio Weights	(14) Normal Loss Ratio
9/30/2005	\$864,937	1.061	1.000	1.360	\$1,247,704	\$739,230	\$993,467	0.20	0.325
9/30/2006	\$1,319,281	1.070	1.001	1.260	\$1,779,661	\$754,876	\$1,267,268	0.20	0.401
9/30/2007	\$1,148,106	1.113	1.004	1.166	\$1,497,271	\$756,781	\$1,127,026	0.20	0.351
9/30/2008	\$871,501	1.095	1.007	1.080	\$1,037,604	\$761,259	\$899,431	0.20	0.282
9/30/2009	<u>\$1,283,906</u>	1.113	1.064	1.000	\$1,520,636	\$781,443	<u>\$1,151,039</u>	0.20	0.356
	\$5,487,731						\$5,438,232		

(15)	Weighted Normal Loss Ratio	0.343
(16)	Provision for Non-modeled Catastrophes	0.004
(16a)	Provision for Hurricane Losses	0.002
(16b)	Provision for Tornado/Hail/Severe Thunderstorm Losses	0.220
(17)	Premium Projection Factor	0.970
(18)	Loss Projection Factor	1.330
(19)	Loss Ratio Projection Factor: (18)/(17)	1.371
(20)	Loss Adjustment Expense Factor	1.219
(21)	House Years in Experience Period	13,081
(22)	Credibility = Square root of [(21)/75,000] (min = 0.5, max = 1.0)	0.50
(23)	Projected Xcat Loss & LAE Ratio: (15)*(19)*(20)	0.573
(24)	Projected Total Loss & LAE Ratio: (23) + [(16)+(16a)+(16b)]*(20)/(17)	0.857
(24a)	Projected Total Loss and LAE Ratio adjusted for new EPA standards: (24)*(1.01)	0.865
(25)	Provision for Fixed Expense	0.150
(26)	Provision for Reinsurance Cost	0.000
(27)	Provision for Variable Expense	0.246
(28)	Permissible Loss, LAE, Fixed Expense, and Reinsurance [1.0 - (27)]	0.754
(29)	Indicated Rate Change $\{[(24a)+(25)+(26)]/(28)\} - 1.0$	34.7%
(30)	Selected Rate Change	19.4%

**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-levelled earned premium including the increasing amounts of insurance purchased due to inflation, shifts towards higher deductibles, changes in territory mix, etc.

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 regional historical data and is equal to .970 for Dwelling Forms.

**Development of Premium Trend Factors**

<b>Year Ending</b>	<b>Average Earned Date</b>	<b>On-Level Average Earned Prem</b>	<b>Premium Trend Factor</b>
9/30/2005	4/1/2005	1146.1	1.046
9/30/2006	4/1/2006	1174.0	1.035
9/30/2007	4/1/2007	1203.3	1.023
9/30/2008	4/1/2008	1201.2	1.011
9/30/2009	4/1/2009	1199.1	1.000
<b>Selected Trend:</b>		1.1%	

**Calculation of Premium Projection Factor**

1) Annual Premium Trend	0.990
2) Average Earned Date of Last Year of Experience Period	4/1/2009
3) Effective Date for Proposed Rates	3/28/2011
4) Average Earned Date Under Proposed Rates	3/28/2012
5) Number of Years Between (2) And (4)	2.99
6) Premium Projection Factor	
	$(1)^{(5)} = 0.970$

**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>Effective Date</u>	<u>Rate Change</u>
07/02/04	+8.0%
11/12/08	+3.9%
10/26/09	+11.9%

**On Level Factors Calculated Based On Rate Changes Above**

<u>Period Ending</u>	<u>Current Rate Factor</u>
09/30/05	1.187
09/30/06	1.163
09/30/07	1.163
09/30/08	1.163
09/30/09	1.145

**Exhibit II-D: Loss Development**

We have calculated loss development factors based upon Liberty Mutual's countrywide experience for Dwelling Forms. Catastrophe and Severe Storm losses are excluded. These losses have been capped at \$250,000 per occurrence. We have selected the following ultimate factors based on this experience.

<u>Age as of September 30, 2009</u>	<u>Dwelling Factor</u>
12 months	1.064
24 months	1.007
36 months	1.004
48 months	1.001
60 months	1.000

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

**Countrywide Loss Development Excluding Catastrophes and Severe Storms**  
**(Losses capped at \$250,000 per occurrence, in thousands)**

Liberty Mutual Group  
Homeowners  
All US States  
Dwelling Forms

**Capped Incurred Loss Development Excluding Catastrophes Excluding Severe Storm (Losses in thousands)**

Accident Year Ending	12 mos	24 mos	36 mos	48 mos	60 mos	72 mos	84 mos	96 mos	108 mos	120 mos	132 mos
9/30/1999	177,616	188,522	193,029	193,657	193,592	192,999	191,660	191,617	191,555	191,441	191,611
9/30/2000	211,387	224,440	229,072	229,808	228,987	229,333	229,016	228,809	228,938	228,995	
9/30/2001	256,727	275,096	275,923	277,751	278,730	278,862	278,547	278,144	277,991		
9/30/2002	240,535	258,098	260,614	260,897	260,994	261,018	261,493	261,683			
9/30/2003	245,659	264,676	266,461	265,964	266,961	266,539	267,335				
9/30/2004	255,864	274,817	277,662	279,439	279,597	279,397					
9/30/2005	364,093	389,735	392,456	393,251	393,211						
9/30/2006	411,105	438,292	441,594	442,252							
9/30/2007	445,651	472,216	468,821								
9/30/2008	491,619	513,751									
9/30/2009	555,363										

Accident Year Ending	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120
9/30/1999	1.061	1.024	1.003	1.000	0.997	0.993	1.000	1.000	0.999	1.001
9/30/2000	1.062	1.021	1.003	0.996	1.002	0.999	0.999	1.001	1.000	
9/30/2001	1.072	1.003	1.007	1.004	1.000	0.999	0.999	0.999		
9/30/2002	1.073	1.010	1.001	1.000	1.000	1.002	1.001			
9/30/2003	1.077	1.007	0.998	1.004	0.998	1.003				
9/30/2004	1.074	1.010	1.006	1.001	0.999					
9/30/2005	1.070	1.007	1.002	1.000						
9/30/2006	1.066	1.008	1.001							
9/30/2007	1.060	0.993								
9/30/2008	1.045									
Selected	1.057	1.002	1.003	1.001	0.999	1.001	0.999	1.000	1.000	1.000
Cumulative	1.064	1.007	1.004	1.001	1.000	1.000	0.999	1.000	1.000	1.000

Selected factors are based on an average of the latest three values

**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 +8.0% to trend losses from the average date of loss in the accident year to the average accident date in the latest experience period (4/1/2009). This trend is based upon a review of least squares fitted trend lines to the last five years of the Liberty Mutual's Homeowners Fast Track loss data for Arkansas. A loss trend of +10.0% 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 = +8.0%

Final Day of Experience Period = 9/30/2009

Accident Year Ending	Average Accident Date			Loss Trend Factors
			4.0	
9/30/2005	4/1/2005	1.080	=	1.360
			3.0	
9/30/2006	4/1/2006	1.080	=	1.260
			2.0	
9/30/2007	4/1/2007	1.080	=	1.166
			1.0	
9/30/2008	4/1/2008	1.080	=	1.080
			0.0	
9/30/2009	4/1/2009	1.080	=	1.000

Calculation of Loss Projection Factor

1) Projected Annual Loss Trend		1.100
2) Average Accident Date of Last Year of Experience Period		04/01/09
3) Effective Date for Proposed Rates		03/28/11
4) Average Accident Date Under Proposed Rates		03/28/12
5) Number of Years Between (2) And (4)		2.99
6) Loss Projection Factor		
	$\frac{\{5\}}{\{1\}^{\wedge}}$	= 1.330

The fast track data used in selecting the historical loss trends is provided on the following page.

## LIBERTY MUTUAL - HOMEOWNERS FAST TRACK TREND DATA

Arkansas Dwelling FormSouthwest Dwelling Forms

Prior 4 Qtrs. Ending Year Qtr.	<i>Forms 1-3 &amp; 5</i>			<i>Forms 1-3 &amp; 5</i>			
	Paid Severity	Paid Freq.	Paid Pure Premium	Paid Severity	Paid Freq.	Paid Pure Premium	
2005	3	4,133	5.20	215.06	6,245	4.30	268.42
2005	4	4,976	5.78	287.51	6,321	4.25	268.85
2006	1	7,922	6.13	485.54	6,978	4.37	305.01
2006	2	8,268	6.04	499.45	7,372	4.34	319.81
2006	3	10,228	5.86	599.53	7,281	4.54	330.30
2006	4	10,662	5.35	570.54	7,516	4.50	338.45
2007	1	7,160	5.43	388.99	7,198	4.62	332.56
2007	2	7,584	5.38	407.90	6,932	4.70	325.60
2007	3	8,140	5.00	406.67	6,982	4.49	313.17
2007	4	9,481	4.90	464.61	6,889	4.41	303.75
2008	1	10,379	5.08	527.45	7,184	4.14	297.32
2008	2	10,547	4.88	515.08	7,737	3.83	296.61
2008	3	12,037	4.66	561.09	7,942	3.68	292.43
2008	4	10,828	4.87	527.67	8,602	3.54	304.25
2009	1	12,800	4.81	616.24	9,016	3.48	313.45
2009	2	12,827	5.15	661.04	9,402	3.51	329.79
2009	3	8,337	7.43	619.58	9,558	3.85	367.85
1-Yr (5 pts)		-20.24	48.52	18.47	20.17	3.26	24.09
2-Yr (9 pts)		10.13	11.47	22.77	20.12	-10.88	7.05
3-Yr (13 pts)		9.14	0.69	9.90	10.82	-9.93	-0.19
4-Yr (17 pts)		19.36	-1.83	17.17	9.14	-5.92	2.67

**Selected Historical Loss Trend: +8.0%**  
**Selected Projected Loss Trend: +10.0%**

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

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

1) Annual AOI Trend	1.032
2) Average Earned Date of Last Year of Experience Period	04/01/09
3) Effective Date for Proposed Rates	03/28/11
4) Average Earned Date Under Proposed Rates	03/28/12
5) Number of Years Between (2) And (4)	2.99
6) AOI Projection Factor = (1)^(5)	1.100
7) 12 Months Ending 09/30/2009 Earned AOI (000s)	470,985
8) Projected Earned AOI = (6) * (7)	518,195
9) Expected Non Hurricane Non Severe Storm Cat Loss Per \$1000 AOI	0.025
10) Projected Expected Non Hurricane Non Severe Storm Cat Losses = (8) * (9)	13,103
11) 12 Months Ending 09/30/2009 On-level Earned Premium	3,231,072
12) Provision for Ex. Hurr, Ex. Sev. Storm Cat Losses = (10) / (11)	0.4%

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 12/31/2008.

Liberty Mutual Group  
Arkansas Homeowners  
Adjusted Historical Non-Hurricane, Non-Severe Storm CAT Loads  
Accident Years 1992 - 2008  
Dwelling Forms

Accident Year	Inc CAT Loss Ex Hurr, Ex Severe Storm	CY AOI ('000s)	Cat IL Ex Hurr, Ex Sev Storm/ AOI
(1)	(2)	(3)	(4) = (2)/(3)
Dec-92	0	47,371	0.0%
Dec-93	0	56,442	0.0%
Dec-94	0	67,973	0.0%
Dec-95	0	76,112	0.0%
Dec-96	0	84,122	0.0%
Dec-97	0	99,138	0.0%
Dec-98	0	121,171	0.0%
Dec-99	0	148,498	0.0%
Dec-00	0	179,640	0.0%
Dec-01	0	212,877	0.0%
Dec-02	0	236,705	0.0%
Dec-03	0	269,593	0.0%
Dec-04	0	323,572	0.0%
Dec-05	0	397,155	0.0%
Dec-06	0	429,474	0.0%
Dec-07	4,101	448,778	0.9%
Dec-08	0	456,390	0.0%

(5) Average Cat IL ex Hurr, ex Severe Storm/AOI [Average of (4)]	0.1%
(6) Expected Value of the Process Variance	0.035
(7) Variance of the Hypothetical Means	0.002
(8) Credibility	46.4%
(9) Regional Average Cat IL ex Hurr, ex Severe Storm/AOI	0.048
(10) Credibility Weighted Factor	2.6%
(11) Off Balance Factor*	0.981
(12) Balanced Factor [(10)*(11)]	2.5%

\* The Off Balance Factor is calculated as the ratio of the regional credibility weighted damage ratio to the regional actual damage ratio.

**Provision for Severe Storm Loss**

1) Annual AOI Trend	1.032
2) Average Earned Date of Last Year of Experience Period	04/01/09
3) Effective Date for Proposed Rates	03/28/11
4) Average Earned Date Under Proposed Rates	03/28/12
5) Number of Years Between (2) And (4)	2.99
6) AOI Projection Factor = (1)^(5)	1.100
7) 12 Months Ending 09/30/2009 Earned AOI (000s)	470,985
8) Projected Earned AOI = (6) * (7)	518,195
9) Expected Severe Storm Loss Per \$1000 AOI	1.370
10) Projected Expected Severe Storm Losses = (8) * (9)	709,905
11) 12 Months Ending 09/30/2009 On-level Earned Premium	3,231,072
12) Provision for Severe Storm Losses = (10) / (11)	22.0%

\* Item 9, loss costs per \$1000 Amount of Insurance, are derived from the AIR CLASIC/2 v10.0 Severe Storm model adjusted for the difference between the last 17 years of countrywide experience and the countrywide mean damage ratio. This model is based on scientific data regarding severe storm frequency and severity and mathematical and empirical models regarding property losses from severe storms. Liberty Mutual's policyholder exposure information is used with the model to estimate the average annual severe storm loss per \$1,000 AOI.

Provision for Hurricane Loss

1) Annual AOI Trend	1.032
2) Average Earned Date of Last Year of Experience Period	04/01/09
3) Effective Date for Proposed Rates	03/28/11
4) Average Earned Date Under Proposed Rates	03/28/12
5) Number of Years Between (2) And (4)	2.99
6) AOI Projection Factor = (1)^(5)	1.100
7) 12 Months Ending 09/30/2009 Earned AOI (000s)	470,985
8) Projected Earned AOI = (6) * (7)	518,195
9) Expected Hurricane Loss Per \$1000 AOI	0.013
10) Projected Expected Hurricane Losses = (8) * (9)	6,590
11) 12 Months Ending 09/30/2009 On-level Earned Premium	3,231,072
12) Provision for Hurricane Losses = (10) / (11)	0.2%

\* Item 9, loss costs per \$1000 Amount of Insurance, are derived from the AIR CLASIC/2 v10.0 catastrophe model. This model is based on scientific data regarding hurricane frequency and severity and mathematical and empirical models regarding property losses from hurricane storms. Liberty Mutual's policyholder exposure information is used with the model to estimate the average annual hurricane loss per \$1,000 AOI.

**Exhibit II-G: Expense Data**

The table below summarizes Liberty Mutual’s expense data for the Southwest Region. The expense data below serves as the basis for all of the expense provisions in the rate-level indication. Liberty Mutual uses an annual trend of +3.0% to trend its fixed expenses. The calculation of the fixed expense trend factor is shown below.

Expense Provision -- Regional Data						
Expenses Based on Losses	2006	2007	2008	2009	Average	Selected
ALAE	\$3,092,316	\$1,632,356	-\$91,706	\$3,586,420		
ULAE	\$15,559,766	\$16,953,576	\$22,066,325	\$21,138,682		
Incurred Loss	\$47,249,498	-\$29,911,909	\$298,568,327	\$131,487,250		
LAE / Loss	39.5%	-62.1%	7.4%	18.8%	21.9%	21.9%

Provision for Fixed Expenses		
(1)	2010 Plan General Expense	46,806,552
(2)	2010 Plan Fixed Expense Dollars	33,903,565
(3)	2010 Planned Written Premium (\$000)	237,977
(4)	2010 Plan Written Exposure	172,327
(5)	Average Fixed Expense (2) / (4)	197
(6)	Average Written Premium ((3) / (4)) * 1000	1,381
(7)	Fixed Expense Ratio (5) / (6)	14.2%
(8)	Fixed Expense Trend Factor	1.053
(9)	Trended Fixed General Expense Ratio ((7) * (8))	15.0%

Provision for Variable Expenses		
(1)	2010 Plan General Expense	46,806,552
(2)	2010 Plan Variable Expense Dollars	12,902,987
(3)	2010 Planned Written Premium (\$000)	237,977
(4)	2010 Plan Written Exposure	172,327
(5)	Average Fixed Expense (2) / (4)	75
(6)	Average Written Premium ((3) / (4)) * 1000	1,381
(7)	Variable Expense Ratio (5) / (6)	5.4%
(8)	Premium Tax (AR Specific)	3.5%
(9)	Contingency Provision	1.0%
(10)	Profit Provision	14.7%
(11)	Variable Expense Provision ((7) + (8) + (9) + (10))	24.6%

Calculation of Fixed Expense Trend Factor

1) Projected Annual Fixed Expense Trend	1.030
2) Average Date of Experience Period	7/1/2010
3) Effective Date for Proposed Rates	3/28/2011
4) Average Fixed Expense Incurred Date Under Proposed Rat	3/28/2012
5) Number of Years Between (2) And (4)	1.70
6) Fixed Expense Trend Factor	
	$(1)^{(5)}$
	$(1)^{\wedge} =$
	1.053

**Exhibit II-H: Credibility Standard**

The company endorses a conservative approach to Homeowners marketing, including pricing. To this end, we use a full credibility standard of 75,000 earned house-years in the experience period.

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.

**Exhibit II-I: Capped Loss Factors**

**Liberty Mutual Group**  
**All US States - Homeowners**  
**Excluding Catastrophes and Excluding Severe Storms**  
**Capped Loss Factors**  
**Dwelling Forms**

(1)	(2)	(3)	(4) (2) / (3)
Year Ending	Uncapped Losses	Capped Losses	Capped Loss Factor
9/30/2005	163,546,522	154,174,224	1.061
9/30/2006	185,595,490	173,480,821	1.070
9/30/2007	211,941,397	190,366,649	1.113
9/30/2008	228,508,325	208,673,487	1.095
9/30/2009	264,731,279	237,826,630	1.113

### 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	
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	
Year	[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	
Year	[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-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 Assests	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

**Liberty Mutual Group**  
**Arkansas Homeowners Filing**  
**Objections Received January 3, 2011**

**Objection 1:** ACA 23-67-209 requires historical data be used to develop rates. We do not allow modeling for weather related events. Please recalculate your indications by removing the tornado/hail/severe thunderstorm wind losses provisions developed using models.

**Objection 2:** Hurricane provisions are not allowed in AR. Please amend your calculations by removing the provision.

**Response to Objections 1 & 2:** The Arkansas rate filing with a renewal effective date of 3/28/2011 has been revised to meet state requirements. The first revision replaced the tornado/hail/severe thunderstorm wind losses provisions with an estimate developed using Arkansas specific experience in accident years 1992 – 2008. The second revision removed the hurricane provision from the indication. The revisions had the following impact:

- Revised Exhibit II-A Item 16a: Provision for Hurricane Losses  
Unrevised Value: 0.002  
Revised Value: 0.000 (Removed from indication)
- Revised Exhibit II-B Item 16b: Provision for Tornado/Hail/Severe Thunderstorm Losses  
Unrevised Value: 0.220  
Revised Value: 0.204
- Revised Exhibit II-B Item 29: Indicated Rate Change  
Unrevised Value: 34.7%  
Revised Value: 31.7%

Please see the Revised Exhibit II-B on the next page:

## Revised Exhibit II-A: Arkansas Homeowners' Rate Level Indication – Dwelling Forms

Liberty Mutual Group

Effective Date:

Homeowners

03/28/11

Arkansas

Dwelling Forms

### Statewide Indicated Rate Level Change

Accident Year	(1) Reported Earned House Premium	(2) Earned House Years	(3) Premium Trend Factor	(4) Current Rate Factor	(5) Premium Adjustment Factor (3)*(4)	(6) Premium at Current Level (1)*(5)
9/30/2005	\$2,460,230	2,549	1.046	1.187	1.243	\$3,056,982
9/30/2006	\$2,628,374	2,603	1.035	1.163	1.203	\$3,161,577
9/30/2007	\$2,700,854	2,610	1.023	1.163	1.189	\$3,212,136
9/30/2008	\$2,712,180	2,625	1.011	1.163	1.176	\$3,189,244
9/30/2009	<u>\$2,821,518</u>	<u>2,695</u>	1.000	1.145	1.145	<u>\$3,231,072</u>
	\$13,323,156	13,081				\$15,851,012

Accident Year	(7) Xcat xSevere Storm Capped Loss	(8) 1/Capped Loss Factor xSevere Storms	(9) Loss Dev. Factor xSevere Storms	(10) Loss Trend Factor	(11) Adjusted Normal Losses (7)*(8)*(9)*(10)	(12a) Loss Complement Regional PP (\$290) *Exposures	(12b) Cred. Adjusted Normal Losses Cred.*(11)+(1-Cred)*(12a)	(13) Loss Ratio Weights	(14) Normal Loss Ratio
9/30/2005	\$864,937	1.061	1.000	1.360	\$1,247,704	\$739,230	\$993,467	0.20	0.325
9/30/2006	\$1,319,281	1.070	1.001	1.260	\$1,779,661	\$754,876	\$1,267,268	0.20	0.401
9/30/2007	\$1,148,106	1.113	1.004	1.166	\$1,497,271	\$756,781	\$1,127,026	0.20	0.351
9/30/2008	\$871,501	1.095	1.007	1.080	\$1,037,604	\$761,259	\$899,431	0.20	0.282
9/30/2009	<u>\$1,283,906</u>	1.113	1.064	1.000	\$1,520,636	\$781,443	<u>\$1,151,039</u>	0.20	0.356
	\$5,487,731						\$5,438,232		

(15)	Weighted Normal Loss Ratio	0.343
(16)	Provision for Non-modeled Catastrophes	0.004
(16a)	Provision for Hurricane Losses	0.000
(16b)	Provision for Tornado/Hail/Severe Thunderstorm Losses	0.204
(17)	Premium Projection Factor	0.970
(18)	Loss Projection Factor	1.330
(19)	Loss Ratio Projection Factor: (18)/(17)	1.371
(20)	Loss Adjustment Expense Factor	1.219
(21)	House Years in Experience Period	13,081
(22)	Credibility = Square root of [(21)/75,000] (min = 0.5, max = 1.0)	0.50
(23)	Projected Xcat Loss & LAE Ratio: (15)*(19)*(20)	0.573
(24)	Projected Total Loss & LAE Ratio: (23) + [(16)+(16a)+(16b)]*(20)/(17)	0.834
(24a)	Projected Total Loss and LAE Ratio adjusted for new EPA standards: (24)*(1.01)	0.843
(25)	Provision for Fixed Expense	0.150
(26)	Provision for Reinsurance Cost	0.000
(27)	Provision for Variable Expense	0.246
(28)	Permissible Loss, LAE, Fixed Expense, and Reinsurance [1.0 - (27)]	0.754
(29)	Indicated Rate Change [(24a)+(25)+(26)]/(28) - 1.0	31.7%
(30)	Selected Rate Change	19.4%

SERFF Tracking Number: LBPM-126962305 State: Arkansas  
 First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number: EFT \$100  
 Company Tracking Number: AR HO SR 02 11  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
 Project Name/Number: Rate Revision/AR HO 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.

Creation Date:	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
12/27/2010	Rate and Rule	Rating Manual	01/18/2011	R-1 MU.pdf (Superseded) R-1 Clean.pdf (Superseded)
12/27/2010	Rate and Rule	Rating Manual	01/18/2011	R-1a MU.pdf (Superseded) R-1a Clean.pdf (Superseded)
12/27/2010	Rate and Rule	Rating Manual	01/18/2011	R-11 MU.pdf (Superseded) R-11 Clean.pdf (Superseded)
12/27/2010	Supporting Document	H-1 Homeowners Abstract	01/18/2011	Form H-1 HO Abstract.pdf (Superseded)
12/27/2010	Supporting Document	HPCS-Homeowners Premium Comparison Survey	01/18/2011	AR HPCS HO Premium Comparison LMFIC Revised.xls (Superseded) AR HPCS HO Premium Comparison LMFIC Revised.pdf (Superseded) AR HPCS HO Premium Comparison TFLIC Revised.xls (Superseded) AR HPCS HO Premium Comparison TFLIC Revised.pdf (Superseded)
12/27/2010	Supporting Document	NAIC loss cost data entry document	01/18/2011	AR NAIC Loss Cost Data Entry LMFIC.pdf

*SERFF Tracking Number:*      *LBPM-126962305*                      *State:*                      *Arkansas*  
*First Filing Company:*      *Liberty Mutual Fire Insurance Company, ...*      *State Tracking Number:*      *EFT \$100*  
*Company Tracking Number:*      *AR HO SR 02 11*  
*TOI:*                      *04.0 Homeowners*                      *Sub-TOI:*                      *04.0000 Homeowners Sub-TOI Combinations*  
*Product Name:*                      *Home*  
*Project Name/Number:*                      *Rate Revision/AR HO SR 02 11*

(Superseded)  
AR NAIC Loss Cost Data  
Entry TFLIC.pdf  
(Superseded)

**Arkansas**  
Homeowners Rating Manual

<b>Homeowner Base Rates</b>			
Dwelling Territory	H3	H4	H6
031	<del>2676</del> 3203	<del>350</del> 392	<del>438</del> 461
032	<del>2576</del> 3083	<del>364</del> 392	<del>438</del> 461
033	<del>2130</del> 2550	<del>339</del> 392	<del>438</del> 461
034	<del>2803</del> 3355	<del>328</del> 392	<del>438</del> 461
035	<del>2298</del> 2751	<del>345</del> 392	<del>438</del> 461
036	<del>2068</del> 2475	<del>328</del> 392	<del>438</del> 461
081	<del>1864</del> 2231	<del>312</del> 392	<del>438</del> 461
084	<del>2609</del> 3123	<del>364</del> 392	<del>438</del> 461
086	<del>2671</del> 3197	<del>364</del> 392	<del>438</del> 461
097	<del>2956</del> 3538	<del>364</del> 392	<del>438</del> 461
098	<del>2671</del> 3197	<del>364</del> 392	<del>438</del> 461

<b>Row or Town House</b>			
Protection Class	# of Units		
	1-2	3-4	5-8
1-8	1.00	1.10	1.25
9-10	1.00	1.15	1.30

<b>Construction/Occupancy Charge</b>			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.00

<b>Excess Dwelling</b>	
Rate	5

<b>Form Factor</b>	
Type	Factor
H2	.95
H3	1.00

4

**Arkansas**  
Homeowners Rating Manual

<b>Homeowner Base Rates</b>			
<b>Dwelling Territory</b>	<b>H3</b>	<b>H4</b>	<b>H6</b>
<b>031</b>	3203	392	461
<b>032</b>	3083	392	461
<b>033</b>	2550	392	461
<b>034</b>	3355	392	461
<b>035</b>	2751	392	461
<b>036</b>	2475	392	461
<b>081</b>	2231	392	461
<b>084</b>	3123	392	461
<b>086</b>	3197	392	461
<b>097</b>	3538	392	461
<b>098</b>	3197	392	461

<b>Row or Town House</b>			
<b>Protection Class</b>	<b># of Units</b>		
	<b>1-2</b>	<b>3-4</b>	<b>5-8</b>
<b>1-8</b>	1.00	1.10	1.25
<b>9-10</b>	1.00	1.15	1.30

<b>Construction/Occupancy Charge</b>			
<b>Number Apts/ Firewalls</b>	<b>Construction</b>		
	<b>Frame</b>	<b>Masonry</b>	<b>Superior</b>
<b>4</b>	1.00	1.00	1.00
<b>9999999</b>	1.35	1.35	1.00

<b>Excess Dwelling</b>	
<b>Rate</b>	<b>5</b>

<b>Form Factor</b>	
<b>Type</b>	<b>Factor</b>
<b>H2</b>	.95
<b>H3</b>	1.00

ARKANSAS INSURANCE DEPARTMENT

FORM H-1 HOMEOWNERS ABSTRACT

INSTRUCTIONS: All questions must be answered. If the answer is "none" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent homeowners rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name Liberty Mutual Fire Insurance Company and the First Liberty Insurance Corporation  
NAIC # (including group #) LMFIC – 23035 and TFLIC – 33588 Group #0111

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

Not applicable – no impact

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

In 2004, we implemented a new cost estimator from an outside vendor, Xactware.

Estimated impact – The current evaluator collects more detailed information about our policyholders' homes than our previous estimator. The impact on the policyholder is a more detailed and more accurate home evaluation.

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

Not applicable.

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

At the option of the insured, a Homeowners Policy may be endorsed to provide for automatic increases in the limits of liability on Coverages A, B, C, and D during the term of the policy. Guide factors are developed based on information provided by an outside vendor, Xactware, for Forms HO 00 02 and HO 00 03; or by the U.S. Consumer Price Index for Forms HO 00 04 and HO 00 06.

Estimated impact – The inflation factors are updated monthly and the current factor for December 2010 is 1.00.

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

- |   |                 |
|---|-----------------|
| a. Fire Extinguisher  | <u>6%</u>       |
| b. Burglar Alarm  | <u>5% - 10%</u> |
| c. Smoke Alarm  | <u>6%</u>       |
| d. Insured who has both homeowners and auto with your company | <u>10%</u>      |
| e. Deadbolt Locks   | <u>6%</u>       |
| f. Window or Door Locks                                       | <u>N/A</u>      |
| g. Other (specify)  |                 |
| <u>Sprinkler System</u>                                       | <u>8% - 13%</u> |

6. Are there any areas in the State of Arkansas In which your company will not write homeowners insurance? If so, state the areas and explain reason for not writing.

No, N/A

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

Form	Premium Volume
<u>H2, H3</u>	<u>\$3,765,807 12 months ending November 30, 2010</u>
<u>H4</u>	<u>\$204,776</u>
<u>H6</u>	<u>\$13,859</u>

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Page 1 of 2

Form H-1 (1/06)  
Page 2 of 2

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

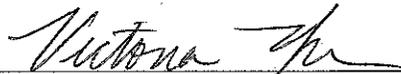
9. Is there a surcharge on risks with wood heat? No

If yes, state the surcharge N/A

Does the surcharge apply to conventional fire places? N/A

If yes, state the surcharge N/A

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



Signature

Victoria Yee

Printed Name

Industry Filings Specialist

Title

(800) 225-8346 x47161

Telephone Number

Victoria.Yee@LibertyMutual.com

Email address

AID PC H-1 (1/06)

**Arkansas**  
Homeowners Rating Manual

Tier Factors		
Tier	H2 and H3	H6
1	0.500	1.000
2	0.550	1.000
3	0.600	1.000
4	0.725	1.000
5	0.925	1.000
6	1.000	1.000
7	1.200	1.000
8	1.350	1.000
10	0.410	0.410
11	0.430	0.430
12	0.450	0.450
13	0.470	0.470
14	0.490	0.490
15	0.510	0.510
16	0.540	0.540
17	0.600	0.600
18	0.690	0.690
19	0.750	0.750
20	0.840	0.840
21	<del>0.9</del> 1.000	<del>0.9</del> 1.000
22	1.000	1.000
23	1.050	1.050
24	1.200	1.200
25	1.320	1.320
26	1.500	1.500

Tier Factors					
Tier	H4	Tier	H4	Tier	H4
1	1.000	34	0.980	67	2.638
2	0.375	35	1.010	68	2.718
3	0.387	36	1.041	69	2.801
4	0.399	37	1.073	70	2.886
5	0.411	38	1.105	71	2.974
6	0.423	39	1.139	72	3.065
7	0.436	40	1.174	73	3.158
8	0.449	41	1.209	74	3.254
9	0.463	42	1.246	75	3.353
10	0.477	43	1.284	76	3.456
11	0.492	44	1.323	77	3.561
12	0.507	45	1.363	78	3.669
13	0.522	46	1.405	79	3.781
14	0.538	47	1.448	80	3.896
15	0.554	48	1.492	81	4.015
16	0.571	49	1.537	82	4.137
17	0.589	50	1.584	83	4.263
18	0.607	51	1.632	84	4.393
19	0.625	52	1.682	85	4.527
20	0.644	53	1.733	86	4.665
21	0.664	54	1.786	87	4.807
22	0.684	55	1.840	88	4.953
23	0.705	56	1.896	89	5.104
24	0.726	57	1.954	90	5.259
25	0.748	58	2.014	91	5.419
26	0.771	59	2.075	92	5.585
27	0.795	60	2.138	93	5.755
28	0.819	61	2.203	94	5.930
29	0.844	62	2.270	95	6.110
30	0.869	63	2.340	96	6.297
31	0.896	64	2.411	97	6.488
32	0.923	65	2.484	98	6.686
33	0.951	66	2.560	99	6.890

**Arkansas**  
Homeowners Rating Manual

Tier Factors		
Tier	H2 and H3	H6
1	0.500	1.000
2	0.550	1.000
3	0.600	1.000
4	0.725	1.000
5	0.925	1.000
6	1.000	1.000
7	1.200	1.000
8	1.350	1.000
10	0.410	0.410
11	0.430	0.430
12	0.450	0.450
13	0.470	0.470
14	0.490	0.490
15	0.510	0.510
16	0.540	0.540
17	0.600	0.600
18	0.690	0.690
19	0.750	0.750
20	0.840	0.840
21	1.000	1.000
22	1.000	1.000
23	1.050	1.050
24	1.200	1.200
25	1.320	1.320
26	1.500	1.500

Tier Factors					
Tier	H4	Tier	H4	Tier	H4
1	1.000	34	0.980	67	2.638
2	0.375	35	1.010	68	2.718
3	0.387	36	1.041	69	2.801
4	0.399	37	1.073	70	2.886
5	0.411	38	1.105	71	2.974
6	0.423	39	1.139	72	3.065
7	0.436	40	1.174	73	3.158
8	0.449	41	1.209	74	3.254
9	0.463	42	1.246	75	3.353
10	0.477	43	1.284	76	3.456
11	0.492	44	1.323	77	3.561
12	0.507	45	1.363	78	3.669
13	0.522	46	1.405	79	3.781
14	0.538	47	1.448	80	3.896
15	0.554	48	1.492	81	4.015
16	0.571	49	1.537	82	4.137
17	0.589	50	1.584	83	4.263
18	0.607	51	1.632	84	4.393
19	0.625	52	1.682	85	4.527
20	0.644	53	1.733	86	4.665
21	0.664	54	1.786	87	4.807
22	0.684	55	1.840	88	4.953
23	0.705	56	1.896	89	5.104
24	0.726	57	1.954	90	5.259
25	0.748	58	2.014	91	5.419
26	0.771	59	2.075	92	5.585
27	0.795	60	2.138	93	5.755
28	0.819	61	2.203	94	5.930
29	0.844	62	2.270	95	6.110
30	0.869	63	2.340	96	6.297
31	0.896	64	2.411	97	6.488
32	0.923	65	2.484	98	6.686
33	0.951	66	2.560	99	6.890

NAIC Number: Group number 111 23035  
 Company Name: Liberty Mutual Fire Insurance Company  
 Contact Person: Gulshani Kenney  
 Telephone No.: 617-357-9500 x41233  
 Email Address: Gulshani.Kenney@LibertyMutual.com  
 Effective Date: 2/21/2011

**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**

NOTE: Assumed Tier 1, per rating manual

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	\$684	\$756	\$684	\$756	\$1,028	\$1,137	\$980	\$1,083	\$980	\$1,083	\$945	\$1,045	\$1,084	\$1,199	\$759	\$839	\$982	\$1,085
	\$120,000	\$975	\$1,079	\$1,059	\$1,171	\$1,467	\$1,622	\$1,398	\$1,546	\$1,398	\$1,546	\$1,348	\$1,491	\$1,547	\$1,711	\$1,082	\$1,197	\$1,400	\$1,549
	\$160,000	\$1,303	\$1,441	\$1,303	\$1,441	\$1,960	\$2,167	\$1,867	\$2,065	\$1,867	\$2,065	\$1,801	\$1,991	\$2,066	\$2,285	\$1,446	\$1,599	\$1,871	\$2,069
6	\$80,000	\$804	\$901	\$804	\$901	\$1,209	\$1,354	\$1,152	\$1,291	\$1,152	\$1,291	\$1,111	\$1,245	\$1,275	\$1,428	\$892	\$999	\$1,155	\$1,293
	\$120,000	\$1,246	\$1,395	\$1,246	\$1,395	\$1,726	\$1,933	\$1,644	\$1,842	\$1,644	\$1,842	\$1,586	\$1,776	\$1,820	\$2,038	\$1,273	\$1,426	\$1,647	\$1,845
	\$160,000	\$1,533	\$1,717	\$1,533	\$1,717	\$2,305	\$2,582	\$2,197	\$2,460	\$2,197	\$2,460	\$2,118	\$2,373	\$2,431	\$2,723	\$1,701	\$1,905	\$2,201	\$2,465
9	\$80,000	\$1,496	\$1,729	\$1,496	\$1,729	\$2,249	\$2,600	\$2,143	\$2,478	\$2,143	\$2,478	\$2,067	\$2,389	\$2,372	\$2,742	\$1,659	\$1,918	\$2,147	\$2,482
	\$120,000	\$2,317	\$2,679	\$2,317	\$2,679	\$3,210	\$3,710	\$3,059	\$3,535	\$3,059	\$3,535	\$2,949	\$3,409	\$3,385	\$3,913	\$2,368	\$2,737	\$3,064	\$3,542
	\$160,000	\$2,851	\$3,296	\$2,851	\$3,296	\$4,288	\$4,957	\$4,086	\$4,723	\$4,086	\$4,723	\$3,940	\$4,555	\$4,522	\$5,227	\$3,163	\$3,656	\$4,094	\$4,732

NOTE: Assumed Tier 1, per rating manual

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	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147
	\$15,000	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245
	\$25,000	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326
6	\$5,000	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160
	\$15,000	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267
	\$25,000	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355
9	\$5,000	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224
	\$15,000	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373
	\$25,000	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497

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																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

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

**HO3 and HO4 only**

Fire Extinguisher	6 %	Deadbolt Lock	6 %
Burglar Alarm	5-10 %	Window Locks	0 %
Smoke Alarm	1-2 %	\$1,000 Deductible	26-30 %
		Other (specify)	8-13 %
		Maximum Credit Allowed	%

**EARTHQUAKE INSURANCE**

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	Yes	(yes or no)	
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	5-25	%	
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Zone	Brick	Frame
	Highest Risk	\$ .71	\$ .58
	Lowest Risk	\$ .21	\$ .18

# Arkansas

## Homeowners Rating Manual

### Section I Optional Coverages

Refrigerated Property	
<b>Rate</b>	10

Additions & Alterations Rented	
<b>Rate</b>	.25

Water Backup	
<b>Rate</b>	<del>40</del> 44

Second Location Discount	
<b>Rate</b>	11

Special Dwelling	
<b>Rate</b>	2

Identity Fraud Expense Coverage	
<b>Rate per Policy</b>	25

Inc Other Structure & Loss of Use	
<b>Rate per \$1000</b>	4

Inc Other Structures Rented	
<b>Rate per \$1000</b>	5

Loss Assessment - Residence Premises					
Loss Assessment	Form Type				H6 w/ Special Dwelling
	H2	H3	H4	H6	
<b>5000</b>	3	4	3	3	4
<b>10000</b>	5	7	5	5	7

Increased Loss Assessment per \$5000				
Form Type				
H2	H3	H4	H6	H6 w/ Special Dwelling
1	2	1	1	2

Increased Loss of Use Percentage				
Home Protector Plus	Form Type			
	H2	H3	H4	H6
<b>No</b>	.20	.20	.20	.40
<b>Yes</b>	N/A	.30	N/A	N/A

Effective: 09/22/2008  
Effective: 02/21/2011

# Arkansas

## Homeowners Rating Manual

### Section I Optional Coverages

Refrigerated Property	
<b>Rate</b>	10

Additions & Alterations Rented	
<b>Rate</b>	.25

Water Backup	
<b>Rate</b>	44

Second Location Discount	
<b>Rate</b>	11

Special Dwelling	
<b>Rate</b>	2

Identity Fraud Expense Coverage	
<b>Rate per Policy</b>	25

Inc Other Structure & Loss of Use	
<b>Rate per \$1000</b>	4

Inc Other Structures Rented	
<b>Rate per \$1000</b>	5

Loss Assessment - Residence Premises					
Loss Assessment	Form Type				
	H2	H3	H4	H6	H6 w/ Special Dwelling
<b>5000</b>	3	4	3	3	4
<b>10000</b>	5	7	5	5	7

Increased Loss Assessment per \$5000				
Form Type				
H2	H3	H4	H6	H6 w/ Special Dwelling
1	2	1	1	2

Increased Loss of Use Percentage				
Home Protector Plus	Form Type			
	H2	H3	H4	H6
<b>No</b>	.20	.20	.20	.40
<b>Yes</b>	N/A	.30	N/A	N/A

NAIC Number: Group number 111 33588  
 Company Name: The First Liberty Insurance Corporation  
 Contact Person: Gulshani Kenney  
 Telephone No.: 617-357-9500 x41233  
 Email Address: Gulshani.Kenney@LibertyMutual.com  
 Effective Date: 2/21/2010

**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**

NOTE: Assumed Tier 1, per rating manual

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	\$684	\$756	\$684	\$756	\$1,028	\$1,137	\$980	\$1,083	\$980	\$1,083	\$945	\$1,045	\$1,084	\$1,199	\$759	\$839	\$982	\$1,085
	\$120,000	\$975	\$1,079	\$1,059	\$1,171	\$1,467	\$1,622	\$1,398	\$1,546	\$1,398	\$1,546	\$1,348	\$1,491	\$1,547	\$1,711	\$1,082	\$1,197	\$1,400	\$1,549
	\$160,000	\$1,303	\$1,441	\$1,303	\$1,441	\$1,960	\$2,167	\$1,867	\$2,065	\$1,867	\$2,065	\$1,801	\$1,991	\$2,066	\$2,285	\$1,446	\$1,599	\$1,871	\$2,069
6	\$80,000	\$804	\$901	\$804	\$901	\$1,209	\$1,354	\$1,152	\$1,291	\$1,152	\$1,291	\$1,111	\$1,245	\$1,275	\$1,428	\$892	\$999	\$1,155	\$1,293
	\$120,000	\$1,246	\$1,395	\$1,246	\$1,395	\$1,726	\$1,933	\$1,644	\$1,842	\$1,644	\$1,842	\$1,586	\$1,776	\$1,820	\$2,038	\$1,273	\$1,426	\$1,647	\$1,845
	\$160,000	\$1,533	\$1,717	\$1,533	\$1,717	\$2,305	\$2,582	\$2,197	\$2,460	\$2,197	\$2,460	\$2,118	\$2,373	\$2,431	\$2,723	\$1,701	\$1,905	\$2,201	\$2,465
9	\$80,000	\$1,496	\$1,729	\$1,496	\$1,729	\$2,249	\$2,600	\$2,143	\$2,478	\$2,143	\$2,478	\$2,067	\$2,389	\$2,372	\$2,742	\$1,659	\$1,918	\$2,147	\$2,482
	\$120,000	\$2,317	\$2,679	\$2,317	\$2,679	\$3,210	\$3,710	\$3,059	\$3,535	\$3,059	\$3,535	\$2,949	\$3,409	\$3,385	\$3,913	\$2,368	\$2,737	\$3,064	\$3,542
	\$160,000	\$2,851	\$3,296	\$2,851	\$3,296	\$4,288	\$4,957	\$4,086	\$4,723	\$4,086	\$4,723	\$3,940	\$4,555	\$4,522	\$5,227	\$3,163	\$3,656	\$4,094	\$4,732

NOTE: Assumed Tier 1, per rating manual

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	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147	\$147
	\$15,000	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245
	\$25,000	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326
6	\$5,000	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160
	\$15,000	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267
	\$25,000	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355	\$355
9	\$5,000	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224
	\$15,000	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373	\$373
	\$25,000	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497

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																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

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

**HO3 and HO4 only**

Fire Extinguisher	6%	Deadbolt Lock	6%
Burglar Alarm	5-10%	Window Locks	0%
Smoke Alarm	1-2%	\$1,000 Deductible	26-30%
		Other (specify)	8-13%
		Maximum Credit Allowed	%

**EARTHQUAKE INSURANCE**

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	Yes	(yes or no)	
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	5-25%		
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Zone	Brick	Frame
	Highest Risk	\$ .71	\$ .58
	Lowest Risk	\$ .21	\$ .18

## NAIC LOSS COST DATA ENTRY DOCUMENT

1. This filing transmittal is part of Company Tracking #	AR HO SR 02 11
--	----------------

2. If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
--	-----

Company Name	Company NAIC Number
3. A. <b>Liberty Mutual Fire Insurance Company</b>	B. <b>23035</b>

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

**5.**

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(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
H3	+34.7%	+19.7%	N/A	N/A	N/A	N/A	N/A
H4	+48.3%	+14.6%	N/A	N/A	N/A	N/A	N/A
H6	+10.0%	+5.3%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT	+34.7%	+19.4%	N/A	N/A	N/A	N/A	N/A

**6.**

5 Year History      Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2005	2,316	--	--	\$2,717	\$872	32.1%	77.3%
2006	2,400	--	--	\$2,796	\$1,502	53.7%	56.6%
2007	2,382	--	--	\$2,834	\$1,554	54.8%	47.7%
2008	2,466	+3.9%	11/12/08	\$2,838	\$3,778	133.1%	64.3%
2009	2,392	+11.9%	10/26/2009	\$3,049	\$2,629	86.2%	67.3%

**7.**

Expense Constants	Selected Provisions
A. Total Production Expense	n/a
B. General Expense	21.6%
C. Taxes, License & Fees	3.5%
D. Underwriting Profit & Contingencies	15.7%
E. Other (explain)	0.0%
F. TOTAL	40.8%

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

9. 19.7% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): N/A

10. 0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): N/A

### NAIC LOSS COST DATA ENTRY DOCUMENT

<b>1.</b>	This filing transmittal is part of Company Tracking #	<b>AR HO SR 02 11</b>
-----------	---	-----------------------

<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	<b>N/A</b>
-----------	---	------------

	Company Name		Company NAIC Number
<b>3.</b>	<b>A.</b>	<b>The First Liberty Insurance Corporation</b>	<b>B.</b> <b>33588</b>

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

<b>5.</b>			<b>FOR LOSS COSTS ONLY</b>				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
<b>H3</b>	<b>+34.7%</b>	<b>+19.7%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>H4</b>	<b>+48.3%</b>	<b>+14.6%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>H6</b>	<b>+10.0%</b>	<b>+5.3%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL OVERALL EFFECT</b>	<b>+34.7%</b>	<b>+19.4%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

<b>6.</b>	5 Year History	Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
<b>2005</b>	0	--	--	0	0	n/a	77.3%
<b>2006</b>	0	--	--	0	0	n/a	56.6%
<b>2007</b>	0	--	--	0	0	n/a	47.7%
<b>2008</b>	0	+3.9%	11/12/08	0	0	n/a	64.3%
<b>2009</b>	0	+11.9%	10/26/2009	0	0	n/a	67.3%

<b>7.</b>	Expense Constants	Selected Provisions
	A. Total Production Expense	n/a
	B. General Expense	21.6%
	C. Taxes, License & Fees	3.5%
	D. Underwriting Profit & Contingencies	15.7%
	E. Other (explain)	0.0%
	F. TOTAL	40.8%

- 8.** N/A Apply Lost Cost Factors to Future filings? (Y or N)
- 9.** 19.7% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_ **N/A**
- 10.** 0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_ **N/A**