

SERFF Tracking Number: ALSE-127938000 State: Arkansas
Filing Company: Encompass Insurance Company of America State Tracking Number:
Company Tracking Number: ER-1912: RATE/FACTOR REVISION
TOI: 19.0 Personal Auto Sub-TOI: 19.0001 Private Passenger Auto (PPA)
Product Name: EICA PPA
Project Name/Number: Rate/Factor Revision/839880

Filing at a Glance

Company: Encompass Insurance Company of America

Product Name: EICA PPA SERFF Tr Num: ALSE-127938000 State: Arkansas
TOI: 19.0 Personal Auto SERFF Status: Closed-Filed State Tr Num:
Sub-TOI: 19.0001 Private Passenger Auto Co Tr Num: ER-1912: State Status:
(PPA) RATE/FACTOR REVISION
Filing Type: Rate/Rule Reviewer(s): Alexa Grissom
Author: Andi Colosi Disposition Date: 01/26/2012
Date Submitted: 12/29/2011 Disposition Status: Filed
Effective Date Requested (New): Effective Date (New):
Effective Date Requested (Renewal): 05/31/2012 Effective Date (Renewal):
05/31/2012

State Filing Description:

General Information

Project Name: Rate/Factor Revision Status of Filing in Domicile:
Project Number: 839880 Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 01/26/2012
State Status Changed: Deemer Date:
Created By: Celeste Mrdak Submitted By: Celeste Mrdak
Corresponding Filing Tracking Number:
Filing Description:
Rate/Factor Revision

With this filing, Encompass Insurance Company of America (EICA) is proposing an overall 3.0% rate change to the Private Passenger Automobile line of business. Revisions made to the Motor Vehicle Rates Manual include the Base Rates and the Model Year Factors. Revisions made to the Motor Vehicle Rules Manual include the Uninsured and Underinsured coverage rates, the Work Loss Coverage, the Accidental Death Coverage, and the Liability and Medical Expenses for motor homes. Revisions made to the Excess Liability Manual include the Basic Limits Rates for motor vehicles and miscellaneous vehicles.

Effective Date:

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 Project Name/Number: Rate/Factor Revision/839880
 New Business: N/A
 Renewals: 5/31/2012

Company and Contact

Filing Contact Information

Andi Colosi, State Filings Project Manager andi.colosi@allstate.com
 2775 Sanders Road 847-402-5000 [Phone] 21839 [Ext]
 Suite A2-W 847-402-9757 [FAX]
 Northbrook, IL 60062

Filing Company Information

Encompass Insurance Company of America CoCode: 10071 State of Domicile: Illinois
 2775 Sanders Road Group Code: 8 Company Type: Property and
 Suite A2-W Group Name: Allstate Casualty
 Northbrook, IL 60062 FEIN Number: 36-3976913 State ID Number:
 (847) 402-5000 ext. [Phone]

Filing Fees

Fee Required? Yes
 Fee Amount: \$150.00
 Retaliatory? No
 Fee Explanation: Filing and review of independent rate filings - \$100
 Filing of an independent rule filing - \$50
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Encompass Insurance Company of America	\$150.00	12/29/2011	54904299

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Alexa Grissom	01/26/2012	01/26/2012

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	Alexa Grissom	01/12/2012	01/12/2012	Andi Colosi	01/13/2012	01/13/2012

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Disposition

Disposition Date: 01/26/2012
 Effective Date (New):
 Effective Date (Renewal): 05/31/2012
 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):
Encompass Insurance Company of America	9.900%	3.000%	\$19,037	278	\$634,574	5.800%	1.400%

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	A-1 Private Passenger Auto Abstract	Filed	Yes
Supporting Document	APCS-Auto Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	Actuarial Support	Filed	Yes
Supporting Document	Objection Response - 1/13/12	Filed	Yes
Rate	ManualAutoRates	Filed	Yes
Rate	ManualAutoRules	Filed	Yes
Rate	ManualExcessLiability	Filed	Yes

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Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 01/12/2012

Submitted Date 01/12/2012

Respond By Date

Dear Andi Colosi,

This will acknowledge receipt of the captioned filing. Please provide the Department with an exhibit displaying loss ratios by coverage for this submission.

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.

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,

Alexa Grissom

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Response Letter

Response Letter Status Submitted to State
Response Letter Date 01/13/2012
Submitted Date 01/13/2012

Dear Alexa Grissom,

Comments:

Hi Alexa: Thank you for your review of this filing.

Response 1

Comments: Please see the attached response document

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Objection Response - 1/13/12

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Thanks!

--Andi

Sincerely,
Andi Colosi

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Rate Information

Rate data applies to filing.

Filing Method: File & Use
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 0.000%
Effective Date of Last Rate Revision: 08/01/2010
Filing Method of Last Filing: File & Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
Encompass Insurance Company of America	9.900%	3.000%	\$19,037	278	\$634,574	5.800%	1.400%

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Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
Filed 01/26/2012	ManualAutoRates		Replacement	09. ER-1912 ManualAutoRates.pdf
Filed 01/26/2012	ManualAutoRules		Replacement	10. ER-1912 ManualAutoRules.pdf
Filed 01/26/2012	ManualExcessLiability		Replacement	11. ER-1912 ManualExcessLiability. pdf

ARKANSAS USP PACKAGE AUTO RATE PAGES

BASE RATES

Territory	\$100/300 BI	\$50,000 PD	\$250 ded. COMP	\$250 ded. COLL	\$5,000 MED
3	289	211	52	308	33
4	473	348	45	319	35
5	532	388	45	319	35
9	363	280	52	332	33
10	339	255	42	301	26
31	412	302	49	303	35
32	444	328	45	297	36
33	352	247	56	322	26
34	378	265	48	311	30
35	344	244	62	318	30
36	337	234	55	317	33
37	327	236	59	317	33
38	344	237	62	315	33
89	399	304	80	346	33
90	368	276	72	318	33
91	296	249	55	268	33
92	339	231	54	282	35

ARKANSAS USP PACKAGE AUTO RATE PAGES

Increased Limits

Bodily Injury		Property Damage		Combined Single Limit (BI)		Combined Single Limit (PD)		Medical Expenses	
\$025/050	0.685	\$25,000	0.972	\$75,000	0.935	\$75,000	0.950	\$1,000	0.584
\$050/100	0.799	\$50,000	1.000	\$100,000	0.937	\$100,000	1.000	\$2,500	0.691
\$100/300	1.000	\$100,000	1.037	\$300,000	1.187	\$300,000	1.037	\$5,000	1.000
\$250/500	1.103			\$500,000	1.306	\$500,000	1.037	\$10,000	1.309
								\$25,000	1.691
								\$50,000	2.000

Deductible Factors

Comprehensive	
\$ 100	1.230
150	1.120
250	1.000
500	0.860
1,000	0.650

Collision	
\$ 150	1.060
250	1.000
500	0.870
1,000	0.630

Fixed Expense Premiums

BI	\$16	PD	\$11	CSL	\$27	COMP	\$5	COLL	\$11
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ARKANSAS USP PACKAGE AUTO RATE PAGES

COLLISION MODEL YEAR/SYMBOL FACTORS

Symbol	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1990-91 & Prior	1989
1	1.070	1.019	1.295	1.233	1.174	1.118	1.065	1.014	0.966	0.920	0.880	0.830	0.770	0.730	0.670	0.620	0.580	0.550	0.510	0.480	0.450	0.420	0.288
2	1.337	1.273	1.478	1.408	1.341	1.277	1.216	1.158	1.103	1.050	1.000	0.940	0.880	0.830	0.760	0.700	0.660	0.620	0.580	0.550	0.510	0.480	0.288
3	1.629	1.551	1.604	1.528	1.455	1.386	1.320	1.257	1.197	1.140	1.090	1.020	0.960	0.900	0.830	0.760	0.720	0.680	0.630	0.600	0.560	0.520	0.288
4	1.872	1.783	1.717	1.635	1.557	1.483	1.412	1.345	1.281	1.220	1.160	1.090	1.020	0.960	0.880	0.810	0.770	0.720	0.670	0.640	0.590	0.560	0.288
5	1.994	1.899	1.802	1.716	1.634	1.556	1.482	1.411	1.344	1.280	1.220	1.150	1.070	1.010	0.930	0.850	0.810	0.760	0.710	0.670	0.620	0.590	0.355
6	2.067	1.968	1.886	1.796	1.710	1.629	1.551	1.477	1.407	1.340	1.280	1.200	1.130	1.060	0.970	0.900	0.840	0.790	0.740	0.700	0.650	0.610	0.422
7	2.139	2.038	1.998	1.903	1.812	1.726	1.644	1.566	1.491	1.420	1.350	1.270	1.190	1.120	1.030	0.950	0.890	0.840	0.780	0.740	0.690	0.650	0.480
8	2.237	2.130	2.097	1.997	1.902	1.811	1.725	1.643	1.565	1.490	1.420	1.330	1.250	1.180	1.080	0.990	0.940	0.880	0.820	0.780	0.720	0.680	0.540
10	2.334	2.223	2.196	2.091	1.991	1.896	1.806	1.720	1.638	1.560	1.490	1.400	1.310	1.240	1.130	1.040	0.980	0.920	0.860	0.820	0.760	0.720	0.600
11	2.431	2.315	2.308	2.198	2.093	1.993	1.898	1.808	1.722	1.640	1.560	1.470	1.370	1.290	1.190	1.090	1.030	0.970	0.900	0.860	0.800	0.750	0.660
12	2.504	2.385	2.421	2.306	2.196	2.091	1.991	1.896	1.806	1.720	1.640	1.540	1.440	1.360	1.250	1.150	1.080	1.020	0.950	0.900	0.840	0.790	0.730
13	2.577	2.454	2.548	2.427	2.311	2.201	2.096	1.996	1.901	1.810	1.720	1.620	1.510	1.430	1.310	1.200	1.140	1.070	1.000	0.950	0.880	0.830	0.810
14	2.626	2.501	2.688	2.560	2.438	2.322	2.211	2.106	2.006	1.910	1.820	1.710	1.600	1.510	1.380	1.270	1.200	1.130	1.060	1.000	0.930	0.870	0.900
15	2.699	2.570	2.870	2.733	2.603	2.479	2.361	2.249	2.142	2.040	1.940	1.820	1.710	1.610	1.470	1.360	1.280	1.200	1.130	1.070	0.990	0.930	1.010
16	2.747	2.616	3.027	2.883	2.746	2.615	2.490	2.371	2.258	2.150	2.050	1.930	1.800	1.700	1.560	1.440	1.350	1.270	1.190	1.130	1.050	0.980	1.130
17	2.820	2.686	3.194	3.042	2.897	2.759	2.628	2.503	2.384	2.270	2.160	2.030	1.900	1.790	1.640	1.510	1.430	1.340	1.250	1.190	1.100	1.040	1.220
18	2.893	2.755	3.350	3.190	3.038	2.893	2.755	2.624	2.499	2.380	2.270	2.130	2.000	1.880	1.730	1.590	1.500	1.410	1.320	1.250	1.160	1.090	1.320
19	2.966	2.825	3.532	3.364	3.204	3.051	2.906	2.768	2.636	2.510	2.390	2.250	2.100	1.980	1.820	1.670	1.580	1.480	1.390	1.310	1.220	1.150	1.440
20	3.015	2.871	3.701	3.525	3.357	3.197	3.045	2.900	2.762	2.630	2.500	2.350	2.200	2.080	1.900	1.750	1.650	1.550	1.450	1.380	1.280	1.200	1.580
21	3.088	2.941	3.857	3.673	3.498	3.331	3.172	3.021	2.877	2.740	2.610	2.450	2.300	2.170	1.980	1.830	1.720	1.620	1.510	1.440	1.330	1.250	(f)
22	3.161	3.010	4.067	3.873	3.689	3.513	3.346	3.187	3.035	2.890	2.750	2.590	2.420	2.280	2.090	1.930	1.820	1.710	1.600	1.510	1.400	1.320	
23	3.233	3.080	4.306	4.101	3.906	3.720	3.543	3.374	3.213	3.060	2.910	2.740	2.560	2.420	2.210	2.040	1.920	1.800	1.690	1.600	1.480	1.400	
24	3.282	3.126	4.644	4.423	4.212	4.011	3.820	3.638	3.465	3.300	3.140	2.950	2.760	2.610	2.390	2.200	2.070	1.950	1.820	1.730	1.600	1.510	
25	3.355	3.195	5.179	4.932	4.697	4.473	4.260	4.057	3.864	3.680	3.500	3.290	3.080	2.910	2.660	2.450	2.310	2.170	2.030	1.930	1.790	1.680	
26	3.404	3.242	5.686	5.415	5.157	4.911	4.677	4.454	4.242	4.040	3.850	3.620	3.390	3.200	2.930	2.700	2.540	2.390	2.230	2.120	1.960	1.850	
27	3.452	3.288	(e)																				
28	3.525	3.357																					
29	3.574	3.404																					
30	3.647	3.473																					
31	3.695	3.519																					
32	3.744	3.566																					
33	3.817	3.635																					
34	3.866	3.682																					
35	3.914	3.728																					
36	3.987	3.797																					
37	4.060	3.867																					
38	4.133	3.936																					
39	4.182	3.983																					
40	4.255	4.052																					
41	4.303	4.098																					
42	4.376	4.168																					
43	4.425	4.214																					
44	4.473	4.260																					
45	4.522	4.307																					
46	4.595	4.376																					
47	4.668	4.446																					
48	4.717	4.492																					
49	4.789	4.561																					
50	4.862	4.631																					
51	4.935	4.700																					
52	4.984	4.747																					
53	5.057	4.816																					
54	5.154	4.909																					
55	5.276	5.024																					
56	5.422	5.163																					
57	5.567	5.302																					
58	5.811	5.534																					
59	6.102	5.812																					
60	6.394	6.090																					
61	6.759	6.437																					
62	7.196	6.854																					
63	7.610	7.247																					
64	8.047	7.664																					
65	8.461	8.058																					
66	9.093	8.660																					
67	9.944	9.470																					
68	10.794	10.280																					
69	11.645	11.091																					
70	12.472	11.878																					
71	13.323	12.688																					
72	14.174	13.499																					
73	15.025	14.309																					
74	16.119	15.351																					
75	16.727	15.930																					
98	(d)	(d)																					

USP PORTFOLIO ARKANSAS: MOTOR VEHICLE RULES

9. MISCELLANEOUS COVERAGES

A. Uninsured Motorists Coverage

This form of auto insurance for Bodily Injury must be offered up to the policy's selected third party Personal Liability Limits, and at limits not less than the financial responsibility limits under every liability policy issued or delivered to the owner of the motor vehicle registered or principally garaged in Arkansas.

Exceptions:

- (1) If Bodily Injury Uninsured Motorists Coverage is purchased, the named insured shall be provided an opportunity to include Property Damage Uninsured Motorists Coverage, subject to a \$200 deductible.
- (2) The named insured has the right to reject Bodily Injury and Property Damage Uninsured Motorists Coverage or reject the Property Damage portion only, in writing.
- (3) Subsequent continuation, renewal, reinstatement, or replacement policies issued by the same insurer need not provide the rejected coverage unless the named insured requests such coverage in writing.
- (4) Whenever a new application is submitted in connection with any renewal, reinstatement, or replacement policy, the provisions of this rule shall apply in the same manner as if a new policy is being issued.
- (5) This coverage does not apply to snowmobiles, all-terrain vehicles, non-registered dune buggies and golf carts.
- (6) The named insured not electing to purchase the higher limits can reject the higher limits in writing and elect a limit not less than Arkansas minimum requirement.

If Uninsured Motorists Coverage is provided:

- (1) The limit for this coverage may be purchased up to the policy's Personal Liability Limit, but may not exceed it.
- (2) Uninsured Motorists Coverage must apply to all vehicles insured under the policy.

Rates:

The rates for this coverage apply on a per policy basis depending upon the number of vehicles on the policy. The rates are not subject to classification rating or modification by any rating plan except credit for existing insurance if applicable.

- (1) Single Limit Uninsured Motorists Coverage
 - (a) Bodily Injury Only

<u>Single Limit</u>	<u>Single Vehicle Policies</u>	<u>Rate per Policy Two-Vehicle Policies</u>	<u>Three-or-More Vehicle Policies</u>
\$ 50,000	\$36 <u>37.80</u>	\$56 <u>58.80</u>	\$84 <u>88.20</u>
\$100,000	58 <u>60.90</u>	93 <u>97.65</u>	139 <u>145.95</u>
\$300,000	82 <u>86.10</u>	130 <u>136.50</u>	198 <u>207.90</u>
\$500,000	104 <u>109.20</u>	167 <u>175.35</u>	251 <u>263.55</u>

(b) Bodily Injury and Property Damage

In order to purchase Single Limit Uninsured Motorists Bodily Injury and Property Damage coverage, add the following charge to the Uninsured Motorists rate as shown above. Property Damage is subject to a \$200 deductible.

BI and PD <u>Limit</u>	<u>Additional Charge per Policy</u>			
	<u>Single Vehicle Policies</u>	<u>Two-Vehicle Policies</u>	<u>Three-or-More Vehicle Policies</u>	
\$ 75,000	\$10-10.50	\$17-17.85	\$27-28.35	(add to \$ 50,000 Uninsured rate)
\$100,000	42-12.60	49-19.95	30-31.50	(add to \$100,000 Uninsured rate)
\$300,000	46-16.80	23-24.15	39-40.95	(add to \$300,000 Uninsured rate)
\$500,000	47-17.85	29-30.45	42-44.10	(add to \$500,000 Uninsured rate)

(2) Split Limit Uninsured Motorists Coverage

(a) Bodily Injury Only

<u>Split Limit</u>	<u>Rate per Policy</u>		
	<u>Single Vehicle Policies</u>	<u>Two-Vehicle Policies</u>	<u>Three-or-More Vehicle Policies</u>
\$ 25/ 50	\$22-23.10	\$38-39.90	\$54-56.70
\$ 50/100	42-44.10	65-68.25	101-106.05
\$100/300	61-64.05	98-102.90	148-155.40
\$250/500	84-88.20	133-139.65	204-211.05

(b) Bodily Injury and Property Damage

Add the following charge to the Split Limit Uninsured Motorists Bodily Injury rate above. Property Damage is subject to a \$200 deductible.

PD <u>Limit</u>	<u>Additional Charge per Policy</u>		
	<u>Single Vehicle Policies</u>	<u>Two-Vehicle Policies</u>	<u>Three-or-More Vehicle Policies</u>
\$ 25,000	\$10-10.50	\$16-16.80	\$23-24.15
\$ 50,000	42-12.60	49-19.95	30-31.50
\$100,000	43-13.65	22-23.10	33-34.65

B. Underinsured Motorists Coverage

This form of coverage shall be offered under every liability policy issued or delivered to the owner of the motor vehicle registered or principally garaged in Arkansas.

Exceptions:

- (1) If the named insured does not elect Underinsured Motorists Coverage, the coverage must be rejected in writing.
- (2) Underinsured Motorists Coverage shall not be provided and must be rejected in writing if the named insured has rejected Bodily Injury Uninsured Motorists Coverage.
- (3) Subsequent renewal, reinstatement, substitute, amended, or replacement policies issued by the insurer need not provide the rejected coverage unless the named insured requests such coverage.
- (4) This coverage does not apply to snowmobiles, all-terrain vehicles, non-registered dune buggies and golf carts.

If Underinsured Motorists Coverage is provided:

- (1) The coverage must apply to all vehicles insured under the policy.
- (2) Uninsured Motorists Coverage and Underinsured Motorists Coverage must be provided at the same limits.

For Underinsured Motorists Coverage, add the following charges to the Uninsured Motorists rate:

- (1) Single Limit Underinsured Motorists Coverage

<u>Single Limit</u>	<u>Single Vehicle Policies</u>	<u>Rate per Policy Two-Vehicle Policies</u>	<u>Three-or-More Vehicle Policies</u>
\$ 50,000	\$39 <u>40.95</u>	\$59 <u>61.95</u>	\$84 <u>88.20</u>
\$100,000	56 <u>58.80</u>	83 <u>87.15</u>	122 <u>128.10</u>
\$300,000	84 <u>85.05</u>	127 <u>133.35</u>	188 <u>197.40</u>
\$500,000	94 <u>98.70</u>	149 <u>156.45</u>	216 <u>226.80</u>

- (2) Split Limit Underinsured Motorists Coverage

<u>Split Limit</u>	<u>Single Vehicle Policies</u>	<u>Rate per Policy Two-Vehicle Policies</u>	<u>Three-or-More Vehicle Policies</u>
\$ 25/ 50	\$27 <u>28.35</u>	\$41 <u>43.05</u>	\$58 <u>60.90</u>
\$ 50/100	44 <u>43.05</u>	64 <u>64.05</u>	88 <u>92.40</u>
\$100/300	58 <u>60.90</u>	88 <u>92.40</u>	129 <u>135.45</u>
\$250/500	84 <u>85.05</u>	123 <u>129.15</u>	183 <u>192.15</u>

C. Vehicles Equipped With Anti-Theft Devices

To qualify for a discount on Comprehensive Coverage only, the vehicle must be equipped with (1) a hood lock which can only be released from inside the vehicle, and (2) a device meeting the criteria of either paragraph (1), (2) or (3) below. If a vehicle is equipped with more than one qualifying device, only the single lowest factor shall apply.

Refer to Company for required evidence of installation of anti-theft devices meeting the following criteria prior to granting a discount.

- (1) Alarm ONLY and Active Disabling Devices

Apply a factor of .95 to the Comprehensive Premium on vehicles equipped with (1) alarm only devices which sound an audible alarm that can be heard at a distance of at least 300 feet for a minimum of three minutes, or (2) active disabling devices which disable the vehicle by making the fuel, ignition or starting system inoperative. A disabling device is categorized as active if a separate manual step IS required to engage the device.

- (2) Passive Disabling Devices and Retrieval Systems

Apply a factor of .85 to the Comprehensive Premium on vehicles equipped with either of the following:

- a. a passive disabling device which disables the vehicle by making the fuel, ignition or starting system inoperative. A disabling device is categorized as passive if a separate manual step is NOT required to engage the device; or
- b. a retrieval system which incorporates a device installed on the vehicle which emits a signal to allow for the vehicle's tracking and retrieval.

N. Auto Loan and Lease Coverage**1. Eligibility**

A policy providing both collision and comprehensive coverage may be extended to provide coverage for the difference between the unpaid principal due on a loan/lease financing agreement on a new vehicle, and the actual cash value of the vehicle, subject to the following:

- a. Auto Loan/Lease Coverage may be provided only to a vehicle that is a private passenger auto, pickup, van or motor home.
- b. The insured must request the auto loan/lease coverage within 30 days of leasing or financing a new vehicle.

A new vehicle as used in this rule is a vehicle that has not previously been titled under the motor vehicle laws of any state.

2. Rates

- a. Comprehensive Coverage-Apply a factor of .07 to the Comprehensive Coverage premium at the applicable deductible amount.
- b. Collision Coverage-Apply a factor of .07 to the Collision Coverage premium at the applicable deductible amount.

Note: This coverage is not available when replacement value coverage is also purchased on the vehicle.

O. Additional Rule--Arkansas Medical Payments Insurance, Work Loss Coverage and Accidental Death Benefit**A. Eligibility**

Medical Payments Insurance, Work Loss Coverage and Accidental Death Benefit must be afforded under every auto liability policy issued or delivered to the owner of an eligible motor vehicle registered or principally garaged in Arkansas.

If one or more of these coverages is afforded, attach the Personal Injury Protection endorsement to the policy.

Exception:

1. The covered person has the right to reject one or more of such coverages in writing and must reject the Statutory Limit of Medical Payments in writing if other limits (see Medical Expenses) are requested.
2. Subsequent renewal policies issued by the same insurer need not provide the rejected coverage(s) or limit unless the covered person requests such coverage(s) or limit in writing.

B. Coverages and Rates**1. Medical Payments**

- a. Limits: Statutory Limit per person--\$5,000.

- (1) A maximum limit of \$5,000 applies to pedestrians who are other than the covered person or a relative.
- (2) Limits of Personal Auto Medical Expenses Coverage may be purchased only when the covered person has rejected Arkansas the Statutory Medical Payments Coverage Limit of \$5,000 (see General Rules, Rule 3.B).

Refer to the Exception to Eligibility above for rejection procedures.

- b. Rates:
 - (1) Use the base rates for Medical Expenses Insurance.
 - (2) The Classifications and SDIP Rules apply.
- 2. Work Loss Coverage
 - a. Limits: Maximum per person--
 - (1) For an Income Earner--\$140 per week for 52 weeks.
 - (2) For a Non-Income Earner--\$70 per week for 52 weeks.
 - b. Rates:
 - (1) All Eligible Motor Vehicles
 - Charge ~~\$5.40~~ per car, per year.
 - The Classification and SDIP Rules do NOT apply.
- 3. Accidental Death Benefit
 - a. Limits: Maximum per person--\$5,000.
 - b. Rates:
 - (1) All Eligible Motor Vehicles
 - Charge ~~\$3.24~~ per car, per year.
 - The Classification and SDIP Rules do NOT apply.
- P. Accidental Air Bag Deployment Coverage

For a premium charge of \$10 per vehicle, coverage is available for the accidental deployment of an air bag. This coverage provides up to \$2,500 for the cost of reinstalling a factory installed air bag if it deploys when not caused by Collision or Comprehensive loss. This coverage is available for private passenger autos which carry both Comprehensive and Collision Coverage.

10. RESERVED FOR FUTURE USE

11. EXTENDED NON-OWNED AUTOMOBILE COVERAGE

- A. Liability Coverage-Liability coverage may be extended to an individual described below:

The insured named in the policy, the spouse, a resident of the same household, or a resident relative who is furnished an auto for regular use but is NOT employed by a garage.

 - 1. When no primary Liability insurance is in effect on the auto, charge 50% of the corresponding Liability premium found on the State Rate Pages.
 - 2. If a corporation, co-partnership or unincorporated association provides insurance coverage on an auto for its business use only, charge 50% of the corresponding Liability premium found on the State Rate Pages.
 - 3. When there is Primary Liability insurance in effect on the auto, charge 15% of the corresponding Liability premium found on the State Rate Pages.
- B. Medical Expense Coverage-Medical Expense Coverage is only available if Liability Coverage is extended. Charge the applicable rate found on the State Rate Pages.
- C. Optional Excess Liability-Refer to the Excess Liability Section of this manual.

Note: These rates are not subject to modification by the provisions of any rating plans or other rating rules, except Credit for Existing Insurance.

C. Motor Homes (Class Code 943700)

A motor home is a self-propelled motor vehicle with a living area that is an integral part of the vehicle chassis, or a pickup with a permanently attached camper body. The living area or camper body must consist of facilities for cooking and sleeping. The value of various property items (such as awnings, cabanas or equipment designed to create additional living facilities) should be included in the value of the motor home.

The following coverages are included at no additional charge, provided Comprehensive coverage is purchased.

- Vacation Liability Coverage
- Temporary Substitute Motorhome
- Trip Interruption Coverage
- Fire Department Service Charge
- Towing and Labor

LIABILITY AND MEDICAL EXPENSES

<u>COVERAGE</u>	<u>LIMIT</u>	<u>RATE</u>
Bodily Injury	\$ 25/50	\$ 31 <u>33.41</u>
	\$ 50/100	\$ 36 <u>38.80</u>
	\$100/300	\$ 45 <u>48.50</u>
	\$250/500	\$ 50 <u>53.89</u>
Property Damage	\$ 25,000	\$ 42 <u>44.89</u>
	\$ 50,000	\$ 44 <u>47.03</u>
	\$100,000	\$ 46 <u>49.17</u>
CSL	\$ 75,000	\$ 86 <u>90.73</u>
	\$100,000	\$ 87 <u>91.79</u>
	\$300,000	\$ 99 <u>104.45</u>
	\$500,000	\$ 106 <u>111.83</u>
Medical Expenses	\$ 1,000	\$ 3 <u>3.24</u>
	\$ 2,500	\$ 4 <u>4.32</u>
	\$ 5,000	\$ 6 <u>6.47</u>
	\$ 10,000	\$ 7 <u>7.55</u>
	\$ 25,000	\$ 10 <u>10.79</u>
	\$ 50,000	\$ 11 <u>11.87</u>

UNINSURED/UNDERINSURED MOTORISTS

There is one charge per policy for this coverage. Refer to Rule 9 of this section.

PHYSICAL DAMAGE

Comprehensive

<u>Actual Cash Value</u>	<u>\$250 Deductible Rate Per \$1,000</u>
\$ 0 – \$10,499	\$5.05
10,500 – 20,499	4.95
20,500 – 30,499	4.85
30,500 – 40,499	4.70
40,500 – 50,499	4.60
50,500 and over	4.50

For other deductibles, apply the Comprehensive deductible factors. Refer to Rule 12.A. of this section for applicable loss surcharges. Add the appropriate Fixed Expense Premium, according to Rule 3, Premium Determination.

USP PORTFOLIO ARKANSAS: EXCESS LIABILITY RULES

**5. ANNUAL RATES—BASIC LIMITS AND \$100/300 OR \$300,000 MINIMUM
UNDERLYING LIMITS FLAT CHARGE**

A. Motor Vehicle Liability (rates apply per vehicle)

(1) Autos, pickups, vans and registered dune buggies

<u>Classification</u>	<u>Class Code</u>	<u>Basic Limit Rates All Territories</u>	<u>\$100/300 or \$300,000 Underlying Limit Flat Charge</u>
All Operators	7010XX	\$88 <u>92.84</u>	\$6 <u>6.33</u>
Youthful Surcharge:			
Operators Under Age 21	7710XX	\$26 <u>27.43</u>	\$2 <u>2.11</u>
Operators Age 21 to 24	7510XX	\$26 <u>27.43</u>	\$2 <u>2.11</u>
Silver Select Surcharge	N/A	\$37 <u>39.04</u>	\$2 <u>2.11</u>
Senior Discount:			
Operators Age 50 and Above	7310XX	\$22 <u>23.21</u>	\$4 <u>1.06</u>

If two or more vehicles above are insured under the same policy, apply a factor of 0.80 to the above rates. (Class Code: Single Car XXXX01, Multi Car XXXX02)

(2) Other Miscellaneous Type Vehicles

<u>Vehicle</u>	<u>Class Code</u>	<u>Basic Limit Rates All Territories</u>	<u>\$100/300 or \$300,000 Underlying Limit Flat Charge</u>
Motor Homes	703000	\$27 <u>28.49</u>	\$2 <u>2.11</u>
Snowmobiles	704000	\$23 <u>24.27</u>	\$2 <u>2.11</u>
All-Terrain Vehicles	705000	\$23 <u>24.27</u>	\$2 <u>2.11</u>
Non-Registered Dune Buggies	706000	\$27 <u>28.49</u>	\$2 <u>2.11</u>
Golf Carts	707000	\$27 <u>28.49</u>	\$2 <u>2.11</u>
Antique Autos	708000	\$27 <u>28.49</u>	\$2 <u>2.11</u>

Note: The youthful surcharge should be added for each youthful operator for which coverage is to apply. The senior discount is then applied to any remaining vehicles. The number of youthful surcharges and senior discounts should not exceed the number of motor vehicles on the policy.

B. Home and Dwelling Fire Personal Liability

<u>Type</u>	<u>Class Code</u>	<u>Basic Limit Rates All Territories</u>	<u>\$300,000 Underlying Limit Flat Charge</u>
(1) Primary Residence	001	\$30	\$9
(2) Other Residence Premises and Residences Rented to Others	002	\$6	N/A
(3) Extended Liability Exposures: Permitted Business Exposures and Incidental Farming	N/A	\$10 (one charge per residence)	N/A
(4) HomeWork Supplement	N/A	\$37	N/A

SERFF Tracking Number: ALSE-127938000 State: Arkansas
 Filing Company: Encompass Insurance Company of America State Tracking Number:
 Company Tracking Number: ER-1912: RATE/FACTOR REVISION
 TOI: 19.0 Personal Auto Sub-TOI: 19.0001 Private Passenger Auto (PPA)
 Product Name: EICA PPA
 Project Name/Number: Rate/Factor Revision/839880

Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	A-1 Private Passenger Auto Abstract	Filed	01/26/2012

Comments:

Attachment:

03. ER-1912 StateFilingFormA-1.pdf

		Item Status:	Status Date:
Satisfied - Item:	APCS-Auto Premium Comparison Survey	Filed	01/26/2012

Comments:

Attachments:

05. ER-1912 StateFilingFormAPCS.pdf

05. ER-1912 StateFilingFormAPCS.xls

		Item Status:	Status Date:
Satisfied - Item:	NAIC loss cost data entry document	Filed	01/26/2012

Comments:

Attachment:

04. ER-1912 StateFilingFormRF-1.pdf

		Item Status:	Status Date:
Bypassed - Item:	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	01/26/2012

Bypass Reason: N/A

Comments:

		Item Status:	Status
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SERFF Tracking Number: ALSE-127938000 State: Arkansas
Filing Company: Encompass Insurance Company of America State Tracking Number:
Company Tracking Number: ER-1912: RATE/FACTOR REVISION
TOI: 19.0 Personal Auto Sub-TOI: 19.0001 Private Passenger Auto (PPA)
Product Name: EICA PPA
Project Name/Number: Rate/Factor Revision/839880

Satisfied - Item: Actuarial Support Filed **Date:** 01/26/2012

Comments:

Attachments:

- 06. ER-1912 Indication Memo.pdf
- 07. ER-1912 AR Auto Indication Exhibits.pdf
- 08. ER-1912 Development of the Underwriting Profit Provision.pdf

Item Status: **Status**
Satisfied - Item: Objection Response - 1/13/12 Filed **Date:** 01/26/2012

Comments:

Attachment:

ResponsetoDOIObjection_1 13 2012.pdf

PRIVATE PASSENGER AUTOMOBILE 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 submission that do not alter the information contained herein need not include this form.

Company Name Encompass Insurance Company of America
 NAIC No. 10071 Group No. 008

1. Are there any areas in the State of Arkansas in which your company will not write automobile insurance?
No

2. Do you furnish a market for young drivers? Yes
 Over age 65 drivers? Yes

3. Do you require collateral business to support a youthful driver risk? Yes

4. Do you insure driver with an international or foreign driver's license? Yes

5. Specify the percentage you allow in credit or discounts for the following:

- a. Driver Over 55 10 %
- b. Good Student Discount 10-14 %
- c. Multi-car Discount* 25 %
 * Assuming clean driving record, married 25-49, pleasure use
- d. Accident Free Discount* 5-10 %
 * 5% discount applied to the total base premiums for BI, PD, CSL, Med and Coll Coverages of any policy that has been both free of accidents and major violations (of 2 or more points) for the last three years. Discount increases 1% for every consecutive year in addition to 3 years for up to a 10% discount.
- e. Anti-theft Discount 5-15 %
- f. Other (specify) Anti-Lock Braking / Passive Restraint 5-30 %
_____ %
_____ %

6. Do you have an installment payment plan for automobile insurance? Yes
 If so, what is the fee for installment payments? For each installment, a \$5 charge shall be added.

7. Does your company utilize a tiered rating plan? Yes If so, list the programs and percentage difference. State the current volume for each program.

Program	Percentage Difference	Volume (Policies)
Platinum Plus	0.80	153
Platinum	1.00	38
Gold	1.25	1
Silver Select	1.70	86

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

Rebecca J. Rodley

 Signature
Pricing Technician Analyst
 Title
(847)402-8830
 Telephone Number

Private Passenger Auto Premium Comparison Survey Form

FORM APCS - last modified August 2005

NAIC Number: 008-10071
Company Name: Encompass Insurance Company of America
Contact Person: Rebecca Rodey
Telephone No.: 847-402-8830
Email Address: rrode@allstate.com
Effective Date: 5/31/2012

Assumptions to Use:

- 1 **Liability** -Minimum \$25,000 per person
- 2 **Bodily Injury** \$50,000 per accident
\$25,000 per accident
- 3 **Property Damage** \$100 deductible per accident
- 4 **Comprehensive & Collision** \$250 deductible per accident
- 5 **The insured has elected to accept:**
Uninsured motorist property and bodily injury equal to liability coverage
Underinsured bodily injury equal to liability coverage
- 6 **Personal Injury Protection** of \$5,000 for medical, loss wages according to statute and \$5,000 accidental death
- 7 **If male and female rates are different, use the highest of the two**

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 compact disk

DISCOUNTS OFFERED:

PASSIVE RESTRAINT/AIRBAG	5-30	%
AUTO/HOMEOWNERS	20	%
GOOD STUDENT	10-14	%
ANTI-THEFT DEVICE	5-15	%
Over 55 Defensive Driver Discount	10	%
\$250/\$500 Deductible Comp./Coll.	0/13	%

Vehicle	Coverages	Gender	Age	Fayetteville				Trumann				Little Rock				Lake Village				Pine Bluff			
				Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female
				18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66
1999 Chevrolet Silverado 1500 2WD "LS" regular cab 119" WB	Minimum Liability			\$781	\$1,150	\$318	\$289	\$892	\$1,316	\$362	\$328	\$1,382	\$2,046	\$551	\$498	\$892	\$1,316	\$362	\$328	\$1,174	\$1,735	\$470	\$426
	Minimum Liability with Comprehensive and Collision			\$1,592	\$2,350	\$645	\$585	\$1,747	\$2,581	\$706	\$639	\$2,195	\$3,249	\$878	\$794	\$1,747	\$2,581	\$706	\$639	\$1,941	\$2,870	\$780	\$706
	100/300/50 Liability with Comprehensive and Collision			\$1,763	\$2,606	\$712	\$645	\$1,951	\$2,885	\$784	\$710	\$2,510	\$3,719	\$1,000	\$904	\$1,951	\$2,885	\$784	\$710	\$2,204	\$3,262	\$882	\$798
2003 Ford Explorer "XL" 2WD, 4 door	Minimum Liability			\$781	\$1,150	\$318	\$289	\$892	\$1,316	\$362	\$328	\$1,382	\$2,046	\$551	\$498	\$892	\$1,316	\$362	\$328	\$1,174	\$1,735	\$470	\$426
	Minimum Liability with Comprehensive and Collision			\$1,913	\$2,827	\$771	\$697	\$2,086	\$3,087	\$839	\$759	\$2,515	\$3,727	\$1,003	\$907	\$2,086	\$3,087	\$839	\$759	\$2,244	\$3,321	\$897	\$813
	100/300/50 Liability with Comprehensive and Collision			\$2,084	\$3,083	\$838	\$757	\$2,290	\$3,391	\$917	\$830	\$2,830	\$4,197	\$1,125	\$1,017	\$2,290	\$3,391	\$917	\$830	\$2,507	\$3,713	\$999	\$905
2003 Honda Odyssey "EX"	Minimum Liability			\$781	\$1,150	\$318	\$289	\$892	\$1,316	\$362	\$328	\$1,382	\$2,046	\$551	\$498	\$892	\$1,316	\$362	\$328	\$1,174	\$1,735	\$470	\$426
	Minimum Liability with Comprehensive and Collision			\$1,850	\$2,734	\$746	\$675	\$2,019	\$2,987	\$813	\$736	\$2,453	\$3,634	\$979	\$884	\$2,019	\$2,987	\$813	\$736	\$2,185	\$3,233	\$875	\$791
	100/300/50 Liability with Comprehensive and Collision			\$2,021	\$2,990	\$813	\$735	\$2,223	\$3,291	\$891	\$807	\$2,768	\$4,104	\$1,101	\$994	\$2,223	\$3,291	\$891	\$807	\$2,448	\$3,625	\$977	\$883
2005 Toyota Camry LE 3.0L 4 door Sedan	Minimum Liability			\$781	\$1,150	\$318	\$289	\$892	\$1,316	\$362	\$328	\$1,382	\$2,046	\$551	\$498	\$892	\$1,316	\$362	\$328	\$1,174	\$1,735	\$470	\$426
	Minimum Liability with Comprehensive and Collision			\$2,176	\$3,221	\$874	\$790	\$2,369	\$3,508	\$950	\$859	\$2,777	\$4,117	\$1,106	\$999	\$2,369	\$3,508	\$950	\$859	\$2,492	\$3,690	\$994	\$900
	100/300/50 Liability with Comprehensive and Collision			\$2,347	\$3,477	\$941	\$850	\$2,573	\$3,812	\$1,028	\$930	\$3,092	\$4,587	\$1,228	\$1,109	\$2,573	\$3,812	\$1,028	\$930	\$2,755	\$4,082	\$1,096	\$992
2003 Cadillac Seville "STS" 4 door Sedan	Minimum Liability			\$781	\$1,150	\$318	\$289	\$892	\$1,316	\$362	\$328	\$1,382	\$2,046	\$551	\$498	\$892	\$1,316	\$362	\$328	\$1,174	\$1,735	\$470	\$426
	Minimum Liability with Comprehensive and Collision			\$2,315	\$3,429	\$929	\$841	\$2,520	\$3,734	\$1,010	\$913	\$2,912	\$4,317	\$1,159	\$1,046	\$2,520	\$3,734	\$1,010	\$913	\$2,621	\$3,882	\$1,046	\$945
	100/300/50 Liability with Comprehensive and Collision			\$2,486	\$3,685	\$996	\$901	\$2,724	\$4,038	\$1,088	\$984	\$3,227	\$4,787	\$1,281	\$1,156	\$2,724	\$4,038	\$1,088	\$984	\$2,884	\$4,274	\$1,148	\$1,037
1998 Chevrolet Cavalier LS 4D Sedan	Minimum Liability			\$781	\$1,150	\$318	\$289	\$892	\$1,316	\$362	\$328	\$1,382	\$2,046	\$551	\$498	\$892	\$1,316	\$362	\$328	\$1,174	\$1,735	\$470	\$426
	Minimum Liability with Comprehensive and Collision			\$1,666	\$2,461	\$674	\$611	\$1,829	\$2,704	\$738	\$668	\$2,266	\$3,355	\$906	\$819	\$1,829	\$2,704	\$738	\$668	\$2,010	\$2,971	\$806	\$731
	100/300/50 Liability with Comprehensive and Collision			\$1,837	\$2,717	\$741	\$671	\$2,033	\$3,008	\$816	\$739	\$2,581	\$3,825	\$1,028	\$929	\$2,033	\$3,008	\$816	\$739	\$2,273	\$3,363	\$908	\$823

SERFF Tracking Number: ALSE-127938000 *State:* Arkansas
Filing Company: Encompass Insurance Company of America *State Tracking Number:*
Company Tracking Number: ER-1912: RATE/FACTOR REVISION
TOI: 19.0 Personal Auto *Sub-TOI:* 19.0001 Private Passenger Auto (PPA)
Product Name: EICA PPA
Project Name/Number: Rate/Factor Revision/839880

Attachment "05. ER-1912 StateFilingFormAPCS.xls" is not a PDF document and cannot be reproduced here.

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	ER-1912
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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.	ENCOMPASS INSURANCE COMPANY OF AMERICA	B.	008-10071

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
4.	A.	Auto- Liability 19.0, Auto- Physical Damage 21.0	B.	

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Bodily Injury	52.3%	5.5%					
Property Damage	19.1%	5.5%					
Medical Payments	334.0%	7.9%					
Uninsured/Underinsured	25.8%	5.0%					
Collision	-18.6%	0.0%					
Comprehensive	-16.1%	0.0%					
TOTAL OVERALL EFFECT	9.9%	3.0%					

6. 5 Year History		Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2006	1,295	5.0%	08/24/06	2,572	-1,324	-51.5%	46.3%
2007	872	N/A	N/A	1,898	1,626	85.7%	55.8%
2008	655	N/A	N/A	1,300	813	62.5%	48.0%
2009	473	9.8%	03/05/09	1,051	233	22.1%	52.8%
2010	362	N/A	N/A	742	113	15.2%	50.1%

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	14.8%
B. General Expense	7.8%
C. Taxes, License & Fees	3.3%
D. Underwriting Profit & Contingencies	Liab: 5.8% Phys Dmg: 10.0%
E. Other (explain) Debt Provision	1.4%
F. TOTAL	Liab: 33.1% Phys Dmg: 37.3%

8. N Apply Lost Cost Factors to Future filings? (Y or N)
9. +5.8% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 92
10. +1.4% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): 3

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SUMMARY OF CHANGES AND SUMMARY EXHIBITS

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

<u>Coverage</u>	Encompass Insurance Group Written Premium at CRL	Encompass Insurance Group Indicated Rate Level Change	Encompass Insurance Company of America Written Premium at CRL	Encompass Insurance Company of America Proposed Rate Level Change
Bodily Injury	\$603,270	52.3%	\$178,247	5.5%
Property Damage	392,254	19.1%	121,540	5.5%
Medical Payments	3,501	334.0%	1,390	7.9%
Uninsured/Underinsured Motorist	189,105	25.8%	54,827	5.0%
Liability Subtotal	1,188,130	38.0%	356,004	5.4%
Collision	\$811,458	-18.6%	\$183,624	0.0%
Comprehensive	395,626	-16.1%	94,946	0.0%
Physical Damage Subtotal	1,207,084	-17.8%	278,570	0.0%
Overall	\$2,395,214	9.9%	\$634,574	3.0%

The filing contains the following revisions:

Rate Factor Revisions

Encompass Insurance Company of America proposes the following revisions to the Private Passenger Automobile program in the state of Arkansas. The overall impact is 3.0% after accounting for the changes described below:

- **Auto Base Rates**
With this filing, Encompass is proposing revisions to the Base Rates for Bodily Injury, Property Damage, and Medical Payments coverages in order to reach the desired overall impact. Please refer to the Base Rates section of the Motor Vehicle Rate Pages for the revised rates.
- **Model Year Factors**
With this filing, Encompass is proposing a revision to the Model Year Factors for Comprehensive and Collision Coverages to accommodate the new model year vehicles. Please refer to the Model Year and Symbol Factors sections of the Motor Vehicle Rate Pages for the revised factors.
- **Uninsured/Underinsured Coverage Rates**
With this filing, Encompass is proposing a revision to the coverage rates for Uninsured and Underinsured Motorist coverage in order to reach the desired overall impact. Please refer to Rule 9.A (Miscellaneous Coverages) of the Motor Vehicle Rule Pages for the revised rates.
- **Work Loss Coverage Rate**

With this filing, Encompass is proposing a revision to the Work Loss Coverage rate in order to reach the desired overall impact. Please refer to Rule 9.O.2 (Miscellaneous Coverages) of the Motor Vehicle Rule Pages for the revised rates.

- **Accidental Death Benefit Rate**

With this filing, Encompass is proposing a revision to the Accidental Death Benefit rate in order to reach the desired overall impact. Please refer to Rule 9.O.3 (Miscellaneous Coverages) of the Motor Vehicle Rule Pages for the revised rates.

- **Motor Home Liability and Medical Expenses**

With this filing, Encompass is proposing a revision to the rates for Motor Home Liability and Medical Expenses in the Motor Vehicle Rules Pages in order to reach the overall rate change. Please refer to Rule 12.C (Miscellaneous Types), section C for the revised rates.

- **Excess Liability Basic Limit Rates**

With this filing, Encompass is proposing a revisions to the Excess Liability Basic Limits to reach the desired overall impact. Please refer to Rule 5.A (Annual Rates-Basic Limits) in the Excess Liability Rule Pages for the revised rates.

OVERVIEW OF AUTO INDICATION METHODOLOGY

Exhibits 1 – 11 of this section show the Determination of Statewide Rate Level Indications for Arkansas. The objective of this process is to determine the indicated rate level need. This is done by evaluating the adequacy of the present rates to pay for Encompass' best estimate of losses and expenses, including a reasonable profit margin, that will be incurred from annual policies written in the year after the proposed effective date.

The statewide rate level indication is based on data from five rolling accident years for Bodily Injury, Property Damage, Medical Payments, Uninsured/Underinsured Motorist, Comprehensive and Collision with losses ending March 31, 2011, evaluated as of June 30, 2011.

Experience Year Weights

In order to develop a credible measure of the indicated rate level, it is sometimes necessary to use more than one year of historical loss experience. Data for up to five experience years is combined to determine the indicated provision for loss and loss adjustment expense for each coverage. The number of years needed to determine the rate level indication for each coverage is derived from a credibility procedure based upon the number of paid claims and the distribution of claims for each coverage. This method also allows us to determine the weight to apply to each year of experience. The credibility procedure that was used is more fully described in the paper "On the Credibility of the Pure Premium" (Proceedings of the Casualty Actuarial Society, Vol. LV, 1968) by Mayerson, Jones and Bowers. The analysis for each coverage was completed using a k value of 0.10 and a P value of 90.0%; these parameters reflect the desire that the observed pure premium should be within 100k% of the expected pure premium with probability P.

The weights applied to the loss experience for the experience years are determined for each coverage by the distribution of earned exposures over those years. The weights are based on the exposure distribution rather than the claim distribution in order to lessen the impact of volatility that can occur in the claim distribution. The initial calculated weight for a given year is limited to the weight for the subsequent year and the final weights are calculated proportionate to the limited weights to total 100%. Please refer to **Exhibit 4** for the experience year weights shown by coverage.

ADJUSTMENTS TO PREMIUMS

Current Rate Level Factors

Encompass uses an updated methodology that assumes that exposures are written uniformly by quarter, using a procedure described in a discussion by Frank Karlinski of the paper entitled "A Refined Model for Premium Adjustment", by David Miller and George Davis. (Mr. Karlinski's discussion appeared in the Proceedings of the Casualty Actuarial Society (PCAS), Vol. LXIV, 1977, and the paper by Miller and Davis appeared in the PCAS, Vol LXIII, 1976). This method (which is referred to as "Miller-Davis-Karlinski") more accurately calculates factors to current rate level in instances when exposures are changing throughout the year, whether through growth, shrinkage or seasonality. (When exposures are, in fact, written uniformly throughout the year, this method produces approximately the same answers as the parallelogram method.)

Premium Trend Factors

In addition to bringing premiums to current rate level, changes in the average written premium at the current rate level were reviewed. Unlike losses, premium is relatively stable. As the statewide rate level indication is developed using a Pure Premium methodology, only the latest year of premium is used as a basis for determining the indicated rate level change, which eliminates the need for historical annual premium trends. Prospective annual premium trends are still selected to account for expected shifts in the distribution of various rating characteristics such as driver classification, increased limits, model year and price group symbols (PGS). Since the effects on losses caused by these shifts are reflected in the loss projections, it is important that Encompass also account for the anticipated future changes in premiums. These selections are used to project the data from the average earned date of the experience period to the average earned date of the future policy period. Selected annual premium trends and overall premium trend factors for all coverages are shown in **Exhibit 5.A**. Encompass Insurance Group trend data is included as **Exhibit 5.B** to this attachment, with the exception of Medical Payments. Bodily Injury trends were used to select the trends for Medical Payments.

ADJUSTMENTS TO LOSSES

Loss Development

The losses for a given accident year may not have been fully determined at the evaluation date of this review. As such, the losses must be adjusted to an ultimate settlement basis. This is accomplished by analyzing historical patterns of incurred loss development for liability coverage and paid loss development for physical damage coverages and selecting loss development factors. Countrywide data has been considered in the selection of the loss development factors, with the exception of Collision, which considered Encompass Group data. Losses used in the analysis include allocated loss adjustment expenses but exclude catastrophes in order to minimize distortions. Age-to-age factors are selected for each coverage using total limits losses and are then used to calculate loss development factors. Additional analysis of losses limited to \$100,000 per claim is performed to develop limited losses to ultimate for Bodily Injury coverage and Uninsured/Underinsured Motorist coverage. The selected loss development factors that have been used in this filing are shown in **Exhibit 6**.

Excess Loss Provision

An excess loss provision is included to account for the expected exposure to large, fortuitous losses. Total ultimate losses for Bodily Injury coverage and Uninsured/Underinsured Motorist coverage are estimated by multiplying losses capped at \$100,000 per claim by a limited loss development factor and then by an excess loss factor. Encompass Group data has been considered in the selection of the excess loss provision. The excess loss factor is the selected ratio of ultimate unlimited losses to ultimate limited losses. The selected excess loss factors used in this filing are shown in **Exhibit 7**.

Loss Trend

The historical losses from the experience period are adjusted to account for expected differences in historical and future cost levels. While loss development factors adjust losses and allocated loss adjustment expenses (ALAE) to an ultimate settlement basis, they do not reflect the prospective rate of change in the occurrence of accidents (frequency) or in the cost of accidents (severity). To properly adjust historical costs to future cost levels, a loss trend adjustment is applied. The credibility level of Encompass loss trend data was analyzed by coverage based on the number of claims paid in the latest experience year.

Frequency and severity amounts are calculated using the methodology in “The Effect of Changing Exposure Levels on Calendar Year Loss Trends” (Casualty Actuarial Society Forum, Winter 2005) by Chris Styrsky. This methodology helps to more consistently match losses and claims paid with the exposures that produced the claims.

For each coverage, the annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. These selected trends are displayed in **Exhibit 8.A**. The calculations of loss trend factors are also shown in **Exhibit 8.A**. Encompass Insurance Group trend data is included in **Exhibit 8.B**. Please note that Encompass has selected trend and projection factors separately for each coverage, with the exception of Medical Payments and Uninsured/Underinsured Motorist. Bodily Injury trends were used to select the trends for Medical Payments and Uninsured/Underinsured Motorist.

Loss Adjustment Expenses

Losses in the experience period for each coverage have been adjusted to account for unallocated loss adjustment expenses (ULAE). A provision is developed using countrywide Encompass Insurance Group data. In previous filings, expense data was allocated to line of business, as is done in the Insurance Expense Exhibit, to determine the ULAE provisions by line. Encompass will no longer rely on the accounting allocation of ULAE to line of business, and will determine the ULAE provision using data in combined-lines form.

A three-year average of the ratios of countrywide, combined-lines, calendar year ULAE to countrywide, combined-lines, calendar year incurred losses is used to determine the ULAE provision. The average ratio is then applied to the losses for each coverage for each year used in the formula calculation. The ULAE ratio that has been used in this filing is shown in **Exhibit 10.1**.

Allocated loss adjustment expenses are included in both incurred losses and paid losses.

CATASTROPHE ADJUSTMENTS

In order to more appropriately account for catastrophes with Comprehensive coverage, all actual catastrophe losses during the experience period were removed in developing the Non-Cat Indicated Provision for Loss and LAE. A Catastrophe Indicated Provision for Loss and LAE, derived from a catastrophe loss provision based upon 23 years of data in Arkansas, is added to the Credibility Weighted Non-Cat Indicated Provision for Loss and LAE to arrive at the Total Indicated Provision for Loss and LAE, as shown in **Exhibit 2.A.6**. This catastrophe loss provision was calculated by dividing total catastrophe losses by total Comprehensive coverage incurred losses excluding catastrophes over the 23-year period. As developed in **Exhibit 9**, the resulting catastrophe provision is **15.4%**.

EXPENSES & PROFITS

Exhibit 10.1 shows the expense provisions used in developing the current fixed and variable expense provisions.

General and Other Acquisition Expense

The provisions for general expense and other acquisition expense are based on countrywide data, excluding involuntary business. Since the methods and procedures that incur these expenses are uniform within each state, it is a reasonable assumption that these expense provisions are uniform across all states. To develop the provision for other acquisition and general expenses, a three-year average of countrywide calendar year incurred expense divided by countrywide calendar year direct earned premium was calculated.

In previous filings, expense data was allocated to line of business, as is done in the Insurance Expense Exhibit, to determine the general and other acquisition expense provisions by line. Encompass will no longer rely on the accounting allocation of general and other acquisition expenses to line of business, and will determine the general and other acquisition expense provisions using data in combined-lines form. However, line-specific adjustments to other acquisition expenses continue to be made, such as the reduction by the amount of installment fees collected and the adjustment for premiums written off.

In developing the dollar provision for general and other acquisition expenses used in the calculation of the rate level need by coverage, the three-year countrywide average expense ratio for general and other acquisition expenses is applied to the average earned premium of Arkansas. The average earned premium is developed using the same three-year period used in the calculation of the countrywide expense ratio. The provision is then adjusted for inflation expected to occur from the midpoint of the three years used in the calculation of the average earned premium to the average earned date of the proposed policy period to derive the provision included in the rate level indication.

Trend (Inflation)

The method used to calculate the fixed expense trend is similar to the method used by the Insurance Services Office (I.S.O.) and other competitors to determine a fixed expense trend. The method utilizes the CPI (Consumer Price Index) and the ECI (Employment Cost Index – Insurance Carriers, Agents, Brokers, & Service) and is discussed by Geoffrey Todd Werner, FCAS, MAAA in his paper Incorporation of Fixed Expenses, which was published in the *CAS Forum* (Winter 2004). Based on a review of the historical indices, an annual percentage change is selected for each index. These selected annual percent changes are then weighted together using the distribution of the Allstate expenditures in the latest calendar year for the two broad expense categories that these indices represent. This method is expected to produce stable and reasonable estimates of the true trend in fixed expenses and is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*. This trend is applied only to general and other acquisition expenses. **Exhibit 10.2** shows the derivation of the Factor to Adjust for Subsequent Change in Fixed Expense.

Licenses and Fees

A provision for licenses and fees that do not vary by premium size is determined by taking the arithmetic average ratio of these licenses and fees from the latest three calendar years in Arkansas. The provision for licenses and fees is considered, along with the general and other acquisition expense provisions, to be a

fixed expense.

Commission and Brokerage Expense and Taxes

The proposed commission and brokerage expense provision has been developed from the actual calendar year 2010 commission and brokerage incurred expense ratio in Arkansas. The provision for taxes reflects the actual state premium tax and, where applicable, other premium-related taxes such as Fire Marshall taxes and Municipal taxes. The provisions are shown in **Exhibit 11**.

Underwriting Profit Provision

Encompass performs two separate cost of capital analyses in the estimation of its cost of equity. The first uses the Fama-French Three-factor Model (FF3F), which reflects developments in the field of financial economics as published in the Casualty Actuarial Society Forum, Winter, 2004 and in Journal of Risk and Insurance, Vol. 72, No. 3, September 2005 (“Estimating the Cost of Equity Capital For Property-Liability Insurers” by J. David Cummins and Richard D. Phillips). The second is a Discounted Cash Flow (DCF) analysis, which estimates the expected future cash flows to investors in order to gauge the proper cost of equity. Once both the DCF and FF3F estimates had been calculated, Encompass selected a cost of equity of 10.0%, which reflected the outcomes of both analyses.

An analysis of premium, loss and expense cash flows is used to calculate the investment income on policyholder supplied funds (PHSF). This methodology is one of the two examples given in Actuarial Standard of Practice, No. 30 as appropriate methods for recognizing investment income from insurance operations (page 4).

The calculations detailing this investment income analysis are found in **Exhibit 11** for liability and physical damage coverages, respectively. The rate (applied as a force of interest) used to discount losses and expenses includes anticipated net investment income and anticipated capital gains, both realized and unrealized. Operating cash flows are discounted to the average time of earnings of premium and profit for the policy year, rather than to the start of the policy year.

Please refer to the attached documented titled “The Development of the Underwriting Profit Provision” for more information.

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Exhibit 1

Summary of Changes

<u>Coverage</u>	Encompass Insurance Group Written Premium At CRL	Encompass Insurance Group Indicated	Encompass Insurance Company of America Written Premium At CRL	Encompass Insurance Company of America Filed
Bodily Injury	\$603,270	52.3%	\$178,247	5.5%
Property Damage	392,254	19.1%	121,540	5.5%
Medical Payments	3,501	334.0%	1,390	7.9%
Uninsured / Underinsured Motorist	189,105	25.8%	54,827	5.0%
Liability Subtotal	1,188,130	38.0%	356,004	5.4%
Collision	\$811,458	-18.6%	\$183,624	0.0%
Comprehensive	395,626	-16.1%	94,946	0.0%
Physical Damage Subtotal	1,207,084	-17.8%	278,570	0.0%
TOTAL AUTOMOBILE	2,395,214	9.9%	634,574	3.0%

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Exhibit 2.A.1

Development of Statewide Rate Level Indication - Bodily Injury

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.0 %
2)	Three Year Average Earned Premium	\$184.57
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$16.61
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$17.74
6)	Variable Expense and Profit Ratio (Exhibit 11.1)	24.1 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.1)	\$199.38
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$286.06
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.1)	\$187.83
10)	Indicated Rate Level Change = [(8) / (9) - 1]	52.3 %

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Exhibit 2.A.2

Development of Statewide Rate Level Indication - Property Damage

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.0 %
2)	Three Year Average Earned Premium	\$124.90
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$11.24
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$12.00
6)	Variable Expense and Profit Ratio (Exhibit 11.1)	24.1 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.2)	\$97.18
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$143.85
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.2)	\$120.82
10)	Indicated Rate Level Change = [(8) / (9) - 1]	19.1 %

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Exhibit 2.A.3

Development of Statewide Rate Level Indication - Medical Payments

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.0 %
2)	Three Year Average Earned Premium	\$13.19
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$1.19
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$1.27
6)	Variable Expense and Profit Ratio (Exhibit 11.1)	24.1 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.3)	\$41.85
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$56.81
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.2)	\$13.09
10)	Indicated Rate Level Change = [(8) / (9) - 1]	334.0 %

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Exhibit 2.A.4

Development of Statewide Rate Level Indication - Uninsured/Underinsured Motorist

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.0 %
2)	Three Year Average Earned Premium	\$56.49
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$5.08
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$5.43
6)	Variable Expense and Profit Ratio (Exhibit 11.1)	24.1 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.4)	\$50.27
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$73.39
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.2)	\$58.32
10)	Indicated Rate Level Change = [(8) / (9) - 1]	25.8 %

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Exhibit 2.A.5

Development of Statewide Rate Level Indication - Collision

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.0 %
2)	Three Year Average Earned Premium	\$353.58
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$31.82
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$33.98
6)	Variable Expense and Profit Ratio (Exhibit 11.2)	28.3 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.5)	\$173.42
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$289.26
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.5)	\$355.19
10)	Indicated Rate Level Change = [(8) / (9) - 1]	-18.6 %

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Exhibit 2.A.6

Development of Statewide Rate Level Indication - Comprehensive

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.0 %
2)	Three Year Average Earned Premium	\$179.89
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$16.19
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$17.29
6)	Variable Expense and Profit Ratio (Exhibit 11.2)	28.3 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.6)	\$85.86
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$143.86
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.6)	\$171.38
10)	Indicated Rate Level Change = [(8) / (9) - 1]	-16.1 %

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Exhibit 3.1

Development of Projected Average Earned Premium at Current Rates - Bodily Injury

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2011	3,985	\$748,511	1.000	\$748,511	\$187.83	100 %
					(7) Projected Average Earned Premium At Current Rates \$187.83	

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Exhibit 3.2

Development of Projected Average Earned Premium at Current Rates - Property Damage

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2011	3,985	\$494,334	0.974	\$481,481	\$120.82	100 %
					(7) Projected Average Earned Premium At Current Rates \$120.82	

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Exhibit 3.4

Development of Projected Average Earned Premium at Current Rates - Uninsured/Underinsured Motorist

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2011	3,985	\$232,397	1.000	\$232,397	\$58.32	100 %

(7) Projected Average Earned Premium At Current Rates \$58.32

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Exhibit 3.5

Development of Projected Average Earned Premium at Current Rates - Collision

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2011	2,840	\$1,008,733	1.000	\$1,008,733	\$355.19	100 %
					(7) Projected Average Earned Premium At Current Rates	\$355.19

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Exhibit 3.6

Development of Projected Average Earned Premium at Current Rates - Comprehensive

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2011	2,898	\$509,924	0.974	\$496,666	\$171.38	100 %

(7) Projected Average Earned Premium At Current Rates \$171.38

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Exhibit 4.1

Development of Provision for Loss and LAE - Bodily Injury

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Exhibit 7	(Exhibit 8.A)	= (3) x (4) x (5)	= (6) / (1)	
Fiscal Year Ending	Earned Exposures	Developed Limited Ex-Cat Losses and ALAE	Developed Limited Ex-Cat Losses and LAE	Excess Loss Provision	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE	Experience Year Weights
3/31/2007	5,901	\$754,549	\$857,168	1.22	1.000	\$1,045,745	\$177.22	20 %
3/31/2008	6,439	848,066	963,403	1.22	1.000	\$1,175,352	\$182.54	20
3/31/2009	6,671	849,716	965,277	1.22	1.000	\$1,177,638	\$176.53	20
3/31/2010	5,446	885,218	1,005,608	1.22	1.000	\$1,226,842	\$225.27	20
3/31/2011	3,985	676,779	768,821	1.22	1.000	\$937,962	\$235.37	20
							(9) Indicated Provision for Loss and LAE	
							\$199.38	

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Exhibit 4.2

Development of Provision for Loss and LAE - Property Damage

	(1)	(2)	(3)	(4) (Exhibit 8.A)	(5) = (3) x (4)	(6) = (5) / (1)	(7)
Fiscal Year Ending	Earned Exposures	Developed Ex-Cat Losses and ALAE	Developed Ex-Cat Losses and LAE	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE	Experience Year Weights
3/31/2007	5,901	\$467,010	\$530,523	1.069	\$567,129	\$96.11	20 %
3/31/2008	6,439	464,037	527,146	1.058	557,720	86.62	20
3/31/2009	6,671	418,352	475,248	1.048	498,060	74.66	20
3/31/2010	5,446	526,956	598,622	1.037	620,771	113.99	20
3/31/2011	3,985	391,187	444,388	1.027	456,386	114.53	20
						(8) Indicated Provision for Loss and LAE	
						\$97.18	

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Exhibit 4.3

Development of Provision for Loss and LAE - Medical Payments

	(1)	(2)	(3)	(4) (Exhibit 8.A)	(5) = (3) x (4)	(6) = (5) / (1)	(7)
Fiscal Year Ending	<u>Earned Exposures</u>	<u>Developed Ex-Cat Losses and ALAE</u>	<u>Developed Ex-Cat Losses and LAE</u>	<u>Factor to Adjust Losses for Pure Premium Trend</u>	<u>Projected Ultimate Loss and LAE</u>	<u>Projected Average Loss and LAE</u>	<u>Experience Year Weights</u>
3/31/2007	573	\$2,599	\$2,952	1.000	\$2,952	\$5.15	20 %
3/31/2008	551	8,804	10,001	1.000	10,001	18.15	20
3/31/2009	523	64,105	72,823	1.000	72,823	139.24	20
3/31/2010	421	10,629	12,075	1.000	12,075	28.68	20
3/31/2011	323	5,130	5,828	1.000	5,828	18.04	20
		(8) Indicated Provision for Loss and LAE				\$41.85	

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Exhibit 4.5

Development of Provision for Loss and LAE - Collision

	(1)	(2)	(3)	(4) (Exhibit 8.A)	(5) = (3) x (4)	(6) = (5) / (1)	(7)
Fiscal Year Ending	Earned Exposures	Developed Ex-Cat Losses and ALAE	Developed Ex-Cat Losses and LAE	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE	Experience Year Weights
3/31/2007	4,511	\$643,728	\$731,275	1.069	\$781,733	\$173.29	20 %
3/31/2008	4,513	550,366	625,216	1.058	661,479	146.57	20
3/31/2009	4,485	593,519	674,238	1.048	706,601	157.55	20
3/31/2010	3,743	695,809	790,439	1.037	819,685	218.99	20
3/31/2011	2,840	415,554	472,069	1.027	484,815	170.71	20
		(8) Indicated Provision for Loss and LAE				\$173.42	

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Arkansas

Exhibit 4.6

Development of Provision for Loss and LAE - Comprehensive

	(1)	(2)	(3) (Exhibit 9)	(4) = (2) x [1+(3)]	(5)	(6) (Exhibit 8.A)	(7) = (5) x (6)	(8) = (7) / (1)	(9)
Fiscal Year Ending	Earned Exposures	Developed Ex-Cat Losses and ALAE	Average Catastrophe Factor	Developed Losses and ALAE	Developed Losses and LAE	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE	Experience Year Weights
3/31/2007	4,605	\$271,326	0.154	\$313,110	\$355,693	1.000	\$355,693	\$77.24	20 %
3/31/2008	4,619	295,268	0.154	340,739	387,080	1.000	387,080	83.80	20
3/31/2009	4,590	330,339	0.154	381,211	433,056	1.000	433,056	94.35	20
3/31/2010	3,826	321,476	0.154	370,983	421,437	1.000	421,437	110.15	20
3/31/2011	2,898	140,977	0.154	162,687	184,812	1.000	184,812	63.77	20
								(10) Indicated Provision for Loss and LAE	\$85.86

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Exhibit 5.A

Calculation of Premium Trend Factor

<u>Coverage</u>	<u>Selected Annual Premium Impacts</u>
	<u>Projected</u>
Bodily Injury	0.00%
Property Damage	-1.00%
Medical Payments	0.00%
Uninsured / Underinsured Motorist	0.00%
Collision	0.00%
Comprehensive	-1.00%

Calculation of Trend Period

	<u>Current Year</u>
1) Average Earned Date of Proposed Policy Period	5/31/2013
2) Mid-Point of Current Year's Experience Period	9/30/2010
3) Experience Period Ended	3/31/2011
4) Midpoint of Experience Period	9/30/2010
5) Historical: Number of Years from (4) to (2)	0.000
6) Projected: Number of Years from (2) to (1)	2.666

Factor to Adjust to Projected Premium Level

<u>Coverage</u>	<u>Current Year</u>
Bodily Injury	1.000
Property Damage	0.974
Medical Payments	1.000
Uninsured / Underinsured Motorist	1.000
Collision	1.000
Comprehensive	0.974

(a) Historical Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)

(b) Projected Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)

(c) Factor to Adjust to Projected Premium Level = (a) x (b)

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Exhibit 5.B.1

Average Written Premium Trends - Bodily Injury

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/05	\$266.96	3.2			
12/05	264.83	9.6			
03/06	258.96	3.6			
06/06	251.38	-3.1			
09/06	243.84	-8.7	224.01		
12/06	235.99	-10.9	221.22		
03/07	226.20	-12.7	218.47		
06/07	217.37	-13.5	215.75		
09/07	211.20	-13.4	213.06		
12/07	205.57	-12.9	210.41		
03/08	201.73	-10.8	207.79		
06/08	198.91	-8.5	205.20		
09/08	193.84	-8.2	202.65		
12/08	190.36	-7.4	200.12		
03/09	187.59	-7.0	197.63		
06/09	186.26	-6.4	195.17		
09/09	183.92	-5.1	192.74		
12/09	184.43	-3.1	190.34		
03/10	183.43	-2.2	187.97	183.96	
06/10	184.34	-1.0	185.63	185.37	
09/10	187.82	2.1	183.32	186.79	188.54
12/10	189.34	2.7	181.04	188.22	189.07
03/11	191.26	4.3	178.79	189.66	189.60
06/11	188.94	2.5	176.56	191.11	190.13
Regression			20 pt.	6 pt.	4 pt.
Avg Annual Percent Change Based on Best Fit:			-4.9 %	3.1 %	1.1 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 5.B.2

Average Written Premium Trends - Property Damage

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/05	\$177.00	0.2			
12/05	174.91	8.1			
03/06	170.34	2.1			
06/06	165.70	-4.0			
09/06	160.92	-9.1	152.35		
12/06	156.37	-10.6	150.26		
03/07	150.66	-11.6	148.19		
06/07	146.27	-11.7	146.16		
09/07	143.21	-11.0	144.15		
12/07	140.39	-10.2	142.17		
03/08	138.62	-8.0	140.22		
06/08	136.97	-6.4	138.29		
09/08	133.33	-6.9	136.39		
12/08	130.57	-7.0	134.52		
03/09	128.37	-7.4	132.67		
06/09	126.49	-7.7	130.85		
09/09	124.79	-6.4	129.05		
12/09	123.99	-5.0	127.28		
03/10	122.97	-4.2	125.53	122.93	
06/10	122.24	-3.4	123.81	123.14	
09/10	123.64	-0.9	122.11	123.35	124.20
12/10	124.38	0.3	120.43	123.56	123.99
03/11	124.67	1.4	118.77	123.77	123.78
06/11	122.85	0.5	117.14	123.99	123.57
Regression			20 pt.	6 pt.	4 pt.
Avg Annual Percent Change Based on Best Fit:			-5.4 %	0.7 %	-0.7 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 5.B.3

Average Written Premium Trends - Collision

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/05	\$288.59	16.0			
12/05	304.19	29.5			
03/06	306.83	22.3			
06/06	315.03	16.4			
09/06	322.06	11.6	329.28		
12/06	326.21	7.2	331.10		
03/07	327.65	6.8	332.92		
06/07	329.62	4.6	334.75		
09/07	332.87	3.4	336.60		
12/07	341.08	4.6	338.45		
03/08	345.90	5.6	340.32		
06/08	351.48	6.6	342.19		
09/08	355.51	6.8	344.08		
12/08	352.49	3.4	345.97		
03/09	350.93	1.5	347.88		
06/09	351.80	0.1	349.79		
09/09	353.18	-0.7	351.72		
12/09	354.86	0.7	353.66		
03/10	358.60	2.2	355.60	359.30	
06/10	359.28	2.1	357.56	358.72	
09/10	357.62	1.3	359.53	358.14	358.50
12/10	357.21	0.7	361.51	357.56	357.71
03/11	360.57	0.6	363.51	356.99	356.92
06/11	353.88	-1.5	365.51	356.41	356.13
<u>Regression</u>			<u>20 pt.</u>	<u>6 pt.</u>	<u>4 pt.</u>
Avg Annual Percent Change Based on Best Fit:			2.2 %	-0.6 %	-0.9 %

Encompass Insurance Group
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Arkansas

Exhibit 5.B.4

Average Written Premium Trends - Comprehensive

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/05	\$147.40	19.0			
12/05	155.74	32.1			
03/06	157.28	24.0			
06/06	162.62	18.8			
09/06	165.88	12.5	173.19		
12/06	167.70	7.7	173.46		
03/07	169.60	7.8	173.74		
06/07	171.22	5.3	174.01		
09/07	172.72	4.1	174.28		
12/07	177.08	5.6	174.56		
03/08	178.40	5.2	174.83		
06/08	181.11	5.8	175.11		
09/08	182.15	5.5	175.38		
12/08	180.87	2.1	175.66		
03/09	180.03	0.9	175.93		
06/09	179.73	-0.8	176.21		
09/09	180.11	-1.1	176.49		
12/09	179.87	-0.6	176.76		
03/10	181.21	0.7	177.04	181.15	
06/10	179.13	-0.3	177.32	178.71	
09/10	176.39	-2.1	177.60	176.29	175.81
12/10	172.33	-4.2	177.88	173.91	173.67
03/11	172.53	-4.8	178.16	171.56	171.57
06/11	169.29	-5.5	178.44	169.24	169.48
Regression			20 pt.	6 pt.	4 pt.
Avg Annual Percent Change Based on Best Fit:			0.6 %	-5.3 %	-4.8 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.1.a

Incurred Loss + ALAE Development Factors - Limited Bodily Injury

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 MONTHS	1,584	710	625	1,310	787	463	585	572	622	399
27 MONTHS	1,692	918	688	1,642	830	692	797	706	703	
39 MONTHS	1,812	1,038	682	1,717	1,003	713	773	734		
51 MONTHS	1,839	1,044	665	1,641	998	737	799			
63 MONTHS	1,868	1,044	671	1,598	977	737				
75 MONTHS	1,867	1,019	671	1,646	977					
87 MONTHS	1,870	1,019	671	1,646						
99 MONTHS	1,870	1,019	671							
111 MONTHS	1,870	1,019								
123 MONTHS	1,870									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 To 27	1.068	1.293	1.101	1.254	1.054	1.496	1.363	1.233	1.129	
27 To 39	1.071	1.131	0.992	1.046	1.209	1.029	0.970	1.041		
39 To 51	1.015	1.006	0.975	0.956	0.995	1.034	1.033			
51 To 63	1.015	1.000	1.008	0.974	0.979	1.000				
63 To 75	1.000	0.976	1.000	1.030	1.000					
75 To 87	1.001	1.000	1.000	1.000						
87 To 99	1.000	1.000	1.000							
99 To 111	1.000	1.000								
111 To 123	1.000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Selected Countrywide	Selected	Factor To Ultimate
	15 To 27	1.300	1.300
27 To 39	1.142	1.142	1.305
39 To 51	1.079	1.079	1.143
51 To 63	1.032	1.032	1.059
63 To 75	1.017	1.017	1.026
75 To 87	1.004	1.004	1.009
87 To 99	1.002	1.002	1.005
99 To 111	1.001	1.001	1.003
111 To 123	1.002	1.002	1.002

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.1.b

Incurred Loss + ALAE Development Factors - Unlimited Bodily Injury

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 MONTHS	1,734	710	625	2,457	1,037	463	585	572	622	399
27 MONTHS	1,842	918	688	2,592	1,880	717	797	706	738	
39 MONTHS	1,962	1,038	682	2,864	2,153	808	773	734		
51 MONTHS	1,989	1,044	665	2,784	2,148	832	799			
63 MONTHS	2,018	1,044	671	2,741	2,127	832				
75 MONTHS	2,017	1,019	671	2,789	2,127					
87 MONTHS	2,020	1,019	671	2,789						
99 MONTHS	2,020	1,019	671							
111 MONTHS	2,020	1,019								
123 MONTHS	2,020									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 To 27	1.062	1.293	1.101	1.055	1.812	1.550	1.363	1.233	1.185	
27 To 39	1.066	1.131	0.992	1.105	1.146	1.126	0.970	1.041		
39 To 51	1.014	1.006	0.975	0.972	0.998	1.030	1.033			
51 To 63	1.014	1.000	1.008	0.984	0.990	1.000				
63 To 75	1.000	0.976	1.000	1.018	1.000					
75 To 87	1.001	1.000	1.000	1.000						
87 To 99	1.000	1.000	1.000							
99 To 111	1.000	1.000								
111 To 123	1.000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Selected		Factor To Ultimate
	Countrywide	Selected	
15 To 27	1.341	1.341	1.831
27 To 39	1.167	1.167	1.366
39 To 51	1.088	1.088	1.170
51 To 63	1.038	1.038	1.076
63 To 75	1.027	1.027	1.036
75 To 87	1.004	1.004	1.009
87 To 99	1.003	1.003	1.005
99 To 111	1.000	1.000	1.002
111 To 123	1.002	1.002	1.002

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.2

Incurred Loss + ALAE Development Factors - Property Damage

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 MONTHS	1,128	929	469	364	360	454	449	394	513	361
27 MONTHS	1,181	986	475	366	387	467	473	418	522	
39 MONTHS	1,197	986	487	366	383	467	473	418		
51 MONTHS	1,225	990	487	366	385	467	464			
63 MONTHS	1,226	990	487	366	385	467				
75 MONTHS	1,226	990	487	366	385					
87 MONTHS	1,226	990	487	366						
99 MONTHS	1,226	990	487							
111 MONTHS	1,226	990								
123 MONTHS	1,226									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 To 27	1.047	1.062	1.012	1.006	1.075	1.028	1.053	1.061	1.016	
27 To 39	1.014	1.000	1.025	1.000	0.992	1.000	1.000	1.000		
39 To 51	1.023	1.004	1.000	1.001	1.005	1.000	0.982			
51 To 63	1.001	1.000	1.000	1.000	1.000	1.000				
63 To 75	1.000	1.000	1.000	1.000	1.000					
75 To 87	1.000	1.000	1.000	1.000						
87 To 99	1.000	1.000	1.000							
99 To 111	1.000	1.000								
111 To 123	1.000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Selected		Factor To
	Countrywide	Selected	Ultimate
15 To 27	1.073	1.073	1.084
27 To 39	1.008	1.008	1.010
39 To 51	1.002	1.002	1.002
51 To 63	1.000	1.000	1.000
63 To 75	1.000	1.000	1.000
75 To 87	1.000	1.000	1.000
87 To 99	1.000	1.000	1.000
99 To 111	1.000	1.000	1.000
111 To 123	1.000	1.000	1.000

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.3

Incurred Loss + ALAE Development Factors - Medical Payments

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 MONTHS	3	6	7	5	5	3	0	59	5	5
27 MONTHS	3	16	6	5	5	8	4	64	11	
39 MONTHS	3	16	6	5	5	3	4	64		
51 MONTHS	3	16	6	5	5	3	9			
63 MONTHS	3	16	6	5	5	3				
75 MONTHS	3	16	6	5	5					
87 MONTHS	3	16	6	5						
99 MONTHS	3	16	6							
111 MONTHS	3	16								
123 MONTHS	3									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 To 27	1.000	2.665	0.854	0.981	0.987	2.966	1.000	1.079	2.111	
27 To 39	1.000	1.000	1.000	1.000	1.000	0.342	1.000	1.000		
39 To 51	1.000	1.000	1.000	1.000	1.000	1.000	2.311			
51 To 63	1.000	1.000	1.000	1.000	1.000	1.000				
63 To 75	1.000	1.000	1.000	1.000	1.000					
75 To 87	1.000	1.000	1.000	1.000						
87 To 99	1.000	1.000	1.000							
99 To 111	1.000	1.000								
111 To 123	1.000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Selected		Factor To Ultimate
	Countrywide	Selected	
15 To 27	1.019	1.019	1.025
27 To 39	1.006	1.006	1.006
39 To 51	1.002	1.002	1.000
51 To 63	0.998	0.998	0.998
63 To 75	1.001	1.001	1.000
75 To 87	0.999	0.999	0.999
87 To 99	1.000	1.000	1.000
99 To 111	1.000	1.000	1.000
111 To 123	1.000	1.000	1.000

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.4.a

Incurring Loss + ALAE Development Factors - Limited UM + UIM

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 MONTHS	272	353	401	158	42	82	195	326	156	65
27 MONTHS	255	462	482	132	27	105	290	351	200	
39 MONTHS	315	456	462	132	27	105	267	326		
51 MONTHS	301	548	499	132	27	80	290			
63 MONTHS	313	548	502	157	27	80				
75 MONTHS	313	548	495	157	27					
87 MONTHS	313	548	524	157						
99 MONTHS	313	548	524							
111 MONTHS	313	548								
123 MONTHS	313									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 To 27	0.939	1.308	1.201	0.834	0.643	1.281	1.487	1.077	1.282	
27 To 39	1.235	0.987	0.958	0.997	1.000	1.000	0.919	0.929		
39 To 51	0.954	1.203	1.081	1.000	1.000	0.761	1.088			
51 To 63	1.043	1.000	1.005	1.188	1.000	1.000				
63 To 75	1.000	1.000	0.986	1.000	1.000					
75 To 87	1.000	1.000	1.059	1.000						
87 To 99	1.000	1.000	1.000							
99 To 111	1.000	1.000								
111 To 123	1.000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Selected		Factor To Ultimate
	Countrywide	Selected	
15 To 27	1.317	1.317	1.779
27 To 39	1.149	1.149	1.351
39 To 51	1.080	1.080	1.176
51 To 63	1.037	1.037	1.089
63 To 75	1.026	1.026	1.050
75 To 87	1.012	1.012	1.023
87 To 99	1.007	1.007	1.011
99 To 111	1.004	1.004	1.004
111 To 123	1.000	1.000	1.000

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.4.b

Incurred Loss + ALAE Development Factors - Unlimited UM + UIM

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 MONTHS	272	353	401	158	42	82	195	326	306	65
27 MONTHS	255	462	482	132	27	105	290	351	350	
39 MONTHS	315	456	462	132	27	105	267	326		
51 MONTHS	301	598	499	132	27	80	290			
63 MONTHS	313	598	502	157	27	80				
75 MONTHS	313	598	495	157	27					
87 MONTHS	313	598	524	157						
99 MONTHS	313	598	524							
111 MONTHS	313	598								
123 MONTHS	313									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 To 27	0.939	1.308	1.201	0.834	0.643	1.281	1.487	1.077	1.144	
27 To 39	1.235	0.987	0.958	0.997	1.000	1.000	0.919	0.929		
39 To 51	0.954	1.313	1.081	1.000	1.000	0.761	1.088			
51 To 63	1.043	1.000	1.005	1.188	1.000	1.000				
63 To 75	1.000	1.000	0.986	1.000	1.000					
75 To 87	1.000	1.000	1.059	1.000						
87 To 99	1.000	1.000	1.000							
99 To 111	1.000	1.000								
111 To 123	1.000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Selected		Factor To Ultimate
	Countrywide	Selected	
15 To 27	1.344	1.344	1.913
27 To 39	1.156	1.156	1.423
39 To 51	1.107	1.107	1.231
51 To 63	1.051	1.051	1.112
63 To 75	1.025	1.025	1.058
75 To 87	1.016	1.016	1.032
87 To 99	1.009	1.009	1.016
99 To 111	1.007	1.007	1.007
111 To 123	1.000	1.000	1.000

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.5

Paid Loss + ALAE Development Factors - Collision

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 MONTHS	1,567	1,189	714	561	579	655	573	592	706	423
27 MONTHS	1,545	1,101	706	555	562	644	551	593	695	
39 MONTHS	1,540	1,098	709	556	562	644	551	594		
51 MONTHS	1,540	1,099	709	556	562	644	550			
63 MONTHS	1,540	1,099	709	556	562	644				
75 MONTHS	1,540	1,099	709	556	562					
87 MONTHS	1,540	1,099	709	556						
99 MONTHS	1,540	1,099	709							
111 MONTHS	1,540	1,099								
123 MONTHS	1,540									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 To 27	0.986	0.926	0.988	0.989	0.970	0.983	0.960	1.000	0.984	
27 To 39	0.997	0.998	1.004	1.002	1.000	1.000	1.000	1.002		
39 To 51	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
51 To 63	1.000	1.000	1.000	1.000	1.000	1.000				
63 To 75	1.000	1.000	1.000	1.000	1.000					
75 To 87	1.000	1.000	1.000	1.000						
87 To 99	1.000	1.000	1.000							
99 To 111	1.000	1.000								
111 To 123	1.000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Volume Weighted 4 Yr Mean	Factor Selected	Factor To Ultimate
	15 To 27	0.982	0.982
27 To 39	1.001	1.000	1.000
39 To 51	1.000	1.000	1.000
51 To 63	1.000	1.000	1.000
63 To 75	1.000	1.000	1.000
75 To 87	1.000	1.000	1.000
87 To 99	1.000	1.000	1.000
99 To 111	1.000	1.000	1.000
111 To 123	1.000	1.000	1.000

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.6

Paid Loss + ALAE Development Factors - Comprehensive

CUMULATIVE EXPERIENCE TRIANGLE

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 MONTHS	946	643	489	220	201	269	285	327	319	140
27 MONTHS	959	649	493	216	202	271	295	331	321	
39 MONTHS	959	652	493	216	203	271	295	330		
51 MONTHS	960	652	493	217	203	271	295			
63 MONTHS	960	652	493	217	203	271				
75 MONTHS	960	652	493	217	203					
87 MONTHS	960	652	493	217						
99 MONTHS	960	652	493							
111 MONTHS	960	652								
123 MONTHS	960									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009	2Q2010
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010	1Q2011
15 To 27	1.013	1.009	1.007	0.984	1.009	1.008	1.036	1.013	1.005	
27 To 39	1.000	1.005	1.000	1.001	1.001	1.000	1.000	0.998		
39 To 51	1.001	1.000	1.000	1.000	1.000	1.000	1.000			
51 To 63	1.000	1.000	1.000	1.000	1.000	1.001				
63 To 75	1.000	1.000	1.000	1.000	1.000					
75 To 87	1.000	1.000	1.000	1.000						
87 To 99	1.000	1.000	1.000							
99 To 111	1.000	1.000								
111 To 123	1.000									

MEAN AGE TO AGE FACTORS

DEVELOPMENT PERIOD	Selected		Factor To
	Countrywide	Selected	Ultimate
15 To 27	1.008	1.008	1.009
27 To 39	1.001	1.001	1.001
39 To 51	1.000	1.000	1.000
51 To 63	1.000	1.000	1.000
63 To 75	1.000	1.000	1.000
75 To 87	1.000	1.000	1.000
87 To 99	1.000	1.000	1.000
99 To 111	1.000	1.000	1.000
111 To 123	1.000	1.000	1.000

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 7

Excess Loss Provision

BODILY INJURY

<u>Experience Period</u>	<u>Ultimate Total Ex-</u>	<u>Ultimate Limited</u>	<u>Total / Limited</u>
	<u>Cat Losses +</u>	<u>Ex-Cat Losses +</u>	
	<u>ALAE</u>	<u>ALAE</u>	
03/01-03/02	2,020	1,870	1.08
03/02-03/03	1,021	1,021	1.00
03/03-03/04	672	673	1.00
03/04-03/05	2,803	1,655	1.69
03/05-03/06	2,147	986	2.18
03/06-03/07	862	756	1.14
03/07-03/08	859	846	1.02
03/08-03/09	860	839	1.02
03/09-03/10	1,008	917	1.10
03/10-03/11	731	677	1.08
	Weighted Average		1.27
	Straight Average		1.23
	Selected		1.22

UNINSURED/UNDERINSURED MOTORIST

<u>Experience Period</u>	<u>Ultimate Total Ex-</u>	<u>Ultimate Limited</u>	<u>Total / Limited</u>
	<u>Cat Losses +</u>	<u>Ex-Cat Losses +</u>	
	<u>ALAE</u>	<u>ALAE</u>	
03/01-03/02	313	313	1.00
03/02-03/03	598	548	1.09
03/03-03/04	528	526	1.00
03/04-03/05	159	158	1.00
03/05-03/06	28	27	1.01
03/06-03/07	84	84	1.01
03/07-03/08	323	316	1.02
03/08-03/09	401	383	1.05
03/09-03/10	498	270	1.84
03/10-03/11	124	115	1.08
	Weighted Average		1.11
	Straight Average		1.11
	Selected		1.11

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 8.A

Calculation of Pure Premium Trend Factor

<u>Coverage</u>	<u>Selected Annual Pure Premium Impacts</u>	
	<u>Historical</u>	<u>Projected</u>
Bodily Injury	0.00%	0.00%
Property Damage	1.00%	1.00%
Medical Payments	0.00%	0.00%
Uninsured / Underinsured Motorist	0.00%	0.00%
Collision	1.00%	1.00%
Comprehensive	0.00%	0.00%

	<u>Calculation of Trend Period</u>				
	<u>4th Prior Year</u>	<u>3rd Prior Year</u>	<u>2nd Prior Year</u>	<u>1st Prior Year</u>	<u>Current Year</u>
1) Loss Trend Projection Date	5/31/2013	5/31/2013	5/31/2013	5/31/2013	5/31/2013
2) Mid-Point of Current Year's Experience Period	9/30/2010	9/30/2010	9/30/2010	9/30/2010	9/30/2010
3) Experience Period Ended	3/31/2007	3/31/2008	3/31/2009	3/31/2010	3/31/2011
4) Midpoint of Experience Period	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010
5) Historical: Number of Years from (4) to (2)	4.000	3.000	2.000	1.000	0.000
6) Projected: Number of Years from (2) to (1)	2.666	2.666	2.666	2.666	2.666

<u>Coverage</u>	<u>Factor to Adjust Losses for Pure Premium Trend</u>				
	<u>4th Prior Year</u>	<u>3rd Prior Year</u>	<u>2nd Prior Year</u>	<u>1st Prior Year</u>	<u>Current Year</u>
Bodily Injury	1.000	1.000	1.000	1.000	1.000
Property Damage	1.069	1.058	1.048	1.037	1.027
Medical Payments	1.000	1.000	1.000	1.000	1.000
Uninsured / Underinsured Motorist	1.000	1.000	1.000	1.000	1.000
Collision	1.069	1.058	1.048	1.037	1.027
Comprehensive	1.000	1.000	1.000	1.000	1.000

(a) Historical Pure Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)

(b) Projected Pure Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)

(c) Factor to Adjust Losses for Pure Premium Trend = (a) x (b)

Encompass Insurance Group
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Arkansas

Exhibit 8.B.1

Pure Premium Loss Trends - Bodily Injury

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/05	\$179.22	122.8			
12/05	170.38	64.2			
03/06	146.84	3.4			
06/06	282.68	78.8			
09/06	247.11	37.9	154.39		
12/06	232.98	36.7	153.23		
03/07	214.68	46.2	152.07		
06/07	89.57	-68.3	150.92		
09/07	139.45	-43.6	149.78		
12/07	137.16	-41.1	148.65		
03/08	146.64	-31.7	147.53		
06/08	142.41	59.0	146.42		
09/08	80.39	-42.4	145.31	100.35	
12/08	104.36	-23.9	144.21	105.68	
03/09	108.74	-25.9	143.13	111.29	
06/09	113.10	-20.6	142.05	117.20	
09/09	150.81	87.6	140.97	123.43	
12/09	155.44	49.0	139.91	129.99	
03/10	147.20	35.4	138.85	136.89	151.24
06/10	153.06	35.3	137.80	144.16	152.17
09/10	163.78	8.6	136.76	151.82	153.11
12/10	145.26	-6.6	135.73	159.89	154.06
03/11	159.36	8.3	134.71	168.38	155.01
06/11	153.65	0.4	133.69	177.33	155.97
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-3.0 %	23.0 %	2.5 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 8.B.2

Pure Premium Loss Trends - Property Damage

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/05	\$68.40	5.2			
12/05	69.28	2.6			
03/06	71.79	14.8			
06/06	67.03	-7.6			
09/06	74.79	9.3	70.38		
12/06	80.74	16.5	71.20		
03/07	82.75	15.3	72.02		
06/07	77.76	16.0	72.86		
09/07	73.99	-1.1	73.70		
12/07	65.91	-18.4	74.56		
03/08	66.25	-19.9	75.42		
06/08	70.71	-9.1	76.30		
09/08	71.94	-2.8	77.18	70.55	
12/08	67.30	2.1	78.08	72.47	
03/09	66.05	-0.3	78.98	74.45	
06/09	70.35	-0.5	79.90	76.47	
09/09	81.42	13.2	80.83	78.56	
12/09	91.53	36.0	81.77	80.70	
03/10	96.03	45.4	82.71	82.90	97.51
06/10	91.76	30.4	83.67	85.16	94.47
09/10	96.42	18.4	84.64	87.48	91.53
12/10	89.06	-2.7	85.63	89.86	88.68
03/11	88.35	-8.0	86.62	92.31	85.92
06/11	79.98	-12.8	87.63	94.83	83.24
<u>Regression</u>			<u>20 pt.</u>	<u>12 pt.</u>	<u>6 pt.</u>
Avg Annual Percent Change Based on Best Fit:			4.7 %	11.4 %	-11.9 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 8.B.3

Pure Premium Loss Trends - Collision

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/05	\$127.40	2.5			
12/05	120.20	0.9			
03/06	135.74	10.9			
06/06	133.01	10.5			
09/06	131.30	3.1	126.69		
12/06	141.00	17.3	128.42		
03/07	141.65	4.4	130.17		
06/07	143.60	8.0	131.94		
09/07	132.65	1.0	133.74		
12/07	118.76	-15.8	135.56		
03/08	126.14	-11.0	137.41		
06/08	119.97	-16.5	139.28		
09/08	131.08	-1.2	141.17	138.32	
12/08	136.80	15.2	143.10	140.89	
03/09	132.68	5.2	145.05	143.51	
06/09	131.65	9.7	147.02	146.17	
09/09	155.71	18.8	149.02	148.89	
12/09	166.21	21.5	151.05	151.65	
03/10	178.29	34.4	153.11	154.47	188.46
06/10	182.51	38.6	155.20	157.34	178.82
09/10	181.71	16.7	157.31	160.26	169.68
12/10	162.40	-2.3	159.45	163.24	161.00
03/11	148.66	-16.6	161.62	166.27	152.77
06/11	142.82	-21.8	163.82	169.36	144.96
<u>Regression</u>			<u>20 pt.</u>	<u>12 pt.</u>	<u>6 pt.</u>
Avg Annual Percent Change Based on Best Fit:			5.6 %	7.6 %	-18.9 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 8.B.4

Pure Premium Loss Trends - Comprehensive

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/05	\$41.24	-24.9			
12/05	49.52	3.3			
03/06	44.17	-3.4			
06/06	42.64	-1.5			
09/06	50.41	22.2	59.82		
12/06	45.60	-7.9	60.22		
03/07	58.24	31.9	60.62		
06/07	61.02	43.1	61.02		
09/07	62.79	24.6	61.43		
12/07	66.99	46.9	61.84		
03/08	56.03	-3.8	62.25		
06/08	67.36	10.4	62.67		
09/08	62.02	-1.2	63.09	81.29	
12/08	70.04	4.6	63.51	78.64	
03/09	80.90	44.4	63.93	76.09	
06/09	69.09	2.6	64.36	73.61	
09/09	87.44	41.0	64.79	71.22	
12/09	84.01	20.0	65.22	68.90	
03/10	83.92	3.7	65.65	66.66	82.40
06/10	80.84	17.0	66.09	64.49	73.16
09/10	60.66	-30.6	66.53	62.39	64.96
12/10	52.96	-37.0	66.98	60.36	57.68
03/11	45.70	-45.5	67.42	58.40	51.22
06/11	52.84	-34.6	67.87	56.50	45.48
<u>Regression</u>			<u>20 pt.</u>	<u>12 pt.</u>	<u>6 pt.</u>
Avg Annual Percent Change Based on Best Fit:			2.7 %	-12.4 %	-37.8 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 9

Catastrophe Insurance Losses - Comprehensive

<u>Accident Year</u>	<u>Arkansas</u>		<u>Incurred Losses Excluding Catastrophes</u>
	<u>Total Incurred Losses</u>	<u>Catastrophe Losses</u>	
1988	166,983	0	166,983
1989	474,358	185,136	289,222
1990	216,650	12,351	204,299
1991	270,041	37,037	233,004
1992	162,071	12,092	149,979
1993	173,924	4,957	168,967
1994	193,051	7,413	185,638
1995	210,902	22,327	188,575
1996	328,063	78,351	249,712
1997	211,270	42,497	168,773
1998	308,361	5,250	303,111
1999	914,285	204,275	710,010
2000	1,085,776	62,910	1,022,866
2001	1,054,562	38,331	1,016,231
2002	767,092	36,710	730,382
2003	567,998	18,733	549,265
2004	211,838	2,484	209,354
2005	222,792	0	222,792
2006	379,492	124,254	255,238
2007	296,155	12,230	283,925
2008	577,344	262,261	315,083
2009	408,754	73,755	334,999
2010	160,076	5,991	154,085
		\$1,249,345	\$8,112,493

Selected Catastrophe Provision:

15.4%

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 10.1

Summary of Expense Provisions

	Liability Expense Provision				Uninsured / Underinsured Motorist
	Percent Fixed	Bodily Injury	Property Damage	Medical Payments	
Commissions	0 %	13.8 %	13.8 %	13.8 %	13.8 %
Taxes †	0	3.1	3.1	3.1	3.1
ULAE	0	12.6	12.6	12.6	12.6
Licenses and Fees	100	0.2	0.2	0.2	0.2
Other Acquisition	100	1.0	1.0	1.0	1.0
General Expense	100	7.8	7.8	7.8	7.8
Profit Provision	0	5.8	5.8	5.8	5.8
Debt Provision	0	1.4	1.4	1.4	1.4

	Physical Damage Expense Provision		
	Percent Fixed	Collision	Comprehensive
Commissions	0 %	13.8 %	13.8 %
Taxes †	0	3.1	3.1
ULAE	0	12.6	12.6
Licenses and Fees	100	0.2	0.2
Other Acquisition	100	1.0	1.0
General Expense	100	7.8	7.8
Profit Provision	0	10.0	10.0
Debt Provision	0	1.4	1.4

† State Taxes - Does not include Federal Income Tax

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 10.2

Factor to Adjust for Subsequent Change in Fixed Expense*

1) Average Earned Date of Experience Period	6/30/2009
2) Average Earned Date of Proposed Policy Period	5/31/2013
3) Number of Years from (1) to (2)	3.9
4) Selected Annual Impact	1.70 %
5) Factor to Adjust for Subsequent Change in Fixed Expense = [1 + (4)] ^ (3)	1.068

*For calendar years [2008-2010](#)

Encompass Insurance Group
Private Passenger Automobile
Arkansas

Exhibit 11.1

Investment Income - Liability

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 2.60%*
force of interest, given an Operating Profit of 7.00%
and twelve-month Policy Terms

Years From Start of Policy Year	Arkansas Cumulative Percent of Losses Paid	Arkansas Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted ** to avg time of profit @ 2.60%	Discounted Payments
1	13.7%	13.7%	0.69	1.008	13.8%
2	49.5%	35.8%	1.39	0.990	35.4%
3	68.4%	18.9%	2.46	0.963	18.2%
4	81.0%	12.6%	3.47	0.938	11.8%
5	90.4%	9.4%	4.46	0.914	8.6%
Subsequent	100.0%	9.6%	6.36	0.870	8.4%
Total		100.0%			96.2%
Expected Losses and Loss Expense Ratio					66.9%
Present Value of Loss and Loss Expense Payments					64.4%
General Expense		7.8%	0.75	1.007	7.9%
Other Acquisition		1.0%	0.63	1.010	1.0%
Taxes		3.1%	0.63	1.010	3.1%
Commissions		13.8%	0.58	1.011	14.0%
Debt Provision		1.4%	1.00	1.000	1.4%
Profit Provision		5.8%	1.00	1.000	5.8%
Licenses and Fees		0.2%	0.63	1.010	0.2%
Total Present Value of Outgo					97.8%
Premiums		100.0%	0.60	1.010	101.0%
Difference, Present Value of Income Less Present Value of Outgo					3.2%

*Discount rate from Investments Department forecast

**exp (0.026 x (timing of profit being earned - timing of cash flow))

Encompass Insurance Group
Private Passenger Automobile
Arkansas

Investment Income - Physical Damage

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 2.60%*
force of interest, given an Operating Profit of 7.00%
and twelve-month Policy Terms

Years From Start of Policy Year	Arkansas Cumulative Percent of Losses Paid	Arkansas Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted ** to avg time of profit @ 2.60%	Discounted Payments
1	49.9%	49.9%	0.63	1.010	50.4%
2	100.2%	50.3%	1.15	0.996	50.1%
Subsequent	100.0%	-0.2%	2.25	0.968	-0.2%
Total		100.0%			100.3%
Expected Losses and Loss Expense Ratio					62.7%
Present Value of Loss and Loss Expense Payments					62.9%
General Expense		7.8%	0.75	1.007	7.9%
Other Acquisition		1.0%	0.63	1.010	1.0%
Taxes		3.1%	0.63	1.010	3.1%
Commissions		13.8%	0.58	1.011	14.0%
Debt Provision		1.4%	1.00	1.000	1.4%
Profit Provision		10.0%	1.00	1.000	10.0%
Licenses and Fees		0.2%	0.63	1.010	0.2%
Total Present Value of Outgo					100.5%
Premiums		100.0%	0.60	1.010	101.0%
Difference, Present Value of Income Less Present Value of Outgo					0.5%

*Discount rate from Investments Department forecast

**exp (0.026 x (timing of profit being earned - timing of cash flow))

2011 Cost of Equity Update Summary

Allstate's traditional approach to determining the necessary underwriting profit provision begins with two different analyses – the Fama-French Three-factor method (FF3F) and the Discounted Cash Flow method (DCF) – that are performed in order to estimate Allstate's cost of equity capital. The details and reasoning behind this approach can be found in Allstate's paper titled "Development of the Underwriting Profit Provision." Allstate always seeks to utilize sound actuarial and financial theory in its profit provision calculations and has put forth a considerable effort in order to establish an approach that utilizes appropriate methodologies and produces reasonable and meaningful results. However, even the best methodologies require an oversight of actuarial judgment in order to ensure proper application and to know when circumstances require an adjustment. Allstate believes that, due to certain current circumstances, actuarial judgment calls for caution to be used in the interpretation and application of its FF3F and DCF results. Each will be discussed in detail below.

Fama-French

The FF3F approach is similar to the Capital Asset Pricing Model (CAPM) in that it estimates the cost of equity for a given firm by starting with a risk-free rate and adding a risk premium (or risk premiums) to it, relative to the risk of that firm. As such, the result is greatly dependent on the risk-free rate. Allstate's historical risk-premium data is reported relative to the 28-day government bond rate, so in order to be consistent, we have utilized the 28-day government bond rate as the risk-free rate in the FF3F calculations.

Unfortunately, since the financial havoc in the market that began in 2008, the Federal Reserve has been actively and artificially suppressing the short-term interest rates. The table below shows the FF3F calculations for Allstate for the past eleven years. Note that Allstate's risk premium, particularly recently, has not varied greatly over time, whereas the risk-free rate has.

Year	Risk Premium	Risk-free Rate	FF3F Cost of Equity
2000	8.7%	5.7%	14.4%
2001	10.1%	5.5%	15.6%
2002	6.9%	5.4%	12.3%
2003	6.7%	3.7%	10.4%
2004	12.7%	1.1%	13.8%
2005	12.2%	2.7%	14.9%
2006	7.8%	4.8%	12.6%
2007	6.5%	5.3%	11.8%
2008	6.7%	1.9%	8.6%
2009	6.9%	0.1%	7.1%
2010	6.8%	0.1%	6.9%

Over the last five years, Allstate's risk premium has remained consistent while the risk-free rate has plummeted, resulting in a large decrease in Allstate's (and other companies') calculated cost of equity. However, there are several reasons why we believe that this is not an accurate reflection of a true risk-free rate, and therefore not an accurate reflection of Allstate's cost of equity. The Federal Reserve has artificially lowered the short-term rate to almost zero in an attempt to encourage borrowing and jump-start the economy. Evidence for this artificial rate suppression can be seen by comparing the difference between the current long-term bond yields and the 28-day bond yield. Historically, the average difference between the long-term bond yield and the 28-day bond yield has been 1.6 percentage points.¹ The current difference is over four percentage points.² In fact, prior to 2009, there have been only two years since 1926 where the difference between the long- and short-term bond yields has been as big as it is right now, and one of those years is 2003, when the Federal Reserve was employing a similar strategy in order to encourage borrowing in the housing market.³ Long-term bond yields are much less impacted by Federal Reserve action because they represent the average short-term bond yield over a longer period of time. While long-term bond yields may contain a small risk premium for liquidity risk, significant difference between the long-term and short-term bond yields suggests that interest rates are expected to rise, and as noted above, the current difference is as big as it's ever been.

As mentioned above, Allstate's risk premium data has typically been calculated relative to the 28-day government bond yield. However, this data can be restated to be relative to a long-term bond yield. In fact, many analysts, including Ibbotson in its Cost of Capital Yearbook, prefer to use long-term bond yields in CAPM or FF3F calculations as the results tend to be smoother and freer from Federal Reserve machinations. Using data through 2010, Allstate's risk premium relative to the 28-day bond yield was 6.8%. When the historical risk premium data is restated to be relative to a long-term government bond yield, Allstate's risk premium drops to 5.4%. Combining this risk premium with a long-term-bond-based risk-free rate, which has been recently hovering around 4%,⁴ results in a cost of equity between 9% and 10%, which is in line with Allstate's historical cost of equity of 10%.

In addition to the interest rate issues, it is worth noting that the value beta within the FF3F methodology has also been on the rise lately:

¹ Source: Ibbotson 2011 SBBI Valuation Yearbook.

² As of year-end 2010: Long-term (4.14%) – Short-term (0.08%) = 4.06%.

³ As of year-end 2010, the difference was 4.06%. In 2003 the difference was 4.09%, and in 1994 the difference was 4.08%. Essentially, the current difference is about as high as it has ever been. For comparison, note that prior to 2009, the difference has only been greater than 3 percentage points nine times since 1926.

⁴ <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2011>

Value Risk Component:				
(8)	(9)	(10)	(11)	(12)=(9)+(10)*(11)
Period	Prop/Cas Value Beta	Book-to-Mkt Coefficient	Log Book-to-Market	Value Risk Beta
2006	0.201	0.213	-0.6220	0.069
2007	0.209	0.335	-0.3105	0.105
2008	0.215	0.221	-0.3286	0.142
2009	0.738	0.308	0.0351	0.749
2010	0.975	0.236	0.1029	0.999
			3-yr Avg	0.630
			5-yr Avg	0.413
			Selected	0.630

This suggests that the difference in returns required by “value” stocks compared to “growth” stocks is larger in the current market than it was prior to the recent market crash. The impact of this is muted by Allstate’s use of a three-year average to determine betas in the FF3F calculations. But when considering the future expectation of the FF3F result, it seems likely that Allstate’s risk premium would only increase as this change is further reflected in the data.

In summary, Allstate believes that the 28-day government bond yield is artificially low, and the restatement of Allstate’s data to be relative to the long-term bond yield produces a cost of capital comparable to Allstate’s historical value of 10%. In addition, Allstate’s value beta appears to be on the rise and could be expected to increase in the near future. All of this suggests that a cost of equity of 10% is still appropriate for Allstate.

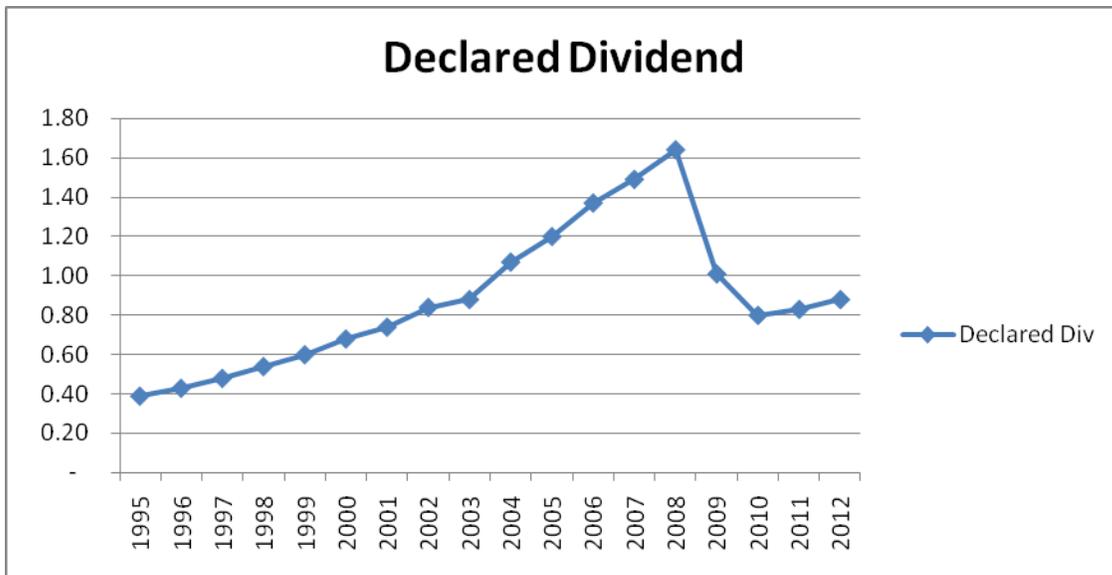
Discounted Cash Flow

In order to perform the DCF calculations, Allstate relies on data from the ValueLine Investment Survey. The most difficult DCF input to estimate is the growth rate of dividends (g), and several elements of the ValueLine data are typically used in Allstate’s estimation of this value: dividend per share growth (10-year average, 5-year average, and analyst forecast) and earnings per share growth (10-year average, 5-year average, and analyst forecast). Unfortunately, due to both recent events (Allstate’s dividend cut) and the nature of the ValueLine calculations, Allstate believes that both the historical averages and the analyst forecast numbers are misleading and require adjustment in order to be relevant.

To derive the projected growth rate for its dividend forecast, ValueLine compares a three-year average of historical dividends paid to a projected amount anywhere from four to six years into the future (depending on the timing of the report). This approach is taken so as to provide an element of stability in the results over time. However, in certain instances, such as Allstate’s case, it can be misleading. In early 2009, Allstate announced that its dividend would be cut from \$1.64 to \$0.80. From the current value of \$0.83, ValueLine expects the dividend to grow to \$1.10 by the year 2015. However, in their formula, the three-year average of “current” dividends was from 2008 to 2010, which were \$1.64, \$1.01, and \$0.80 respectively. The average of these values is \$1.15. Therefore,

ValueLine’s “projected” amount of dividend growth was calculated as $(\$1.10/\$1.15)^{(1/6)} - 1$, which is equal to -1%.⁵ This calculation, however, is not appropriate because it is clear that ValueLine expects Allstate’s dividend to grow from \$0.83 in 2011 to \$1.10 in 2015, which is actually 7.5% $(=\$1.10/\$0.83)^{(1/4)} - 1$ growth.⁶ It is particularly important to recognize the growth from the current \$0.83 level because it is the \$0.83 dividend that is used to calculate the dividend yield in other portions of the DCF analysis. If the growth is gauged based on the \$1.15 dividend, then the dividend yield should also be, which would significantly increase that value.

In addition, Allstate’s dividend cut has caused significant impact to the historical dividend growth rates. Allstate’s dividend growth was steady and constant prior to the dividend cut (and continues to be after the cut), but the one-time cut dramatically affects the historical calculations:



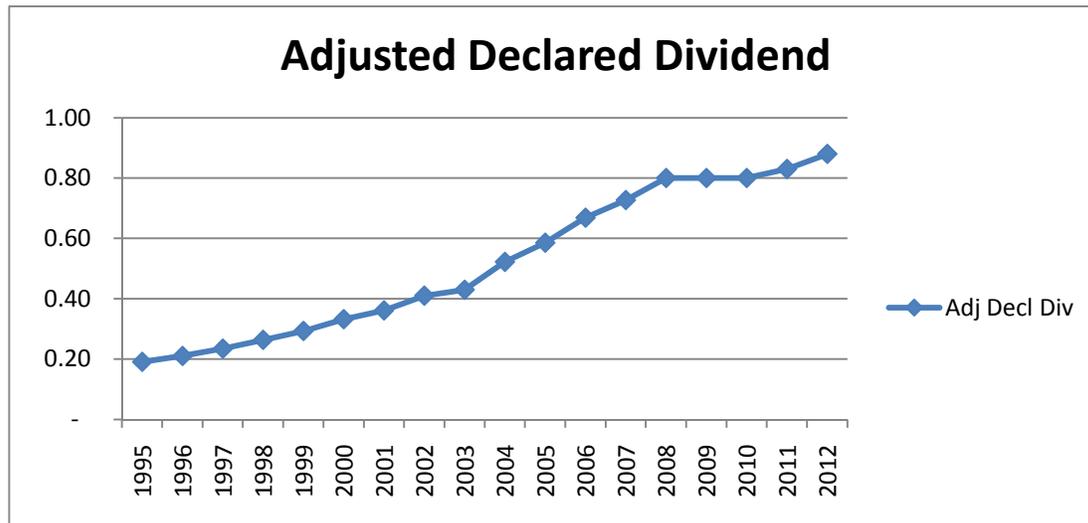
Recall that the DCF methodology states that the value of a share of a company’s stock is equal to the present value of all future dividends. To make the estimates mathematically feasible, assumptions are made regarding the existence of a constant growth rate for dividends. With this assumption being made, the DCF formula can be rearranged in order to solve for the company cost of equity, given that the current stock price and dividend rate are known and the dividend growth rate (g) can be estimated. The point, however, is that there is a connection between the current stock price and the *future* dividend stream; this is entirely a forward-looking calculation. According to DCF theory, the current stock price already reflects the fact that Allstate has cut its dividend (and Allstate’s stock price is down since the cut). What’s important is where the dividend is expected to go from here.

⁵ Note: the calculation is to the (1/6) power because the average years in comparison are 2009 and 2015, which is a six-year span.

⁶ ValueLine rounds its results to the nearest half-percent. Also note: the Earnings Per Share projections suffer from the same issue.

In the past, Allstate has included historical growth rates in its estimate of g , but historical growth rates are only helpful in as much as they provide a reasonable estimate of future growth. Based on the steady growth of the dividend before and after the cut, Allstate believes that the historical calculations do not reflect a reasonable estimate. Two years ago, the calculation of the 5-year historical growth rate yielded a result of 13%⁷; this year, with the dividend cut data being included, that estimate has dropped to 2%.

One option for trying to remedy this situation would be to adjust all of the pre-dividend-cut data to be on post-dividend-cut levels. The resulting data would be much smoother and easier to fit a historical trend to:



Based on this data, a historical trend for the last 10 years would equal an annual growth rate of 10.5%, and for the last 5 years would equal a rate of 9%. When the DCF formula is rearranged, we find that the cost of equity is equal to the sum of the current dividend yield rate and the dividend growth rate. Allstate's current dividend yield rate is 2.8%.⁸ The adjusted historical and forecast numbers for dividend growth, as described above, range from 7.5% to 10.5%. Based on these numbers, it would seem that a cost of equity in the range of 10% to 13% would be reasonable. However, caution should be exercised when evaluating the output of a methodology for which so many adjustments have been made.⁹

Industry Data

Given that both of Allstate's primary methodologies for estimating its cost of equity have been impacted circumstantially, and therefore require adjustment, actuarial prudence

⁷ Note: because of the nature of the ValueLine calculations (similar to the projection calculations), it took a couple years for the cut dividend data to be incorporated into the historical calculations.

⁸ As of Second Quarter, 2011

⁹ Often, when analysts are performing DCF calculations for a whole industry, they will remove the data for any company that has had a dividend cut, as the impact of that data can be substantial and harmful to the overall result.

would suggest that additional, external data be considered. A good source for this is Ibbotson's Cost of Capital Yearbook, where multiple analyses are performed on industries as a whole, as well as sub-sections of those industries. The Ibbotson analysis includes CAPM, CAPM plus Size (a methodology half-way between CAPM and FF3F), FF3F, one-stage DCF, and three-stage DCF calculations. These analyses, performed on the entire cohort of SIC Code 633 – Fire, Marine, and Casualty Insurance – yields the following results¹⁰:

	2006	2007	2008	2009	2010		Avg	Std Dev
CAPM	9.02	9.79	10.70	11.99	11.22		10.54	1.17
CAPM + Size Prem	10.04	10.76	11.62	11.99	12.30		11.34	0.93
FF3F	9.84	10.19	12.01	11.68	11.02		10.95	0.93
1-Stage DCF	10.57	10.76	9.78	10.37	11.27		10.55	0.55
3-Stage DCF	12.60	15.20	20.00	3.90	13.58		13.06	5.86

These calculations are also performed on subsets of the industry, including the median company, a small-company composite, and a large-company composite. The most appropriate comparison for Allstate would be the large-company composite, whose results are as follows:

	2006	2007	2008	2009	2010		Avg	Std Dev
CAPM	9.08	10.06	10.87	10.48	11.61		10.42	0.94
CAPM + Size Prem	9.08	10.06	10.87	10.48	11.61		10.42	0.94
FF3F	9.98	10.42	12.33	10.35	11.11		10.84	0.93
1-Stage DCF	10.59	10.84	10.00	10.50	9.74		10.33	0.45
3-Stage DCF	14.50	16.90	22.50	24.90	11.81		18.12	5.47

These results reflect the cost of equity for the average company in the industry, or the average large company in the industry. It is likely that Allstate is above average in risk in each of these categories. Allstate's portfolio of risks represents a unique distribution of lines and states (as do all companies'). Allstate writes almost 25% of its business in the homeowners line, some of which is highly volatile coastal business. Many of Allstate's biggest and most comparable multi-line competitors are mutual companies and are, as such, not included in the P/C industry composite. As a result, Allstate has a much higher proportion of business in the homeowners line than most of the companies included in the P/C industry composite. Therefore, we would expect Allstate's cost of capital to be at least as much as the average company (or average large company) in the industry composite.

Conclusion

For the last several years, Allstate has sought to achieve a cost of equity of 10% based on the results of the FF3F and DCF analyses. Allstate continues to believe in the validity of these actuarial methodologies, but this year, due to various circumstances, we believe that the output of the FF3F and DCF calculations is misleading. After making what we

¹⁰ Source: Ibbotson Cost of Capital Yearbooks, 2006 to 2010

believe to be reasonable and appropriate adjustments to both of the methodologies, each justifies the selection of a 10% cost of equity. In addition, calculations performed on both the entire property/casualty insurance industry, plus a subsection of the largest companies within that industry, across a range of methodologies, suggest that a cost of equity of 10% is certainly reasonable, and even a higher return could perhaps be justified. Nevertheless, based on both actuarial judgment and the benefit of the stability of rates, Allstate believes that a continued target cost of equity of 10% is reasonable and justified.

Development of the Underwriting Profit Provision
From a Given Cost of Equity

Exhibits

ALLSTATE INSURANCE GROUP

Arkansas
Private Passenger Auto

Development of the Underwriting Profit

	Liability	Physical Damage	Total	Source
(1) Average Market Value of Equity:			\$ 25,562	App. 3, Exh. 2
(2) Cost of Equity (%):			10.0%	App. 3, Exh. 1, Pg. 1
(3) Cost of Equity (\$):			\$ 2,556	=(1)*(2)
(4) Dividend Payout Ratio:			0.69	App. 3, Exh. 3
(5) Average Market-to-book Ratio:			1.41	App. 3, Exh. 4
(6) Income Due Shareholders:			\$ 2,556	=(3)
(7) Income Needed by Allstate:			\$ 2,268	=(6)/[(4)+(1-(4))* (5)]
(8) Investment Income on Equity:			\$ 476	IDF*
(9) Operating Income Needed:			\$ 1,792	=(7)-(8)
(10) Earned Premium:			\$ 25,605	App. 3, Exh. 2
(11) Operating Ratio:			7.0%	=(9)/(10)
(12) Investment Income from PHSF**:	3.2%	0.5%	1.8%	App. 3, Exh. 5, Pg. 1
(13) After-tax U/W Profit Provision:	3.8%	6.5%	5.2%	=(11)-(12)
(14) Tax Rate:	35%	35%	35%	FIT***
(15) Pre-tax U/W Income Needed by Allstate:	5.8%	10.0%	8.0%	=(13)/(1-(14))

*Investments Department forecast

**Policyholder-supplied Funds (PHSF) are unearned premium and loss reserves

***This is the federal income tax rate on underwriting profit for Allstate

Dollar values are in millions

ALLSTATE INSURANCE GROUP

Enterprise Valuation

(\$ In Millions)

Entity	GAAP Book Value*	Earned Premium*	Imputed Market Value**
Total Group	19,015	27,015	26,812
Allstate New Jersey Group	734	1,180	1,035
Castle Key Insurance Group	153	231	216
ANJ/CK	887	1,410	1,250
Group Less ANJ/CK	18,129	25,605	25,562

*As of 12/31/10

**Equals GAAP Book Value multiplied by the average market-to-book ratio

ALLSTATE CORPORATION

Dividend Payout Ratio

(1)	(2)	(3)	(4)	(5) = (3)+(4)	(6) = (5)/(2)
Year	Prior Year GAAP Net Income*	Dividends	Stock Repurchases (Net)	Total Payout	Total Payout Ratio
1997	\$2,075	417	1,277	1,694	0.82
1998	\$3,105	450	1,400	1,850	0.60
1999	3,294	482	864	1,346	0.41
2000	2,720	506	1385	1,891	0.70
2001	2,211	547	612	1,159	0.52
2002	1,158	594	383	977	0.84
2003	1,134	648	-48	600	0.53
2004	2,705	779	1111	1,890	0.70
2005	3,181	846	2,203	3,049	0.96
2006	1,765	885	1,516	1,765	**
2007	4,993	901	3,483	4,384	0.88
2008	4,636	897	1,281	2,178	0.47
2009	-1,679	432	-27	405	***
2010	854	433	82	515	0.60
Total	33,831	8,385	15,549	23,298	0.69

Source: Allstate Annual Reports

*Dividends and Stock Repurchases for a given year are determined based on the previous year's income. Therefore, GAAP Net Income is lagged by one year so that the appropriate ratio is calculated.

**While additional payout was provided from equity funds in 2006, the dividend payout ratio is concerned with percentage of income paid towards dividends and stock repurchases. Therefore, the 2006 payout ratio is capped at 1.00.

***2009 was not included in the total due to the irregularity of the results.

ALLSTATE CORPORATION

Historical Market-to-book Ratios

Years	Allstate
Dec-01	1.38
Dec-02	1.47
Dec-03	1.47
Dec-04	1.62
Dec-05	1.73
Dec-06	1.85
Dec-07	1.35
Dec-08	1.39
Dec-09	0.97
Dec-10	0.89
10-yr Avg:	1.41
Selected:	1.41

Source: MSN Online Reports

<http://moneycentral.msn.com/investor/invsub/results/compare.asp?Page=TenYearSummary&Symbol=ALL>

ENCOMPASS INSURANCE COMPANY

Private Passenger Auto

Calculation of Total Coverages Investment Income
From Policy Cash Flow

	Investment Income	Weight*	Source
(1) Liability Coverages	3.2%	49.4%	App. 3, Exh. 5, Pg. 2
(2) Physical Damage Coverages	0.5%	50.7%	App. 3, Exh. 5, Pg. 3
(3) Total Coverages	1.8%	100.0%	Weighted Average

*The weight given to the coverages comes from premium volume

Encompass Insurance Group
Private Passenger Automobile
Arkansas

Investment Income - Liability

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 2.60%*
force of interest, given an Operating Profit of 7.00%
and twelve-month Policy Terms

<u>Years From Start of Policy Year</u>	<u>Arkansas Cumulative Percent of Losses Paid</u>	<u>Arkansas Yearly Percent of Losses Paid</u>	<u>Time from Start of Policy Year</u>	<u>Discounted ** to avg time of profit @ 2.60%</u>	<u>Discounted Payments</u>
1	13.7%	13.7%	0.69	1.008	13.8%
2	49.5%	35.8%	1.39	0.990	35.4%
3	68.4%	18.9%	2.46	0.963	18.2%
4	81.0%	12.6%	3.47	0.938	11.8%
5	90.4%	9.4%	4.46	0.914	8.6%
Subsequent	100.0%	9.6%	6.36	0.870	8.4%
Total		100.0%			96.2%
Expected Losses and Loss Expense Ratio					66.9%
Present Value of Loss and Loss Expense Payments					64.4%
General Expense		7.8%	0.75	1.007	7.9%
Other Acquisition		1.0%	0.63	1.010	1.0%
Taxes		3.1%	0.63	1.010	3.1%
Commissions		13.8%	0.58	1.011	14.0%
Debt Provision		1.4%	1.00	1.000	1.4%
Profit Provision		5.8%	1.00	1.000	5.8%
Licenses and Fees		0.2%	0.63	1.010	0.2%
Total Present Value of Outgo					97.8%
Premiums		100.0%	0.60	1.010	101.0%
Difference, Present Value of Income Less Present Value of Outgo					3.2%

*Discount rate from Investments Department forecast

**exp (0.026 x (timing of profit being earned - timing of cash flow))

Encompass Insurance Group
Private Passenger Automobile
Arkansas

Investment Income - Physical Damage

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 2.60%*
force of interest, given an Operating Profit of 7.00%
and twelve-month Policy Terms

<u>Years From Start of Policy Year</u>	<u>Arkansas Cumulative Percent of Losses Paid</u>	<u>Arkansas Yearly Percent of Losses Paid</u>	<u>Time from Start of Policy Year</u>	<u>Discounted ** to avg time of profit @ 2.60%</u>	<u>Discounted Payments</u>
1	49.9%	49.9%	0.63	1.010	50.4%
2	100.2%	50.3%	1.15	0.996	50.1%
Subsequent	100.0%	-0.2%	2.25	0.968	-0.2%
Total		100.0%			100.3%
Expected Losses and Loss Expense Ratio					62.7%
Present Value of Loss and Loss Expense Payments					62.9%
General Expense		7.8%	0.75	1.007	7.9%
Other Acquisition		1.0%	0.63	1.010	1.0%
Taxes		3.1%	0.63	1.010	3.1%
Commissions		13.8%	0.58	1.011	14.0%
Debt Provision		1.4%	1.00	1.000	1.4%
Profit Provision		10.0%	1.00	1.000	10.0%
Licenses and Fees		0.2%	0.63	1.010	0.2%
Total Present Value of Outgo					100.5%
Premiums		100.0%	0.60	1.010	101.0%
Difference, Present Value of Income Less Present Value of Outgo					0.5%

*Discount rate from Investments Department forecast

**exp (0.026 x (timing of profit being earned - timing of cash flow))

**ENCOMPASS INDEMNITY COMPANY &
ENCOMPASS INSURANCE COMPANY OF AMERICA
PRIVATE PASSENGER AUTO
ARKANSAS**

Response to letter dated January 12, 2012 regarding Filings #ER-1910/ER-1912

1. Please provide the Department with an exhibit displaying loss ratios by coverage.

In 2009, Encompass began using a pure premium method for the development of its rate level indications. There are several benefits to using the pure premium method; for instance, there is not a need to make as many adjustments to the premium as compared to the loss ratio approach. This simplification contributed to the decision to use the pure premium method. In addition, systems capabilities were better aligned with the use of a pure premium method.

The indication corresponding to filings ER-1910 and ER-1912 was calculated using a pure premium methodology. No corresponding loss ratio indication was calculated since as illustrated in actuarial literature, both a loss ratio and a pure premium methodology for calculating rate need produce the same results when consistent data and assumptions are used.

The **pure premium method** develops indicated rates, while a **loss ratio method** develops indicated rate changes directly. Encompass compares the indicated rate calculated using its pure premium methodology to the projected average premium to determine the indicated rate change.

Indicated rates can be calculated using the following formula:

$R = (P+F)/(1-V-Q)$, where:

- R is the (indicated) rate per unit of exposure;
- P is pure premium (average loss per exposure);
- F is fixed expense per exposure;
- V is variable expense factor;
- Q is profit and contingency factor.

For reference, the **loss ratio method** uses the following formulas:

$R = A * R_0$, where

- R is the (indicated) rate per unit of exposure;
- R_0 is the current rate;
- A is an adjustment factor, which is equal to W/T where
- W is the experience loss ratio;
- T is the target loss ratio.

$T = (1-V-Q)/(1+G)$, where:

- V is the premium-related expense factor;
- Q is profit and contingency factor;
- G is ratio of non-premium-related expenses to losses.

$W = L/(E * R_0)$, where:

- L is experience losses;

E is experience period earned exposures;
 R_0 is the current rate.

As stated above, the pure premium and loss ratio methods will produce identical rates when applied to identical data and when consistent assumptions are used.

It can be derived that the indicated rate under a loss ratio method is as follows:

$$R = A * R_0 = (W/T) * R_0 = [L / (E * R_0)] * [(1 - V - Q) / (1 + G)] * R_0 = [L * (1 + G)] / [E * (1 - V - Q)]$$

Pure premium is defined as experience losses per experience period earned exposures. Therefore, $P = L/E$ or $L = E * P$.

As above, G is the ratio of non-premium-related expenses to loss; therefore $G = (E * F) / L$. When combined with the above equation for pure premium, it can be shown that $G = (E * F) / (E * P) = F/P$.

By substituting for L and G in the loss ratio method formula derived above, it can be shown that $R = (E * P) * (1 + F/P) / [E * (1 - V - Q)] = (P + F) / (1 - V - Q)$, which is the formula for the pure premium method.

For more detail, please reference Chapter 3 of "Ratemaking," from *Foundations of Casualty Actuarial Science* by C.L. McClenahan.

Please note that, in approved filing #ER-1661, the indication provided in response to an Arkansas Department of Insurance inquiry used the pure premium method.