

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
Company Tracking Number: AR HO SR 02 12  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

## Filing at a Glance

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

Product Name: Home SERFF Tr Num: LBPM-127702749 State: Arkansas

TOI: 04.0 Homeowners SERFF Status: Closed-Filed State Tr Num:

Sub-TOI: 04.0000 Homeowners Sub-TOI Co Tr Num: AR HO SR 02 12 State Status:

Combinations

Filing Type: Rate

Reviewer(s): Becky Harrington,  
Nancy Horton

Author: Ross Furner

Disposition Date: 12/02/2011

Date Submitted: 10/18/2011

Disposition Status: Filed

Effective Date Requested (New): 02/21/2012

Effective Date (New): 02/21/2012

Effective Date Requested (Renewal): 03/28/2012

Effective Date (Renewal):

03/28/2012

State Filing Description:

meeting 11/9/11 with Commissioner

## General Information

Project Name: Homeowner Rate Revision

Status of Filing in Domicile: Not Filed

Project Number: AR HO SR 02 12

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 12/02/2011

State Status Changed: 11/09/2011

Deemer Date:

Created By: Ross Furner

Submitted By: Ross Furner

Corresponding Filing Tracking Number:

Filing Description:

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, 2012, and renewal business policies produced and effective on or after March 28, 2012.

## Company and Contact

### Filing Contact Information

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
 First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
 Company Tracking Number: AR HO SR 02 12  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
 Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

Ross Furner, Manager, Special Projects Ross.Furner@LibertyMutual.com  
 175 Berkeley Street 617-357-9500 [Phone] 41641 [Ext]  
 Mailstop 04G/H 617-654-3452 [FAX]  
 Boston, MA 02116

**Filing Company Information**

Liberty Mutual Fire Insurance Company	CoCode: 23035	State of Domicile: Wisconsin
175 Berkeley Street	Group Code: 111	Company Type:
Boston, MA 02116	Group Name:	State ID Number:
(617) 357-9500 ext. [Phone]	FEIN Number: 04-1924000	

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The First Liberty Insurance Corporation	CoCode: 33588	State of Domicile: Illinois
175 Berkeley Street	Group Code: 111	Company Type:
Boston, MA 02116	Group Name:	State ID Number:
(617) 357-9500 ext. [Phone]	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 #
Liberty Mutual Fire Insurance Company	\$100.00	10/18/2011	52940566
The First Liberty Insurance Corporation	\$0.00	10/18/2011	

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
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 Product Name: Home  
 Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	12/02/2011	12/02/2011

### 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	11/09/2011	11/09/2011	Ross Furner	11/18/2011	11/21/2011
No response necessary	Becky Harrington	11/07/2011	11/07/2011			
Pending Industry Response	Becky Harrington	10/19/2011	10/19/2011	Victoria Yee	10/31/2011	11/04/2011

SERFF Tracking Number: LBPM-127702749  
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 TOI: 04.0 Homeowners  
 Product Name: Home  
 Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

State: Arkansas  
 State Tracking Number:  
 Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations

## Disposition

Disposition Date: 12/02/2011  
 Effective Date (New): 02/21/2012  
 Effective Date (Renewal): 03/28/2012  
 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	19.300%	10.000%	\$444,376	4,491	\$4,448,061	11.200%	9.800%
The First Liberty Insurance Corporation	19.300%	10.000%	\$0	0	\$0	0.000%	0.000%

### Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	19.300%
Overall Percentage Rate Impact For This Filing	10.000%
Effect of Rate Filing-Written Premium Change For This Program	\$444,376
Effect of Rate Filing - Number of Policyholders Affected	4,491

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
 First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
 Company Tracking Number: AR HO SR 02 12  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
 Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

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	NAIC loss cost data entry document		Yes
Supporting Document	Actuarial Justification	Filed	Yes
Supporting Document (revised)	Cover Letter	Filed	Yes
Supporting Document	Cover Letter		Yes
Supporting Document	Response to Objection dated 10/19/2011	Filed	Yes
Rate (revised)	Rating Manual	Filed	Yes
Rate	Rating Manual		Yes

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
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Company Tracking Number: AR HO SR 02 12  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

## Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 11/09/2011

Submitted Date 11/09/2011

Respond By Date

Dear Ross Furner,

Pursuant to Commissioner Bradford's review, please amend the overall increase amount to 10%.

Submit a revised HPCS.

NOTICE regarding, corrections to filings and scrivener's Errors:

Effective for all filings made on or after June 1, 2011, Arkansas no longer allows the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

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-127702749 State: Arkansas  
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
Company Tracking Number: AR HO SR 02 12  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 11/18/2011  
Submitted Date 11/21/2011

Dear Becky Harrington,

### Comments:

Thank you for your review of this filing.

### Response 1

Comments: As per 11/9 objection, we have ammended our overall increase amount to 10%. Attached is the submission of a revised HPCS, as requested. We have also attached a revised cover letter, NAIC Loss Cost Data Entry Document, and Rating Manual.

The Narrative on the actuarial justification should now read:

The most current rate level indication for Arkansas Homeowners is +19.3% with a new business effective date of February 21, 2012 and a renewal business effective date of March 28, 2012. The overall rate change proposed in this filing is +10.0% (+10.0% for Form 3, +9.8% for Form 4, and +11.2% for Form 6).

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: HPCS-Homeowners Premium Comparison Survey

Comment:

Satisfied -Name: NAIC loss cost data entry document

Comment:

Satisfied -Name: Cover Letter

Comment:

No Form Schedule items changed.

### Rate/Rule Schedule Item Changes

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
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SERFF Tracking Number: LBPM-127702749 State: Arkansas  
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
Company Tracking Number: AR HO SR 02 12  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12  
Rating Manual R-1 Replacement  
**Previous Version**  
Rating Manual R-1 Replacement

Sincerely,  
Ross Furner

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
Company Tracking Number: AR HO SR 02 12  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

## Objection Letter

Objection Letter Status No response necessary

Objection Letter Date 11/07/2011

Submitted Date 11/07/2011

Respond By Date

Dear Ross Furner,

This will acknowledge receipt of the recent response.

This filing is being referred to Commissioner Bradford for review of the requested increase.

NOTICE regarding, corrections to filings and scrivener's Errors:

Effective for all filings made on or after June 1, 2011, Arkansas no longer allows the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

Sincerely,

Becky Harrington

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
Company Tracking Number: AR HO SR 02 12  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

## Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 10/19/2011

Submitted Date 10/19/2011

Respond By Date

Dear Ross Furner,

This will acknowledge receipt of the captioned filing.

Objection 1

Comment: Please revise the indications to include loss experience from 2011.

NOTICE regarding, corrections to filings and scrivener's Errors:

Effective for all filings made on or after June 1, 2011, Arkansas no longer allows the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

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-127702749 State: Arkansas  
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
Company Tracking Number: AR HO SR 02 12  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 10/31/2011  
Submitted Date 11/04/2011

Dear Becky Harrington,

### Comments:

Thank you for your review of this filing.

### Response 1

Comments: Our indication has been revised to include loss experience through March 31, 2011, as per 10/19 objection. The indication has changed from 24.1% to 19.3%. A copy of the updated indicated rate level is enclosed. Overall, our property loss ratio YTD through the end of Q3 is over 130%, but only data from Q1 is included in the indication to allow for sufficient loss development.

### Related Objection 1

Comment:

Please revise the indications to include loss experience from 2011.

### Changed Items:

#### Supporting Document Schedule Item Changes

Satisfied -Name: H-1 Homeowners Abstract

Comment:

Satisfied -Name: NAIC loss cost data entry document

Comment:

Satisfied -Name: Response to Objection dated 10/19/2011

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

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

Sincerely,  
Ross Furner

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
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 Company Tracking Number: AR HO SR 02 12  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
 Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

**Post Submission Update Request Processed On 12/02/2011**

**Status:** Allowed  
**Created By:** Ross Furner  
**Processed By:** Becky Harrington  
**Comments:**

**Company Rate Information:**

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

Field Name	Requested Change	Prior Value
Overall % Rate Impact	10.000%	12.000%
Written Premium Change for this Program	\$444376	\$535074
Maximum %Change (where required)	11.200%	12.400%

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

Field Name	Requested Change	Prior Value
Overall % Rate Impact	10.000%	12.000%

**Overall Rate Information:**

Field Name	Requested Change	Prior Value
Overall Percentage Rate Impact For This Filing	10.000%	12.000%

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
Company Tracking Number: AR HO SR 02 12  
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

**Post Submission Update Request Processed On 11/07/2011**

**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	19.300%	24.100%

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

Field Name	Requested Change	Prior Value
Overall % Indicated Change	19.300%	24.100%

**Overall Rate Information:**

Field Name	Requested Change	Prior Value
Overall Percentage Rate Indicated For This Filing	19.300%	24.100%

SERFF Tracking Number: LBPM-127702749  
 First Filing Company: Liberty Mutual Fire Insurance Company, ...  
 Company Tracking Number: AR HO SR 02 12  
 TOI: 04.0 Homeowners  
 Product Name: Home  
 Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

State: Arkansas  
 State Tracking Number:  
 Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations

## Rate Information

Rate data applies to filing.

**Filing Method:** File and Use  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** 9.800%  
**Effective Date of Last Rate Revision:** 02/21/2011  
**Filing Method of Last Filing:** File and Use

## Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
Liberty Mutual Fire Insurance Company	19.300%	10.000%	\$444,376	4,491	\$4,448,061	11.200%	9.800%

## Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
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SERFF Tracking Number: LBPM-127702749  
First Filing Company: Liberty Mutual Fire Insurance Company, ...  
Company Tracking Number: AR HO SR 02 12  
TOI: 04.0 Homeowners  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

State: Arkansas  
State Tracking Number:  
Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations

The First Liberty Insurance Corporation	19.300%	10.000%	\$0	0	\$0	0.000%	0.000%
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### Overall Rate Information for Multiple Company Filings

Overall % Rate Indicated:	19.300%
Overall Percentage Rate Impact For This Filing:	10.000%
Effect of Rate Filing - Written Premium Change For This Program:	\$444,376
Effect of Rate Filing - Number of Policyholders Affected:	4491

SERFF Tracking Number: *LBPM-127702749* State: *Arkansas*  
 First Filing Company: *Liberty Mutual Fire Insurance Company, ...* State Tracking Number:  
 Company Tracking Number: *AR HO SR 02 12*  
 TOI: *04.0 Homeowners* Sub-TOI: *04.0000 Homeowners Sub-TOI Combinations*  
 Product Name: *Home*  
 Project Name/Number: *Homeowner Rate Revision/AR HO SR 02 12*

## Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed 12/02/2011	Rating Manual	R-1	Replacement	R-1 Mock OR.pdf R-1 Proof OR.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>	2944-3241	358 394	461 516
<b>032</b>	2834 3120	358 394	461 516
<b>033</b>	2343 2580	358 394	461 516
<b>034</b>	3083 3394	358 394	461 516
<b>035</b>	2528 2783	358 394	461 516
<b>036</b>	2275 2505	358 394	461 516
<b>081</b>	2050 2257	358 394	461 516
<b>084</b>	2870 3160	358 394	461 516
<b>086</b>	2938 3235	358 394	461 516
<b>097</b>	3252-3580	358 394	461 516
<b>098</b>	2938 3235	358 394	461 516

<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>	5

<b>Form Factor</b>	
<b>Form 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	<b>H3</b>	<b>H4</b>	<b>H6</b>
<b>031</b>	3241	394	516
<b>032</b>	3120	394	516
<b>033</b>	2580	394	516
<b>034</b>	3394	394	516
<b>035</b>	2783	394	516
<b>036</b>	2505	394	516
<b>081</b>	2257	394	516
<b>084</b>	3160	394	516
<b>086</b>	3235	394	516
<b>097</b>	3580	394	516
<b>098</b>	3235	394	516

<b>Row or Town House</b>			
Protection Class	# of Units		
	1-2	3-4	5-8
<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>			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
<b>4</b>	1.00	1.00	1.00
<b>9999999</b>	1.35	1.35	1.00

<b>Excess Dwelling</b>	
Rate	5

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

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
 First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
 Company Tracking Number: AR HO SR 02 12  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
 Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

## 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> N/A <b>Comments:</b>		
<b>Satisfied - Item:</b> H-1 Homeowners Abstract <b>Comments:</b> <b>Attachment:</b> H-1 Homeowners Abstract Revised.pdf	Filed	12/02/2011
<b>Satisfied - Item:</b> HPCS-Homeowners Premium Comparison Survey <b>Comments:</b> <b>Attachments:</b> AR HPCS HO Premium Comparison LMFIC OR.pdf AR HPCS HO Premium Comparison TFLIC OR.pdf AR HPCS HO Premium Comparison LMFIC OR.xls AR HPCS HO Premium Comparison TFLIC OR.xls	Filed	12/02/2011
<b>Satisfied - Item:</b> NAIC loss cost data entry document <b>Comments:</b> <b>Attachments:</b> NAIC Loss Cost Data Entry Document TFLIC Revised OR.pdf NAIC Loss Cost Data Entry Document LMFIC Revised OR.pdf	Filed	12/02/2011

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TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
Product Name: Home  
Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

**Item Status:** Filed **Status Date:** 12/02/2011  
**Satisfied - Item:** Actuarial Justification  
**Comments:**  
**Attachment:**  
AR HO Justification.pdf

**Item Status:** Filed **Status Date:** 12/02/2011  
**Satisfied - Item:** Cover Letter  
**Comments:**  
**Attachment:**  
AR HO SR Cover Letter OR.pdf

**Item Status:** Filed **Status Date:** 12/02/2011  
**Satisfied - Item:** Response to Objection dated 10/19/2011  
**Comments:**  
**Attachment:**  
AR Obj HO SR.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 2011, we implemented a new cost estimator from an outside vendor, Marshall Swift & Boeckh.

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 increase 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, Marshall Swift & Boeckh, 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 July 2011 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)	

Sprinkler System

8-13%

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, not applicable.

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>4,122,662 12 months ending July 15, 2011</u>
<u>H4</u>	<u>309,671</u>
<u>H6</u>	<u>15,768</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  No

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

If yes, state the surcharge Not applicable.

Does the surcharge apply to conventional fire places? Not applicable.

If yes, state the surcharge Not applicable.

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

  
Signature

Yoanna Freedman  
Printed Name

Associate Portfolio Analyst  
Title

(617) 357-9500 x42482  
Telephone Number

Yoanna.Freedman@libertymutual.com  
Email address

AID PC H-1 (1/06)

NAIC Number: Group number 111 23035  
 Company Name: Liberty Mutual Fire Insurance Company  
 Contact Person: Mark Sweder  
 Telephone No.: (617) 357-9500 ext 43957  
 Email Address: Mark.Sweder@LibertyMutual.com  
 Effective Date: 2/21/2012

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

Submit to: Arkansas Insurance Department  
 1200 West Third Street  
 Little Rock, AR 72201-1904  
 Telephone: 501-371-2800  
 Email as an attachment to insurance.pnc@arkansas.gov  
 You may also attach to a SERFF filing or submit on a cdr disk

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$691	\$765	\$691	\$765	\$1,040	\$1,150	\$990	\$1,095	\$990	\$1,095	\$956	\$1,056	\$1,096	\$1,212	\$768	\$848	\$992	\$1,097
	\$120,000	\$986	\$1,090	\$1,070	\$1,184	\$1,483	\$1,640	\$1,412	\$1,562	\$1,412	\$1,562	\$1,363	\$1,507	\$1,564	\$1,729	\$1,095	\$1,210	\$1,416	\$1,565
	\$160,000	\$1,317	\$1,456	\$1,317	\$1,456	\$1,981	\$2,190	\$1,888	\$2,088	\$1,888	\$2,088	\$1,821	\$2,014	\$2,089	\$2,311	\$1,462	\$1,616	\$1,892	\$2,092
6	\$80,000	\$813	\$911	\$813	\$911	\$1,222	\$1,370	\$1,165	\$1,305	\$1,165	\$1,305	\$1,124	\$1,258	\$1,289	\$1,444	\$902	\$1,010	\$1,167	\$1,308
	\$120,000	\$1,260	\$1,410	\$1,260	\$1,410	\$1,745	\$1,954	\$1,662	\$1,861	\$1,662	\$1,861	\$1,604	\$1,796	\$1,840	\$2,060	\$1,287	\$1,442	\$1,665	\$1,866
	\$160,000	\$1,550	\$1,736	\$1,550	\$1,736	\$2,330	\$2,610	\$2,221	\$2,487	\$2,221	\$2,487	\$2,142	\$2,399	\$2,459	\$2,753	\$1,719	\$1,926	\$2,225	\$2,493
9	\$80,000	\$1,511	\$1,748	\$1,511	\$1,748	\$2,274	\$2,628	\$2,167	\$2,505	\$2,167	\$2,505	\$2,090	\$2,416	\$2,398	\$2,772	\$1,678	\$1,939	\$2,171	\$2,510
	\$120,000	\$2,342	\$2,707	\$2,342	\$0	\$3,244	\$3,750	\$3,092	\$3,574	\$3,092	\$3,574	\$2,982	\$3,447	\$3,422	\$3,956	\$2,394	\$2,768	\$3,098	\$3,582
	\$160,000	\$2,882	\$3,332	\$2,882	\$3,332	\$4,334	\$5,011	\$4,131	\$4,775	\$4,131	\$4,775	\$3,984	\$4,606	\$4,572	\$5,284	\$3,199	\$3,697	\$4,139	\$4,784

**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	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246
	\$25,000	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327
6	\$5,000	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160
	\$15,000	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268
	\$25,000	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356
9	\$5,000	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224
	\$15,000	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374
	\$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)	

**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?  %

Zone Brick Frame

	8-13	%
Maximum Credit Allowed		%

WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?

Highest Risk	\$	0.71	\$	0.58
Lowest Risk	\$	0.21	\$	0.18

|

NAIC Number: Group number 111 33588  
 Company Name: The First Liberty Insurance Corporation  
 Contact Person: Mark Sweder  
 Telephone No.: (617) 357-9500 ext 43957  
 Email Address: [Mark.Sweder@LibertyMutual.com](mailto:Mark.Sweder@LibertyMutual.com)  
 Effective Date: 2/21/2012

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

Submit to: Arkansas Insurance Department  
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 Little Rock, AR 72201-1904  
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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	\$691	\$765	\$691	\$765	\$1,040	\$1,150	\$990	\$1,095	\$990	\$1,095	\$956	\$1,056	\$1,096	\$1,212	\$768	\$848	\$992	\$1,097
	\$120,000	\$986	\$1,090	\$1,070	\$1,184	\$1,483	\$1,640	\$1,412	\$1,562	\$1,412	\$1,562	\$1,363	\$1,507	\$1,564	\$1,729	\$1,095	\$1,210	\$1,416	\$1,565
	\$160,000	\$1,317	\$1,456	\$1,317	\$1,456	\$1,981	\$2,190	\$1,888	\$2,088	\$1,888	\$2,088	\$1,821	\$2,014	\$2,089	\$2,311	\$1,462	\$1,616	\$1,892	\$2,092
6	\$80,000	\$813	\$911	\$813	\$911	\$1,222	\$1,370	\$1,165	\$1,305	\$1,165	\$1,305	\$1,124	\$1,258	\$1,289	\$1,444	\$902	\$1,010	\$1,167	\$1,308
	\$120,000	\$1,260	\$1,410	\$1,260	\$1,410	\$1,745	\$1,954	\$1,662	\$1,861	\$1,662	\$1,861	\$1,604	\$1,796	\$1,840	\$2,060	\$1,287	\$1,442	\$1,665	\$1,866
	\$160,000	\$1,550	\$1,736	\$1,550	\$1,736	\$2,330	\$2,610	\$2,221	\$2,487	\$2,221	\$2,487	\$2,142	\$2,399	\$2,459	\$2,753	\$1,719	\$1,926	\$2,225	\$2,493
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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	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246
	\$25,000	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327
6	\$5,000	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160
	\$15,000	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268
	\$25,000	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356
9	\$5,000	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224
	\$15,000	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374
	\$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																		
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	\$160,000																		
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	\$120,000																		
	\$160,000																		

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Fire Extinguisher	6 %	Deadbolt Lock	6 %
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Smoke Alarm	1-2 %	\$1,000 Deductible	26-30 %
		Other (specify)	

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WHAT IS YOUR PERCENTAGE DEDUCTIBLE?  %

Zone Brick Frame

	8-13	%
Maximum Credit Allowed		%

WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?

Highest Risk	\$	0.71	\$	0.58
Lowest Risk	\$	0.21	\$	0.18

|

### NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	AR HO SR 02 12
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
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Company Name		Company NAIC Number		
3.	A.	<b>The First Liberty Insurance Corporation</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)		
4.	A.	<b>Homeowner</b>	B.	<b>N/A</b>

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
H3	+19.3%	+10.0%	N/A	N/A	N/A	N/A	N/A
H4	+19.3%	+9.8%	N/A	N/A	N/A	N/A	N/A
H6	+19.3%	+11.2%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT		+10.0%	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
2006	0	--	--	0	0	N/A	56.6%
2007	0	--	--	0	0	N/A	47.7%
2008	0	+3.9%	11/12/08	0	0	N/A	64.3%
2009	0	+11.9%	10/26/09	0	0	N/A	67.3%
2010	0	0.0%	--	0	0	N/A	64.0%
2011	0	+10.1%	3/28/11				

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	N/A
B. General Expense	22.2%
C. Taxes, License & Fees	3.8%
D. Underwriting Profit & Contingencies	16.1%
E. Other (explain)	0.0%
F. TOTAL	42.1%

8. N/A Apply Lost Cost Factors to Future filings? (Y or N)
9. N/A Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_ All Territories \_\_\_\_\_
10. N/A 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 12</b>
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<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	<b>N/A</b>
-----------	---	------------

	Company Name	Company NAIC Number
<b>3.</b>	<b>A. 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)
<b>4.</b>	<b>A. Homeowner</b>	<b>B. N/A</b>

<b>5.</b>	(A)		(B)	(C)	FOR LOSS COSTS ONLY				
	COVERAGE (See Instructions)		Indicated % Rate Level Change	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>+19.3%</b>	<b>+10.0%</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>+19.3%</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>H6</b>		<b>+19.3%</b>	<b>+11.2%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	TOTAL OVERALL EFFECT			<b>+10.0%</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>2006</b>	<b>2,400</b>	<b>--</b>	<b>--</b>	<b>\$2,796</b>	<b>\$1,502</b>	<b>53.7%</b>	<b>56.6%</b>
	<b>2007</b>	<b>2,382</b>	<b>--</b>	<b>--</b>	<b>\$2,834</b>	<b>\$1,544</b>	<b>54.8%</b>	<b>47.7%</b>
	<b>2008</b>	<b>2,466</b>	<b>+3.9%</b>	<b>11/12/08</b>	<b>\$2,838</b>	<b>\$3,778</b>	<b>133.1%</b>	<b>64.3%</b>
	<b>2009</b>	<b>2,392</b>	<b>+11.9%</b>	<b>10/26/09</b>	<b>\$3,049</b>	<b>\$2,629</b>	<b>86.2%</b>	<b>67.3%</b>
	<b>2010</b>	<b>3,201</b>	<b>0.0%</b>	<b>--</b>	<b>\$3,594</b>	<b>\$2,572</b>	<b>71.6%</b>	<b>54.2%</b>
	<b>2011</b>	<b>3,858</b>	<b>+10.1%</b>	<b>3/28/11</b>				

<b>7.</b>		
	Expense Constants	Selected Provisions
	A. Total Production Expense	<b>N/A</b>
	B. General Expense	<b>22.2%</b>
	C. Taxes, License & Fees	<b>3.8%</b>
	D. Underwriting Profit & Contingencies	<b>16.1%</b>
	E. Other (explain)	<b>0.0%</b>
	F. TOTAL	<b>42.1%</b>

8. N/A Apply Lost Cost Factors to Future filings? (Y or N)
9. 11.2% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): Condominium Policies Only for All Territories
10. 0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): N/A





**Liberty Mutual Group**  
**All Companies Combined**  
**Homeowners**  
**Arkansas**  
**Summary of Rate Indications**

**Narrative**

The most current rate level indication for Arkansas Homeowners is +24.1% with a new business effective date of February 21, 2012 and a renewal business effective date of March 28, 2012. The overall rate change proposed in this filing is +12.0% (+12.2% for Form 3, +9.8% for Form 4, and +11.2% for Form 6).

**Past and Prospective Experience Within and Outside the State**

Calendar year earned premiums and accident year incurred losses are utilized in the indication. Five years of experience is used beginning October 1, 2005 and ending September 30, 2010. Losses are evaluated as of September 30, 2010. The Dwelling forms rate level indication is 24.1% (See Exhibit I). This indication 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.

Direct earned premiums for the latest five calendar years are brought to current level by means of the parallelogram method (See Exhibit II). Premium is then adjusted to reflect changes in the amounts of insurance purchased due to inflation, shifts towards higher deductibles, changes in territory mix, etc. The calculation of the actual trend factors involves regression analysis on a state-specific basis of the latest five calendar years of average earned premium at current rate level (See Exhibit IV).

Statewide total reported losses (excluding tornado/hail/severe storm/fire following losses and excluding catastrophes) capped at \$250,000 per occurrence for the five accident years are developed to their ultimate value by use of loss development factors (See Exhibit III). The selected loss development factors are based on an analysis of Countrywide capped accident year losses evaluated at common ages and the patterns exhibited as these losses change from their initial valuation to final settlement. Capped Loss Factors are then applied to gross them up to their expected, uncapped level. These factors represent the estimated relativity of total losses to losses capped at \$250,000 per occurrence (See Exhibit VIII). Losses are then adjusted to reflect the impact of inflation of past claim costs.

A two-step trending procedure is used to project both premiums and losses. The historical trend factor brings data from the average date of each year used in the experience period to the average date in the latest experience period (April 1, 2010). The projected trend factor brings data from the average date in the latest experience period to one year beyond the proposed effective date (March 28, 2013). The loss trend selections are based upon a review of least squares fitted trend lines to the last five years of both Liberty Mutual and Industry Fast Track data and are shown in Exhibit IV.

The data used to develop the indication is 50.0% credible, based on the full credibility standard of 75,000 earned exposures (See Exhibit VII). The product of Liberty Mutual's Southwest Region ex-catastrophe ex-severe storm pure premium and the number of Liberty's earned exposures in the state of Arkansas is used as the Loss Complement (See Exhibit I, Item 12a). The Trended and Developed Normal Losses are credibility weighted with the Loss Complement to determine the Credibility Adjusted Normal Losses (See Exhibit I, Item 12b).

The Weighted Normal Loss Ratio is the result of multiplying each year's Normal Loss Ratio by its respective weight and adding the products. This Loss Ratio is then projected to the future period via the premium and loss projection factors to arrive at the Projected Normal Loss Ratio (See Exhibit I, Item 20).

### **Catastrophic Hazards**

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 provision for Non-Modeled Catastrophes is for any expected catastrophic activity excluding hurricane, severe storm, and fire following earthquake. The factor is selected based upon an 18-year average ratio of Liberty Mutual historical non-modeled catastrophe losses to amount of insurance (in thousands) in the state of Arkansas (See Exhibit V, Sheet 3).

The provision for Tornado/Hail/Severe Thunderstorm Wind losses is based upon an 18-year average of Liberty Mutual historical tornado/hail/severe thunderstorm wind losses to amount of insurance (in thousands) in the state of Arkansas (See Exhibit V, Sheet 4).

The provision for Hurricane Wind losses is set to 0.0% as Hurricane provision is not allowed in Arkansas.

The provisions are the ratios of Liberty Mutual's expected annual loss to the most recent year's projected earned premium at current level (See Exhibit V, Sheet 1), and are then added to the Projected Normal Loss Ratio (See Exhibit I).

### **Insurer Operating Expenses**

Incurred losses are adjusted to include all loss adjustment expenses. Based on a 3-Year average of Liberty Mutual's Regional loss adjustment expense factors we have selected an LAE load of 9.2% (as a percentage of Earned Premium).

Fixed expenses are then calculated as a percent of Earned Premium and added to the developed and trended loss ratio to determine the overall indicated loss, loss adjustment expense, fixed expense, and reinsurance ratio (See Exhibit I, Item 31). Liberty Mutual uses an annual trend of +1.8% to trend its fixed expenses. General and acquisition expenses are selected based on a 3-Year average of Liberty Mutual Southwest Regional expense projections (See Exhibit VI).

Variable expenses include taxes, licenses, fees, profit and contingency, variable general and acquisition expenses, and FAIR plan provision. These items vary directly with premium (See Exhibit VI).

The projected permissible loss, loss adjustment expense, fixed expense, and reinsurance ratio is 73.9% (See Exhibit I, Item 32).

### **Reasonable Profit Margin**

Our selected margin of 16.1% for profit and contingencies is calculated to allow a return on surplus of 15%, with a 1.25:1 premium-to-surplus model (See Appendix A).

### **EPA Loss Adjustment**

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.

### **Index of Exhibits**

<b>Exhibit</b>	<b>Description</b>
<b>I</b>	Homeowners Rate Level Indication – Dwelling Forms
<b>II</b>	Rate Change History and On-Level Factors
<b>III</b>	Loss Development Triangle
<b>IV</b>	Trend Analysis
<b>V</b>	Catastrophe Provision Calculation
<b>VI</b>	Expense Calculation
<b>VII</b>	Credibility Standard
<b>VIII</b>	Loss Capping Exhibit
<b>Appendix A</b>	Homeowners Profit Provision

**Dwellings**

(1) Experience Period	(2) Earned Exposures	(3) Earned Premium @ Collected Level	(4) On-Level Factors	(5) Earned Premium @ Current Level	(6) Historical Premium Trend Factor	(7) Trended Earned Premium @ Current Level
10/01/05 to 09/30/06	2,603	2,628,362	1.280	3,364,482	1.000	3,364,482
10/01/06 to 09/30/07	2,610	2,700,842	1.280	3,457,261	1.000	3,457,261
10/01/07 to 09/30/08	2,625	2,712,168	1.280	3,471,759	1.000	3,471,759
10/01/08 to 09/30/09	2,688	2,810,682	1.261	3,543,748	1.000	3,543,748
10/01/09 to 09/30/10	2,924	3,291,597	1.172	3,857,131	1.000	3,857,131
<b>5 Year Total</b>	<b>13,449</b>	<b>14,143,652</b>		<b>17,694,381</b>		<b>17,694,381</b>

(8) Experience Period	(9) xCAT xSS Capped Incurred Loss	(10) Uncapped Loss Factor	(11) Loss Development Factor	(12) Historical Loss Trend Factor	(13) Trended Developed Normal Losses	(14a) Loss Complement Regional PP Exposures * (\$310)	(15b) Cred. Adjusted Normal Losses	(16) Normal Loss Ratio	(17) Loss Ratio Weights
10/01/05 to 09/30/06	1,319,281	1.069	1.002	1.360	1,922,444	806,936	1,364,690	40.6%	20.0%
10/01/06 to 09/30/07	1,148,104	1.110	1.002	1.260	1,608,979	808,973	1,208,976	35.0%	20.0%
10/01/07 to 09/30/08	871,499	1.090	1.004	1.166	1,112,363	813,759	963,061	27.7%	20.0%
10/01/08 to 09/30/09	1,157,493	1.105	1.006	1.080	1,390,394	833,156	1,111,775	31.4%	20.0%
10/01/09 to 09/30/10	1,451,640	1.144	1.061	1.000	1,763,066	906,452	1,334,759	34.6%	20.0%
<b>5 Year Total</b>	<b>5,948,018</b>				<b>7,797,245</b>	<b>4,169,277</b>	<b>5,983,261</b>		

(15) House Years in Experience Period	13,449
(16) Credibility = Square root of [(15)/75,000] (min = 0.5, max = 1.0)	50.0%

(17) Weighted Normal Loss Ratio	33.8%
(18) Premium Projection Factor	1.000
(19) Loss Projection Factor	1.330
(20) Projected Normal Loss Ratio = (17) x (19) / (18)	45.0%

(21) Provision for Non-modeled Catastrophes	0.5%
(22) Provision for Tornado/Hail/Severe Thunderstorm Losses	19.1%
(23) Provision for Hurricane Wind Losses	0.0%
(24) Provision for Fire Following Earthquake Losses	0.0%
(25) Loss Adjustment Expense Factor	14.2%
(26) Loss Adjustment Factor (as % of premium) = (25) x Sum [(20) : (24)]	9.2%
(27) Projected Total Loss and LAE Ratio = Sum [(20) : (24)] + (26)	73.8%
(28) EPA-Adjusted Total Loss and LAE Ratio = (27) x 1.01	74.6%

(29) Provision for Fixed Expense	17.2%
(30) Provision for Variable Expense	26.1%
(31) Indicated Loss, LAE, Fixed Expense, and Reinsurance Ratio = (28) + (29) + (30)	91.7%
(32) Permissible Loss, LAE, Fixed Expense, and Reinsurance Ratio = 1.0 - (31)	73.9%

(33) Indicated Rate Change = (32) / (31) - 1	24.1%
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**Liberty Mutual Group  
Homeowners  
Arkansas  
Rate Change History and On-Level Factors**

Rate Change History

Renewal Business	
Effective Date	Dwellings
7/2/2004	8.0%
11/12/2008	3.9%
10/26/2009	11.9%
3/28/2011	10.1%

On-Level Factors

Experience Period	Dwellings
10/01/05 to 09/30/06	1.280
10/01/06 to 09/30/07	1.280
10/01/07 to 09/30/08	1.280
10/01/08 to 09/30/09	1.261
10/01/09 to 09/30/10	1.172

**Liberty Mutual Group**  
**All US States Homeowners**  
**Dwelling Forms**  
**Incurred Losses Excluding Catastrophes and Severe Storms (in thousands)**  
**Capped at \$250,000 per Occurrence**

Acc Period	Maturity										
	12	24	36	48	60	72	84	96	108	120	132
Oct1999-Sep2000	212,163	225,279	229,910	230,649	229,835	230,183	229,866	229,659	229,788	229,845	229,812
Oct2000-Sep2001	257,205	275,574	276,420	278,248	279,227	279,360	279,045	278,642	278,488	278,684	
Oct2001-Sep2002	240,548	258,361	260,876	261,160	261,257	261,281	261,756	261,946	261,969		
Oct2002-Sep2003	245,680	264,697	266,482	265,984	266,982	266,560	267,355	267,012			
Oct2003-Sep2004	255,823	274,763	277,608	279,385	279,543	279,343	279,808				
Oct2004-Sep2005	364,093	389,735	392,456	393,251	393,211	394,054					
Oct2005-Sep2006	411,105	438,292	441,594	442,252	442,258						
Oct2006-Sep2007	445,651	472,216	468,821	469,808							
Oct2007-Sep2008	491,597	513,703	517,126								
Oct2008-Sep2009	561,714	595,306									
Oct2009-Sep2010	582,383										

	Age to Age Factors										
	12 - 24	24 - 36	36 - 48	48 - 60	60 - 72	72 - 84	84 - 96	96 - 108	108 - 120	120 - 132	132-ult
Oct1999-Sep2000	1.062	1.021	1.003	0.996	1.002	0.999	0.999	1.001	1.000	1.000	
Oct2000-Sep2001	1.071	1.003	1.007	1.004	1.000	0.999	0.999	0.999	1.001		
Oct2001-Sep2002	1.074	1.010	1.001	1.000	1.000	1.002	1.001	1.000			
Oct2002-Sep2003	1.077	1.007	0.998	1.004	0.998	1.003	0.999				
Oct2003-Sep2004	1.074	1.010	1.006	1.001	0.999	1.002					
Oct2004-Sep2005	1.070	1.007	1.002	1.000	1.002						
Oct2005-Sep2006	1.066	1.008	1.001	1.000							
Oct2006-Sep2007	1.060	0.993	1.002								
Oct2007-Sep2008	1.045	1.007									
Oct2008-Sep2009	1.060										
Selected	1.055	1.002	1.002	1.000	1.000	1.002	0.999	1.000	1.000	1.000	1.000
To Ultimate	1.061	1.006	1.004	1.002	1.002	1.002	1.000	1.001	1.000	1.000	1.000

**Liberty Mutual Group  
Arkansas  
Calculation of Premium Trend Factors**

**Historical Premium Factors**

Selected Annual Historical Premium Trend:	Dwelling 0.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Premium Trend Factor
10/01/05 to 09/30/06	4/1/2006	4/1/2010	4.00	1.000
10/01/06 to 09/30/07	4/1/2007	4/1/2010	3.00	1.000
10/01/07 to 09/30/08	4/1/2008	4/1/2010	2.00	1.000
10/01/08 to 09/30/09	4/1/2009	4/1/2010	1.00	1.000
10/01/09 to 09/30/10	4/1/2010	4/1/2010	0.00	1.000

**Premium Projection Factors**

Selected Annual Projected Premium Trend:	Dwelling 0.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Premium Trend Factor
All	4/1/2010	3/28/2013	2.99	1.000

**Liberty Mutual Group  
Homeowners  
Arkansas  
Development of Historical Premium Trend**

**On-Level Average Earned Premium**

Experience Period	Dwellings
10/01/05 to 09/30/06	1,174
10/01/06 to 09/30/07	1,203
10/01/07 to 09/30/08	1,201
10/01/08 to 09/30/09	1,198
10/01/09 to 09/30/10	1,198

1-Yr	0.0%
2-Yr	-0.1%
3-Yr	-0.2%
4-Yr	0.4%

Selected Historical Trend	0.0%
Selected Projected Trend	0.0%

**Liberty Mutual Group  
Arkansas  
Calculation of Loss Trend Factors**

**Historical Loss Trend Factors**

Selected Annual Historical Pure Premium Trend :	Dwelling 8.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Loss Trend Factor
10/01/05 to 09/30/06	4/1/2006	4/1/2010	4.00	1.360
10/01/06 to 09/30/07	4/1/2007	4/1/2010	3.00	1.260
10/01/07 to 09/30/08	4/1/2008	4/1/2010	2.00	1.166
10/01/08 to 09/30/09	4/1/2009	4/1/2010	1.00	1.080
10/01/09 to 09/30/10	4/1/2010	4/1/2010	0.00	1.000

**Loss Projection Factors**

Selected Annual Projected Pure Premium Trend :	Dwelling 10.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Loss Trend Factor
All	4/1/2010	3/28/2013	2.99	1.330

**Liberty Mutual**  
**Fast Track Trend Data**  
Excluding Catastrophes

Prior 4 Qtrs Ending Year                      Qtr.		Arkansas			Southwest		
		Paid Severity	Paid Freq.	Paid Pure Premium	Paid Severity	Paid Freq.	Paid Pure Premium
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
2009	4	8,381	8.72	731.17	9,239	4.13	381.17
2010	1	8,096	8.59	695.81	9,149	4.23	387.14
2010	2	8,909	8.22	732.37	9,196	4.27	392.51
2010	3	10,665	6.11	651.32	9,222	4.06	374.81
2-Yr (9 pts)		-14.85%	33.51%	13.68%	5.55%	10.62%	16.76%
3-Yr (13 pts)		-2.04%	20.87%	18.40%	11.79%	-0.80%	10.90%
4-Yr (17 pts)		1.74%	10.45%	12.37%	9.15%	-4.00%	4.79%

Selected Historical Loss Trend	8.0%
Selected Projected Loss Trend	10.0%

**Liberty Mutual Group**  
**Homeowners**  
**Arkansas**  
**Accident Period: 10/01/05 to 09/30/10**  
**Data Evaluated as of: 9/30/10**

**Calculation of Catastrophe Loads**

**Dwellings**

Loss Type	Latest Year Earned AOI (000s)*	AOI Projection Factor	Projected Earned AOI	Expected Loss per \$1000 AOI	Projected On-Level Earned Premium	CAT Load
Non-Modeled CAT	522,267	1.009	526,944	0.040	3,857,131	0.5%
Severe Storm	522,267	1.009	526,944	1.397	3,857,131	19.1%
Hurricane	522,267	1.009	526,944	0.000	3,857,131	0.0%
Fire Following	522,267	1.009	526,944	0.001	3,857,131	0.0%

**\* Note: The latest year earned AOI for Severe Storm and Hurricane is wind-only AOI, whereas the AOI for Non-Modeled CAT and Fire Following is total AOI**

**Liberty Mutual Group**  
**Homeowners**  
**Arkansas**  
**Accident Period: 10/01/05 to 09/30/10**  
**Data Evaluated as of: 9/30/10**

**Calculation of AOI Projection Factor**

**Dwellings**

1) Annual AOI Trend	1.003
2) Average Earned Date of Last Year of Experience Period	04/01/10
3) Effective Date for Proposed Rates	03/28/12
4) Average Earned Date Under Proposed Rates	03/28/13
5) Number of Years Between (2) And (4)	2.99
6) AOI Projection Factor = (1)^(5)	1.009

**Liberty Mutual Group**  
**Homeowners**  
**Arkansas**  
**Adjusted Historical Non-Modeled CAT Loads**  
**Accident Years 1992 - 2009**  
**Data Evaluated as of: 12/31/09**

<b>Dwellings</b>			
(1) AY Ending	(2) Non-Modeled CAT Incurred Loss	(3) CY AOI (000s)	(4) Non-Modeled CAT Inc Loss / \$1000 AOI
12/31/1992	0	47,371	0.0%
12/31/1993	0	56,442	0.0%
12/31/1994	0	67,973	0.0%
12/31/1995	0	76,112	0.0%
12/31/1996	0	84,122	0.0%
12/31/1997	0	99,138	0.0%
12/31/1998	0	121,171	0.0%
12/31/1999	0	148,498	0.0%
12/31/2000	0	179,640	0.0%
12/31/2001	0	212,877	0.0%
12/31/2002	0	236,705	0.0%
12/31/2003	0	269,593	0.0%
12/31/2004	0	323,572	0.0%
12/31/2005	0	397,155	0.0%
12/31/2006	0	429,474	0.0%
12/31/2007	4,101	448,778	0.9%
12/31/2008	0	458,017	0.0%
12/31/2009	210,133	482,169	43.6%

(5) Average Non-Modeled CAT Inc Loss/ \$1000 AOI [Average of (4)]	2.5%
(6) Expected Value of the Process Variance	0.034
(7) Variance of the Hypothetical Means	0.001
(8) Credibility	27.2%
(9) Regional Average Non-Modeled CAT Inc Loss/ \$1000 AOI	4.6%
(10) Credibility Weighted Factor	4.0%
(11) Off Balance Factor*	0.993
(12) Balanced Factor = (10)*(11)	4.0%

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

**Liberty Mutual Group  
Homeowners  
Arkansas  
Historical Severe Storm Load  
Accident Years 1992 - 2009**

**Dwellings**

(1) AY Ending	(2) CY AOI (000s)	(3) Severe Storm Incurred Loss	(4) Severe Storm Loss per \$1000 AOI
1992	47,371	21,690	0.458
1993	56,442	42,150	0.747
1994	67,973	54,934	0.808
1995	76,112	68,976	0.906
1996	84,122	99,493	1.183
1997	99,138	525,040	5.296
1998	121,171	77,483	0.639
1999	148,498	428,060	2.883
2000	179,640	224,938	1.252
2001	212,877	123,942	0.582
2002	236,705	115,107	0.486
2003	269,593	159,014	0.590
2004	323,572	106,310	0.329
2005	397,155	154,328	0.389
2006	429,474	423,040	0.985
2007	448,778	243,435	0.542
2008	458,017	1,675,185	3.657
2009	482,169	1,647,520	3.417

(5) Average Severe Storm Inc Loss/ \$1000 AOI [Average of (4)] 1.397

**Liberty Mutual Group  
Homeowners  
Arkansas  
Projected Expenses  
(As Percent of Earned Premium)**

**Dwellings**

	Total	Variable	Fixed
General & Acquisition	22.2%	6.2%	16.1%
Tax	3.8%	3.8%	0.0%
Profit	15.1%	15.1%	0.0%
Contingency	1.0%	1.0%	0.0%
FAIR Plan	0.0%	0.0%	0.0%
Total Expense Ratio	42.1%	26.1%	16.1%
Total Trended Expense Ratio	43.2%	26.1%	17.2%

Calculation of Annual Fixed Expense Ratio Trend Factor

Projected Annual Fixed Expense Ratio Trend	1.018
Average Date of Experience Period	7/1/2009
Average Fixed Expense Incurred Date Under Proposed Rates	3/28/2013
Length of Trend Period in Years	3.7
Fixed Expense Ratio Trend Factor	1.069

**Liberty Mutual Group  
Homeowners  
Credibility Standard  
Dwelling Forms**

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.

**Liberty Mutual Group**  
**Homeowners**  
**Uncapped Loss Factors**  
**All US States ex-CA, FL, GA, MA, NJ, NY, PA, TX**  
**Excluding Catastrophes Excluding Severe Storms**  
**Data Evaluated as of: 09/30/2010**

**Dwellings**

Experience Period	Uncapped Losses	\$250K Capped Losses	Uncapped Loss Factor
10/01/05 to 09/30/06	185,283,865	173,324,695	1.069
10/01/06 to 09/30/07	211,165,775	190,212,587	1.110
10/01/07 to 09/30/08	228,354,120	209,509,123	1.090
10/01/08 to 09/30/09	260,936,403	236,090,642	1.105
10/01/09 to 09/30/10	284,875,704	248,973,057	1.144

**Liberty Mutual Group**  
**Homeowners**  
**Countrywide 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 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 4.1% 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 0.3%, which is the average return of the last five years. After federal income taxes, the total anticipated rate of return is 3.3% of invested assets.

Exhibit 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 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 D provides pertinent expense data. Exhibit 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 15.1% 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 B, Table 1, Item 12)	\$1.05
2)	Investment Income on Loss Reserves \$100 x (Exhibit C, Table 1, Item 5)	\$0.80
3)	Investment Income on Surplus \$80 x (Exhibit A, Table 1, Column 7)	\$2.64
4)	Underwriting Income After Tax \$100 x (1-.35) x Profit Provision (Exhibit D, Item 5 + Item 6)	\$10.47
5)	Total Expected Return [1]+[2]+[3]+[4]	\$14.96
6)	Expected Return on Surplus [5]/\$80 x 100%	18.7%
7)	GAAP Adjusted Return [6]/GAAP Adj. Factor (Exhibit 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 A: Effective Rate of Return on Investable Assets**

Table 1: Historical Investments Returns 1986-2009

(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	
2009	47,693,589,467	1,792,955,767	3.8	(28,910,232)	-0.1	
Latest 10 Years	320,369,001,870	14,251,511,827	4.6	1,958,922,447	0.8	
Latest 5 Years	199,882,630,913	8,181,705,577	4.1	492,080,556	0.3	
Anticipated Returns (Before Tax)			4.1		0.3	4.4
2009 Federal Tax Rate (Exhibit A, Table 2)			0.2406		0.3500	
Anticipated Returns (After Tax)			3.1		0.2	3.3

(a) Mean of current and prior year Annual Statements: Page 2, Line 10 Less Page SI04, Column (2), Lines 12, 18 and 24.

(b) 2009 Annual Statement: Page 4, Line 9 less Page 12, Part 1, Column (2), Lines 1.3, 2.11, 2.21, and 8.

(c) 2009 Annual Statement: Page 4, Line 10.

Table 2: Effective Federal Tax Rate

	<u>Earned</u> <u>Income</u>		<u>Distribution</u>	Federal Tax <u>Rate</u>
BONDS (Ex Tax Exempt)	\$1,202,456,361	(a)	0.671	0.3500
BONDS (Tax Exempt)				
Acquired Before 8/7/86	\$3,585,173		0.002	0.0000
Acquired After 8/7/86	\$618,959,051		0.345	0.0525
STOCKS				
Acquired Before 8/7/86				
Non-Affiliated	\$690,538		0.000	0.1050
Foreign	<u>\$0</u>		0.000	0.3500
Total	\$690,538			
Acquired After 8/7/86				
Non-Affiliated	\$50,962,424		0.028	0.1418
Foreign	<u>\$1,182,629</u>		0.001	0.3500
Total	\$52,145,053			
All Other Investment Income (b)	(\$84,880,409)	(c)	-0.047	0.3500
Net Investment Income Gain/(Loss)	\$1,792,955,767	(d)	1.000	0.2406 (e)

(a) 2009 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) 2009 Annual Statement: Page 12, Part 1, Column (2), lines 3, 4, 6, 7, and 9 less line 16

(d) Exhibit A, Table 1, Column 3

(e) Weighted average rate using "Distribution" column

## **Exhibit 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 0.5 x [1]	\$50.00
3)	Mean Premium Subject to Installment Payment Finance Plan 0.21 x [2]	\$10.50
4)	Funds Available for Prepaid Expense, Tax, and Investment [2] - [3]	\$39.50
5)	Prepaid Expense 0.263 x (2)	\$13.15
6)	Federal Tax - 1986 Reform Act 0.018 x [2]	\$0.90
7)	Funds Available for Investment [4] - [5] - [6]	\$25.45
8)	Rate of Return, After Tax	3.3%
9)	Income on Invested Reserve [7] x [8]	\$0.84
10)	Income from Installment Payment Premium Finance Plan 0.02 x (3)	\$0.21
11)	Total Investment Income [9] + [10]	\$1.05
12)	Investment Income as a Factor of Earned Premium [11] / [1]	0.0105

### Notes

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

Line [5]: Exhibit D - Acquisition (21.4%), 50% of General (2.4%) and Taxes (2.5%)

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

Line [8]: Exhibit A, Table 1

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

<u>Year</u>	[1] Premium Finance <u>Charges</u>	[2] Premium <u>Charged-Off</u>	[3]=[1]-[2] Net Investment <u>Income</u>
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
2009	\$12,066	\$4,655	\$7,411

<u>Year</u>	[4]=[3]*0.65 After-Tax Investment <u>Income</u>	[5] Mean Premium <u>Financed</u>	[6]=[4]/[5] Ratio of Investment Income to Mean <u>Premium Financed</u>
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
2009	\$4,817	\$313,837	0.015

Selected

0.020

<u>Year</u>	[7] Direct Earned <u>Premium</u>	[8] Mean Direct Unearned <u>Premium Reserve</u>	[9]=[8]/[7] <u>Ratio</u>	[10]=[5]/[8] <u>Ratio</u>
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
2009	\$3,316,834	\$1,759,134	0.530	0.178

Selected

0.500

0.210

### **Exhibit 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	0.466
2)	Ratio of Federal Tax Payable to Incurred Loss & LAE	-0.009
3)	Permissible Loss & LAE Ratio	0.509
4)	Net Effective Rate of Return After Tax	0.033
5)	Investment Income as a Factor of Premium {[(1) - (2)] * (3) * (4)}	0.008

#### Notes

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

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

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

Line [4]: Exhibit A, Table 1

Table 2: Ratio of Loss and LAE Reserves to Loss and LAE Incurred  
(\$000)

	[1]	[2]	[3]
<u>Year</u>	Year-End Net <u>Loss Reserve</u>	Prior Year Net <u>Loss Reserve</u>	Mean Net <u>Loss Reserve</u>
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
2009	647,122	904,669	775,896

  

	[4]	[5]	[6]
<u>Year</u>	Year End Net <u>LAE Reserve</u>	Prior Year Net <u>LAE Reserve</u>	Mean Net <u>LAE Reserve</u>
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
2009	166,960	165,833	166,397

  

	[7]	[8]	[9]
<u>Year</u>	Net Incurred <u>Losses</u>	Net Incurred <u>LAE</u>	Ratio of Reserves to Incurred
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
2009	1,204,201	281,030	0.634

Selected

0.466
-------

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

1) Acquisition	21.4%
2) General	4.8%
3) Taxes	2.5%
4) Reinsurance	4.3%
5) Profit	15.1%
6) Contingency	1.0%
7) Total	49.1%
8) Permissible Loss and LAE Ratio	50.9%

Notes

Data from 2009 Insurance Expense Exhibit (Direct)

## Exhibit E: Federal Income Tax Payable Due to Tax Reform Act of 1986

### A. Tax on Unearned Premium Reserves (\$000)

1)	Net Unearned Premium Reserve 12/31/08	\$1,149,979
2)	Net Unearned Premium Reserve 12/31/09	\$1,489,459
3)	Mean Net Unearned Premium Reserve $\{[1] + [2]\} / 2$	\$1,319,719
4)	Federal Tax Payable on Change in Net Unearned Premium Reserve $\{[2]-[1]\} \times 20\% \times 0.35$	\$23,764
5)	Ratio of Tax Payable to Mean Net Unearned Premium Reserve $[4] / [3]$	0.018

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

1)	Net Reserve at 12/31/08	\$1,070.50 (a)
2)	Net Reserve at 12/31/09	\$814.08 (a)
3)	Discounted Net Reserve at 12/31/08	\$983.86 (b)
4)	Discounted Net Reserve at 12/31/09	\$767.62 (b)
5)	Change in Net Reserve $[2]-[1]$	(\$256.42)
6)	Change in Discounted Net Reserve $[4]-[3]$	(\$216.24)
7)	Additional Taxable Income $[5]-[6]$	(\$40.18)
8)	Federal Tax Payable $[7] \times 0.35$	(\$14.06)
9)	2009 Incurred Loss & LAE (Insurance Expense Exhibit)	\$1,485.23 (c)
10)	Ratio of Federal Tax Payable to Incurred Loss & LAE $[8] / [9]$	-0.009
11)	Selected	-0.009

(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 F: Expected Total Return - Adjustment to GAAP**

**Expected Total Return - Adjustment to GAAP**

Amounts in Millions

Item	2007	2008	2009	Source
(1) Policyholders Surplus	14,154	12,330	14,704	Annual Statement: Page 3, Column (1), line 35
(2) Non-Admitted Assests	1,585	2,518	1,138	Annual Statement: Page 2, Column (2), line 26
(3) Equity in the UPR [= (h) calculated below]	1,794	2,285	2,333	calculated field
(4) Total Adjustments (2)+(3)	3,379	4,803	3,471	calculated field
(5) GAAP Surplus Adjustment Factor [(4)+(1)]/(1)	1.239	1.390	1.236	calculated field
(6) Selected GAAP Surplus Adjustment Factor		1.250		

**Calculation of Equity in UPR**

Item	2007	2008	2009	Source
(a) Commissions and Brokerage Expense Incd	1,619	2,462	2,415	IEE: Page 7, Part 3, Column (23), Totals
(b) Taxes, License & Fees	653	776	710	IEE: Page 7, Part 3, Column (25), Totals
(c) Other Acquisition Expenses Incd	1,839	2,268	2,079	IEE: Page 7, Part 3, Column (27), Totals
(d) General Expense Incd	1,703	1,633	1,864	IEE: Page 7, Part 3, Column (29), Totals
(e) Total of (a) + (b) + (c) + 0.5(d)	4,963	6,323	6,136	calculated field
(f) Written Premium	20,236	26,329	24,773	IEE: Page 6, Part 3, Column (1), Totals
(g) Ending UPR	7,317	9,516	9,418	IEE: Page 6, Part 3, Column (19), Totals
(h) Equity in UPR (g)*(e)/(f)	1,794	2,285	2,333	calculated field



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

October 7, 2011

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

**RE: Homeowner Rate Revision**  
**Company Tracking No. AR HO SR 2 12**  
**Liberty Mutual Fire Insurance Company, 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, 2012**, and renewal business policies produced and effective on or after **March 28, 2012**.

**Summary of Changes**

1. Revise property base rates.

**Rate Effect**

<b>Homeowner State Review Rate Impact</b>				
<b>Form</b>	<b>LMFIC</b>	<b>TFLIC</b>	<b>LIC</b>	<b>Overall Effect</b>
H3 Dwelling	10.0%	10.0%	0.0%	10.0%
H4 Tenant	9.8%	9.8%	0.0%	9.8%
H6 Condo	11.2%	11.2%	0.0%	11.2%
Total	10.0%	10.0%	0.0%	10.0%

## **Rating Manual**

- Section R, Page 1 – Revise Property base rates

The current rate level indication is 19.3%. This is a significant increase from 15.6% in the prior, withdrawn filing. The increase is due mainly to an error in our prior filing, which included a rate increase of 19.7% effective on March 28, 2011. While this is what we filed, a 10% rate increase is what was ultimately approved. With this correction, and a new effective date of February 21, 2012 for new business, the rate level indication is 19.3%.

## **Filing Information**

This filing is being submitted electronically through SERFF. Thank you for your consideration of our submission. As always, if you have any questions or concerns, please feel free to contact our product manager for Arkansas, Andy Larson, at 617-574-5873 or by email at [Andrew.Larson@LibertyMutual.com](mailto:Andrew.Larson@LibertyMutual.com).

Yoanna Freedman  
Portfolio Analyst  
Industry and Regulatory Relations

The following exhibit has been updated to include data through March 31, 2011. The revised indication for Arkansas Homeowners is 19.3%.

**Liberty Mutual Group**  
**Homeowners**  
**Arkansas**  
**Accident Period: 04/01/06 to 03/31/11**  
**Data Evaluated as of: 3/31/11**

**Statewide Indicated Rate Level Change**

**Dwellings**

(1) Experience Period	(2) Earned Exposures	(3) Earned Premium @ Collected Level	(4) On-Level Factors	(5) Earned Premium @ Current Level	(6) Historical Premium Trend Factor	(7) Trended Earned Premium @ Current Level
04/01/06 to 03/31/07	2,586	2,672,555	1.280	3,421,052	1.000	3,421,052
04/01/07 to 03/31/08	2,591	2,710,554	1.280	3,469,693	1.000	3,469,693
04/01/08 to 03/31/09	2,633	2,726,290	1.276	3,479,853	1.000	3,479,853
04/01/09 to 03/31/10	2,785	3,008,388	1.227	3,692,078	1.000	3,692,078
04/01/10 to 03/31/11	3,081	3,569,153	1.120	3,998,659	1.000	3,998,659
5 Year Total	13,675	14,686,940		18,061,335		18,061,335

(8) Experience Period	(9) xCAT xSS Capped Incurred Loss	(10) Uncapped Loss Factor	(11) Loss Development Factor	(12) Historical Loss Trend Factor	(13) Trended Developed Normal Losses	(14a) Loss Complement Regional PP Exposures * (\$315)	(15b) Cred. Adjusted Normal Losses	(16) Normal Loss Ratio	(17) Loss Ratio	(18) Loss Ratio Weights
04/01/06 to 03/31/07	788,134	1.069	1.006	1.360	1,152,832	814,464	983,648	28.8%	20.0%	20.0%
04/01/07 to 03/31/08	1,548,812	1.110	1.009	1.260	2,185,832	816,035	1,500,933	43.3%	20.0%	20.0%
04/01/08 to 03/31/09	933,593	1.090	1.012	1.166	1,201,243	829,552	1,015,397	29.2%	20.0%	20.0%
04/01/09 to 03/31/10	1,569,538	1.105	1.021	1.080	1,912,039	877,136	1,394,588	37.8%	20.0%	20.0%
04/01/10 to 03/31/11	757,165	1.144	1.083	1.000	938,640	970,520	954,580	23.9%	20.0%	20.0%
5 Year Total	5,597,242				7,390,586	4,307,707	5,849,147			

(15) House Years in Experience Period	13,675
(16) Credibility = Square root of [(15)/80,000] (min = 0.5, max = 1.0)	50.0%

(17) Weighted Normal Loss Ratio	32.6%
(18) Premium Projection Factor	1.000
(19) Loss Projection Factor	1.268
(20) Projected Normal Loss Ratio = (17) x (19) / (18)	41.3%

(21) Provision for Non-modeled Catastrophes	0.6%
(22) Provision for Tornado/Hail/Severe Thunderstorm Losses	19.7%
(23) Provision for Hurricane Wind Losses	0.0%
(24) Loss Adjustment Expense Factor	14.2%
(25) Loss Adjustment Factor (as % of premium) = (24) x Sum [(20) : (23)]	8.7%
(26) Projected Total Loss and LAE Ratio = Sum [(20) : (23)] + (25)	70.3%
(27) EPA-Adjusted Total Loss and LAE Ratio = (26) x 1.01	71.0%

(28) Provision for Fixed Expense	17.2%
(29) Provision for Variable Expense	26.1%
(30) Indicated Loss, LAE, Fixed Expense, and Reinsurance Ratio = (27) + (28)	88.2%
(31) Permissible Loss, LAE, Fixed Expense, and Reinsurance Ratio = 1.0 - (29)	73.9%

(32) Indicated Rate Change = (30) / (31) - 1	19.3%
--	-------

SERFF Tracking Number: LBPM-127702749 State: Arkansas  
 First Filing Company: Liberty Mutual Fire Insurance Company, ... State Tracking Number:  
 Company Tracking Number: AR HO SR 02 12  
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
 Project Name/Number: Homeowner Rate Revision/AR HO SR 02 12

## 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)
10/10/2011	Supporting Document	H-1 Homeowners Abstract	11/04/2011	H-1 Homeowners Abstract.pdf (Superseded)
10/10/2011	Supporting Document	HPCS-Homeowners Premium Comparison Survey	11/18/2011	AR HPCS HO Premium Comparison LMFIC.pdf (Superseded) AR HPCS HO Premium Comparison TFLIC.pdf (Superseded) AR HPCS HO Premium Comparison TFLIC.xls (Superseded) AR HPCS HO Premium Comparison LMFIC.xls (Superseded)
11/03/2011	Supporting Document	NAIC loss cost data entry document	11/18/2011	NAIC Loss Cost Data Entry Document LMFIC Revised.pdf (Superseded) NAIC Loss Cost Data Entry Document TFLIC Revised.pdf (Superseded)
10/10/2011	Supporting Document	NAIC loss cost data entry document	11/03/2011	NAIC Loss Cost Data Entry Document LMFIC (2).pdf (Superseded) NAIC Loss Cost Data Entry Document TFLIC (2).pdf

<i>SERFF Tracking Number:</i>	<i>LBPM-127702749</i>	<i>State:</i>	<i>Arkansas</i>
<i>First Filing Company:</i>	<i>Liberty Mutual Fire Insurance Company, ...</i>	<i>State Tracking Number:</i>	
<i>Company Tracking Number:</i>	<i>AR HO SR 02 12</i>		
<i>TOI:</i>	<i>04.0 Homeowners</i>	<i>Sub-TOI:</i>	<i>04.0000 Homeowners Sub-TOI Combinations</i>
<i>Product Name:</i>	<i>Home</i>		
<i>Project Name/Number:</i>	<i>Homeowner Rate Revision/AR HO SR 02 12</i>		

(Superceded)

10/10/2011	Supporting Cover Letter Document	11/18/2011	AR HO SR Cover Letter.pdf (Superceded)
10/10/2011	Rate and Rating Manual Rule	11/18/2011	R-1 Mock.pdf (Superceded) R-1 Proof.pdf (Superceded)

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, Marshall Swift & Boeckh.

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 increase 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, Marshall Swift & Boeckh, 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 July 2011 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)	

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, not applicable.

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>4,122,662 12 months ending July 15, 2011</u>
<u>H4</u>	<u>309,671</u>
<u>H6</u>	<u>15,768</u>

8. Do you write homeowner risks which have aluminum, steel or vinyl siding?  Yes  No

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

If yes, state the surcharge Not applicable.

Does the surcharge apply to conventional fire places? Not applicable.

If yes, state the surcharge Not applicable.

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

  
Signature

Mark Sweder  
Printed Name

Portfolio Analyst  
Title

(617) 357-9500 x43957  
Telephone Number

Mark.Sweder@libertymutual.com  
Email address

NAIC Number: Group number 111 23035  
 Company Name: Liberty Mutual Fire Insurance Company  
 Contact Person: Mark Sweder  
 Telephone No.: (617) 357-9500 ext 43957  
 Email Address: Mark.Sweder@LibertyMutual.com  
 Effective Date: 2/21/2012

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

Submit to: Arkansas Insurance Department  
 1200 West Third Street  
 Little Rock, AR 72201-1904  
 Telephone: 501-371-2800  
 Email as an attachment to insurance.pnc@arkansas.gov  
 You may also attach to a SERFF filing or submit on a cdr disk

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$705	\$780	\$705	\$780	\$1,060	\$1,172	\$1,010	\$1,116	\$1,010	\$1,116	\$975	\$1,077	\$1,118	\$1,236	\$783	\$865	\$1,012	\$1,119
	\$120,000	\$1,005	\$1,112	\$1,092	\$1,207	\$1,512	\$1,673	\$1,441	\$1,593	\$1,441	\$1,593	\$1,390	\$1,537	\$1,595	\$1,764	\$1,116	\$1,234	\$1,444	\$1,597
	\$160,000	\$1,343	\$1,486	\$1,343	\$1,486	\$2,021	\$2,234	\$1,925	\$2,130	\$1,925	\$2,130	\$1,857	\$2,054	\$2,131	\$2,357	\$1,491	\$1,648	\$1,930	\$2,134
6	\$80,000	\$829	\$929	\$829	\$929	\$1,247	\$1,397	\$1,188	\$1,331	\$1,188	\$1,331	\$1,147	\$1,284	\$1,315	\$1,473	\$920	\$1,030	\$1,190	\$1,334
	\$120,000	\$1,285	\$1,438	\$1,285	\$1,438	\$1,779	\$1,993	\$1,695	\$1,898	\$1,695	\$1,898	\$1,636	\$1,832	\$1,877	\$2,102	\$1,313	\$1,471	\$1,699	\$1,903
	\$160,000	\$1,581	\$1,771	\$1,581	\$1,771	\$2,376	\$2,663	\$2,265	\$2,537	\$2,265	\$2,537	\$2,185	\$2,447	\$2,508	\$2,808	\$1,754	\$1,965	\$2,270	\$2,542
9	\$80,000	\$1,542	\$1,783	\$1,542	\$1,783	\$2,319	\$2,680	\$2,210	\$2,555	\$2,210	\$2,555	\$2,132	\$2,464	\$2,446	\$2,827	\$1,711	\$1,978	\$2,215	\$2,560
	\$120,000	\$2,389	\$2,761	\$2,389	\$0	\$3,309	\$3,825	\$3,154	\$3,645	\$3,154	\$3,645	\$3,042	\$3,516	\$3,491	\$4,035	\$2,441	\$2,823	\$3,160	\$3,653
	\$160,000	\$2,940	\$3,399	\$2,940	\$3,399	\$4,421	\$5,111	\$4,213	\$4,871	\$4,213	\$4,871	\$4,064	\$4,698	\$4,663	\$5,390	\$3,263	\$3,771	\$4,222	\$4,880

**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	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246
	\$25,000	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327
6	\$5,000	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160
	\$15,000	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268
	\$25,000	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356
9	\$5,000	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224
	\$15,000	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374
	\$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)	

**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?	10-25 %

Zone Brick Frame

		8-13	%	WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Highest Risk	\$	0.71	\$	0.58
	Maximum Credit Allowed		%		Lowest Risk	\$	0.21	\$	0.18

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NAIC Number: Group number 111 33588  
 Company Name: The First Liberty Insurance Corporation  
 Contact Person: Mark Sweder  
 Telephone No.: (617) 357-9500 ext 43957  
 Email Address: Mark.Sweder@LibertyMutual.com  
 Effective Date: 2/21/2012

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

Submit to: Arkansas Insurance Department  
 1200 West Third Street  
 Little Rock, AR 72201-1904  
 Telephone: 501-371-2800  
 Email as an attachment to insurance.pnc@arkansas.gov  
 You may also attach to a SERFF filing or submit on a cdr disk

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$705	\$780	\$705	\$780	\$1,060	\$1,172	\$1,010	\$1,116	\$1,010	\$1,116	\$975	\$1,077	\$1,118	\$1,236	\$783	\$865	\$1,012	\$1,119
	\$120,000	\$1,005	\$1,112	\$1,092	\$1,207	\$1,512	\$1,673	\$1,441	\$1,593	\$1,441	\$1,593	\$1,390	\$1,537	\$1,595	\$1,764	\$1,116	\$1,234	\$1,444	\$1,597
	\$160,000	\$1,343	\$1,486	\$1,343	\$1,486	\$2,021	\$2,234	\$1,925	\$2,130	\$1,925	\$2,130	\$1,857	\$2,054	\$2,131	\$2,357	\$1,491	\$1,648	\$1,930	\$2,134
6	\$80,000	\$829	\$929	\$829	\$929	\$1,247	\$1,397	\$1,188	\$1,331	\$1,188	\$1,331	\$1,147	\$1,284	\$1,315	\$1,473	\$920	\$1,030	\$1,190	\$1,334
	\$120,000	\$1,285	\$1,438	\$1,285	\$1,438	\$1,779	\$1,993	\$1,695	\$1,898	\$1,695	\$1,898	\$1,636	\$1,832	\$1,877	\$2,102	\$1,313	\$1,471	\$1,699	\$1,903
	\$160,000	\$1,581	\$1,771	\$1,581	\$1,771	\$2,376	\$2,663	\$2,265	\$2,537	\$2,265	\$2,537	\$2,185	\$2,447	\$2,508	\$2,808	\$1,754	\$1,965	\$2,270	\$2,542
9	\$80,000	\$1,542	\$1,783	\$1,542	\$1,783	\$2,319	\$2,680	\$2,210	\$2,555	\$2,210	\$2,555	\$2,132	\$2,464	\$2,446	\$2,827	\$1,711	\$1,978	\$2,215	\$2,560
	\$120,000	\$2,389	\$2,761	\$2,389	\$0	\$3,309	\$3,825	\$3,154	\$3,645	\$3,154	\$3,645	\$3,042	\$3,516	\$3,491	\$4,035	\$2,441	\$2,823	\$3,160	\$3,653
	\$160,000	\$2,940	\$3,399	\$2,940	\$3,399	\$4,421	\$5,111	\$4,213	\$4,871	\$4,213	\$4,871	\$4,064	\$4,698	\$4,663	\$5,390	\$3,263	\$3,771	\$4,222	\$4,880

**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	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246	\$246
	\$25,000	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327
6	\$5,000	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160
	\$15,000	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268	\$268
	\$25,000	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356
9	\$5,000	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224	\$224
	\$15,000	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374	\$374
	\$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)	

**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?	10-25 %

Zone Brick Frame

		8-13	%	WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Highest Risk	\$	0.71	\$	0.58
	Maximum Credit Allowed		%		Lowest Risk	\$	0.21	\$	0.18

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## NAIC LOSS COST DATA ENTRY DOCUMENT

1. This filing transmittal is part of Company Tracking #	AR HO SR 02 12
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2. If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
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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.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
H3	+19.3%	+12.2%	N/A	N/A	N/A	N/A	N/A
H4	+19.3%	+9.8%	N/A	N/A	N/A	N/A	N/A
H6	+19.3%	+11.2%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT		+12.0%	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
2006	2,400	--	--	\$2,796	\$1,502	53.7%	56.6%
2007	2,382	--	--	\$2,834	\$1,544	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%	10/26/09	\$3,049	\$2,629	86.2%	67.3%
2010	3,201	0.0%	--	\$3,594	\$2,572	71.6%	54.2%
2011	3,858	+10.1%	3/28/11				

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	N/A
B. General Expense	22.2%
C. Taxes, License & Fees	3.8%
D. Underwriting Profit & Contingencies	16.1%
E. Other (explain)	0.0%
F. TOTAL	42.1%

8. N/A Apply Lost Cost Factors to Future filings? (Y or N)
9. 12.4% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_ All Territories \_\_\_\_\_
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 12
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
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Company Name		Company NAIC Number		
3.	A.	<b>The First Liberty Insurance Corporation</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)		
4.	A.	<b>Homeowner</b>	B.	<b>N/A</b>

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
H3	+19.3%	+12.2%	N/A	N/A	N/A	N/A	N/A
H4	+19.3%	+9.8%	N/A	N/A	N/A	N/A	N/A
H6	+19.3%	+11.2%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT		+12.0%	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
2006	0	--	--	0	0	N/A	56.6%
2007	0	--	--	0	0	N/A	47.7%
2008	0	+3.9%	11/12/08	0	0	N/A	64.3%
2009	0	+11.9%	10/26/09	0	0	N/A	67.3%
2010	0	0.0%	--	0	0	N/A	64.0%
2011	0	+10.1%	3/28/11				

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	N/A
B. General Expense	22.2%
C. Taxes, License & Fees	3.8%
D. Underwriting Profit & Contingencies	16.1%
E. Other (explain)	0.0%
F. TOTAL	42.1%

8. N/A Apply Lost Cost Factors to Future filings? (Y or N)
9. N/A Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_ All Territories \_\_\_\_\_
10. N/A 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 #	AR HO SR 02 12
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<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
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Company Name		Company NAIC Number		
<b>3.</b>	<b>A.</b>	<b>Liberty Mutual Fire Insurance Company</b>	<b>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)		
<b>4.</b>	<b>A.</b>	<b>Homeowner</b>	<b>B.</b>	<b>N/A</b>

<b>5.</b>			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
H3	+24.1%	+12.2%	N/A	N/A	N/A	N/A	N/A
H4	+24.1%	+9.8%	N/A	N/A	N/A	N/A	N/A
H6	+24.1%	+11.2%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT		+12.0%	N/A	N/A	N/A	N/A	N/A

<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>2006</b>	<b>2,400</b>	--	--	<b>\$2,796</b>	<b>\$1,502</b>	<b>53.7%</b>	<b>56.6%</b>
<b>2007</b>	<b>2,382</b>	--	--	<b>\$2,834</b>	<b>\$1,544</b>	<b>54.8%</b>	<b>47.7%</b>
<b>2008</b>	<b>2,466</b>	+3.9%	<b>11/12/08</b>	<b>\$2,838</b>	<b>\$3,778</b>	<b>133.1%</b>	<b>64.3%</b>
<b>2009</b>	<b>2,392</b>	+11.9%	<b>10/26/09</b>	<b>\$3,049</b>	<b>\$2,629</b>	<b>86.2%</b>	<b>67.3%</b>
<b>2010</b>	<b>3,201</b>	0.0%	--	<b>\$3,594</b>	<b>\$2,572</b>	<b>71.6%</b>	<b>54.2%</b>
<b>2011</b>	<b>3,858</b>	+10.1%	<b>3/28/11</b>				

<b>7.</b>	
Expense Constants	Selected Provisions
A. Total Production Expense	<b>N/A</b>
B. General Expense	<b>22.2%</b>
C. Taxes, License & Fees	<b>3.8%</b>
D. Underwriting Profit & Contingencies	<b>16.1%</b>
E. Other (explain)	<b>0.0%</b>
F. TOTAL	<b>42.1%</b>

8. N/A Apply Lost Cost Factors to Future filings? (Y or N)
9. 12.4% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_ All Territories \_\_\_\_\_
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 12
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
----	---	-----

Company Name		Company NAIC Number		
3.	A.	<b>The First Liberty Insurance Corporation</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)		
4.	A.	<b>Homeowner</b>	B.	<b>N/A</b>

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
H3	+24.1%	+12.2%	N/A	N/A	N/A	N/A	N/A
H4	+24.1%	+9.8%	N/A	N/A	N/A	N/A	N/A
H6	+24.1%	+11.2%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT		+12.0%	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
2006	0	--	--	0	0	N/A	56.6%
2007	0	--	--	0	0	N/A	47.7%
2008	0	+3.9%	11/12/08	0	0	N/A	64.3%
2009	0	+11.9%	10/26/09	0	0	N/A	67.3%
2010	0	0.0%	--	0	0	N/A	64.0%
2011	0	+10.1%	3/28/11				

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	N/A
B. General Expense	22.2%
C. Taxes, License & Fees	3.8%
D. Underwriting Profit & Contingencies	16.1%
E. Other (explain)	0.0%
F. TOTAL	42.1%

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



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

October 7, 2011

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

**RE: Homeowner Rate Revision**  
**Company Tracking No. AR HO SR 2 12**  
**Liberty Mutual Fire Insurance Company, 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, 2012**, and renewal business policies produced and effective on or after **March 28, 2012**.

**Summary of Changes**

1. Revise property base rates.

**Rate Effect**

<b>Homeowner State Review Rate Impact</b>				
<b>Form</b>	<b>LMFIC</b>	<b>TFLIC</b>	<b>LIC</b>	<b>Overall Effect</b>
H3 Dwelling	12.2%	12.2%	0.0%	12.2%
H4 Tenant	9.8%	9.8%	0.0%	9.8%
H6 Condo	11.2%	11.2%	0.0%	11.2%
Total	12.0%	12.0%	0.0%	12.0%

## **Rating Manual**

- Section R, Page 1 – Revise Property base rates

The current rate level indication is 24.1%. This is a significant increase from 15.6% in the prior, withdrawn filing. The increase is due mainly to an error in our prior filing, which included a rate increase of 19.7% effective on March 28, 2011. While this is what we filed, a 10% rate increase is what was ultimately approved. With this correction, and a new effective date of February 21, 2012 for new business, the rate level indication is 24.1%.

## **Filing Information**

This filing is being submitted electronically through SERFF. Thank you for your consideration of our submission. As always, if you have any questions or concerns, please feel free to contact our product manager for Arkansas, Andy Larson, at 617-574-5873 or by email at [Andrew.Larson@LibertyMutual.com](mailto:Andrew.Larson@LibertyMutual.com).

Mark Sweder  
Portfolio Analyst  
Industry and Regulatory Relations

**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>	2944-3309	358 394	464 516
<b>032</b>	2834 3185	358 394	464 516
<b>033</b>	2343 2634	358 394	462 516
<b>034</b>	3083 3465	358 394	463 516
<b>035</b>	2528 2841	358 394	464 516
<b>036</b>	2275 2557	358 394	465 516
<b>081</b>	2050 2304	358 394	466 516
<b>084</b>	2870 3226	358 394	467 516
<b>086</b>	2938 3302	358 394	468 516
<b>097</b>	3252-3655	358 394	469 516
<b>098</b>	2938 3302	358 394	470 516

<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>	5

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

**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>	3309	394	516
<b>032</b>	3185	394	516
<b>033</b>	2634	394	516
<b>034</b>	3465	394	516
<b>035</b>	2841	394	516
<b>036</b>	2557	394	516
<b>081</b>	2304	394	516
<b>084</b>	3226	394	516
<b>086</b>	3302	394	516
<b>097</b>	3655	394	516
<b>098</b>	3302	394	516

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<b>Form Type</b>	<b>Factor</b>
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<b>H3</b>	1.00