

SERFF Tracking Number: ALSE-127983758 State: Arkansas
Filing Company: Encompass Insurance Company of America State Tracking Number:
Company Tracking Number: ER-1913
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: AR EICA OTA
Project Name/Number: Rate/Factor Revision (+6.9%)/847664

Filing at a Glance

Company: Encompass Insurance Company of America

Product Name: AR EICA OTA

SERFF Tr Num: ALSE-127983758 State: Arkansas

TOI: 04.0 Homeowners

SERFF Status: Closed-Filed

State Tr Num:

Sub-TOI: 04.0000 Homeowners Sub-TOI

Co Tr Num: ER-1913

State Status:

Combinations

Filing Type: Rate/Rule

Reviewer(s): Becky Harrington,
Nancy Horton

Author: Andi Colosi

Disposition Date: 01/30/2012

Date Submitted: 01/12/2012

Disposition Status: Filed

Effective Date Requested (New):

Effective Date (New):

Effective Date Requested (Renewal): 06/14/2012

Effective Date (Renewal):

06/14/2012

State Filing Description:

General Information

Project Name: Rate/Factor Revision (+6.9%)

Status of Filing in Domicile:

Project Number: 847664

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 01/30/2012

State Status Changed:

Deemer Date:

Created By: Andi Colosi

Submitted By: Andi Colosi

Corresponding Filing Tracking Number:

Filing Description:

With this filing, Encompass Insurance Company of America is proposing revisions to the Other Than Automobile line of business in order to achieve an overall rate impact of 6.9%. The Home Rates Manual, Home Rules Manual, and Dwelling Fire Rules Manual were revised as a part of this filing. Revisions in the Home Rates Manual include the Home and Condo Base Rates. Revisions in the Home Rules Manual include the Segment Factor, the Maximum Premium Credits, the Building Ordinance Increased Costs, and Building Additions and Alterations. Revisions in the Dwelling Fire Rules Manual include the Occupancy Factors.

Company and Contact

SERFF Tracking Number: ALSE-127983758 *State:* Arkansas
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Product Name: AR EICA OTA
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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 Casualty
Suite A2-W	Group Name: Allstate	State ID Number:
Northbrook, IL 60062	FEIN Number: 36-3976913	
(847) 402-5000 ext. [Phone]		

Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Encompass Insurance Company of America	\$100.00	01/12/2012	55266398

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	01/30/2012	01/30/2012

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	Becky Harrington	01/20/2012	01/20/2012	Andi Colosi	01/27/2012	01/27/2012
Pending Industry Response	Becky Harrington	01/13/2012	01/13/2012	Andi Colosi	01/13/2012	01/13/2012

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Disposition

Disposition Date: 01/30/2012
 Effective Date (New):
 Effective Date (Renewal): 06/14/2012
 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	35.200%	5.000%	\$38,037	308	\$761,143	11.500%	2.100%

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)	Filed	Yes
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document (revised)	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document (revised)	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC loss cost data entry document		Yes
Supporting Document (revised)	Supporting Documentation	Filed	Yes
Supporting Document	Supporting Documentation		Yes
Supporting Document	Supporting Documentation		Yes
Rate (revised)	ManualHomeRates	Filed	Yes
Rate	ManualHomeRates		Yes
Rate (revised)	ManualHomeRules	Filed	Yes
Rate	ManualHomeRules		Yes
Rate (revised)	ManualDwellingFireRules	Filed	Yes
Rate	ManualDwellingFireRules		Yes

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Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 01/20/2012

Submitted Date 01/20/2012

Respond By Date

Dear Andi Colosi,

This will acknowledge receipt of the recent response.

Increases greater than 6% are reviewed by the Commissioner. He has reviewed this filing and requests the overall amount be amended to 5%.

Please provide a revised HPCS.

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

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

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

Sincerely,

Becky Harrington

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 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
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Response Letter

Response Letter Status Submitted to State
 Response Letter Date 01/27/2012
 Submitted Date 01/27/2012

Dear Becky Harrington,

Comments:

Hi Becky: Thanks again for your review. Please see our response below and let us know if you need anything else.

Thanks!
 Andi

Response 1

Comments: The filing has been revised to meet the department's request for a 5% overall rate impact. Please refer to the updated documents and post-submission update for the requested revisions.

Also, please note that the Renewal Business Effective Date has been updated from 5/31/2012 to 6/14/2012.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: HPCS-Homeowners Premium Comparison Survey

Comment:

Satisfied -Name: NAIC loss cost data entry document

Comment:

Satisfied -Name: Supporting Documentation

Comment:

No Form Schedule items changed.

Rate/Rule Schedule Item Changes

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
ManualHomeRates		Replacement	
Previous Version			
ManualHomeRates		Replacement	

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ManualHomeRules Replacement
Previous Version
ManualHomeRules Replacement
ManualDwellingFireRules Replacement
Previous Version
ManualDwellingFireRules Replacement

Sincerely,
Andi Colosi

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Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 01/13/2012
Submitted Date 01/13/2012
Respond By Date

Dear Andi Colosi,

This will acknowledge receipt of the captioned filing.

Objection 1

Comment: Please remove/withdraw the retained risk provision exhibit.

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

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

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

Sincerely,

Becky Harrington

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TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
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Response Letter

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

Dear Becky Harrington,

Comments:

Response 1

Comments: The attachment containing the Retained Risk Provision and any references made to the Retained Risk Provision have been removed from this filing.

Related Objection 1

Comment:

Please remove/withdraw the retained risk provision exhibit.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Supporting Documentation

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

If you need anything else, please let us know.

Thanks!

Andi

Sincerely,
Andi Colosi

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Post Submission Update Request Processed On 01/30/2012

Status: Allowed
Created By: Andi Colosi
Processed By: Becky Harrington
Comments: overall impact reduced per Dept request

General Information:

Field Name	Requested Change	Prior Value
Effective Date Requested (Renew)	06/14/2012	05/31/2012

Company Rate Information:

Company Name: Encompass Insurance Company of America

Field Name	Requested Change	Prior Value
Overall % Rate Impact	5.000%	6.900%
Written Premium Change for this Program	\$38037	\$52519
Maximum %Change (where required)	11.500%	13.600%
Minimum %Change (where required)	2.100%	3.300%

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Rate Information

Rate data applies to filing.

Filing Method: File and Use
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 8.600%
Effective Date of Last Rate Revision: 04/23/2012
Filing Method of Last Filing: File and Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
Encompass Insurance Company of America	35.200%	5.000%	\$38,037	308	\$761,143	11.500%	2.100%

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Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
Filed 01/30/2012	ManualHomeRates		Replacement	ER-1913 ManualHomeRates.v2 .pdf
Filed 01/30/2012	ManualHomeRules		Replacement	ER-1913 ManualHomeRules.v2. pdf
Filed 01/30/2012	ManualDwellingFireRu les		Replacement	ER-1913 ManualDwellingFireRu les.v2.pdf

ARKANSAS USP PACKAGE PREMISES RATE PAGES

BASE RATES

Territory	Homes	Condos
30	<u>1340</u>	<u>415</u>
31	<u>1492</u>	<u>415</u>
32	<u>1594</u>	<u>415</u>
36	<u>1266</u>	<u>415</u>
39	<u>1483</u>	<u>415</u>
40	<u>1028</u>	<u>415</u>
41	<u>1298</u>	<u>415</u>
44	<u>1085</u>	<u>415</u>
60	<u>1339</u>	<u>415</u>
61	<u>1133</u>	<u>415</u>
62	<u>1621</u>	<u>415</u>
63	<u>1607</u>	<u>415</u>
64	<u>1541</u>	<u>415</u>
65	<u>1394</u>	<u>415</u>
66	<u>1075</u>	<u>415</u>
67	<u>1311</u>	<u>415</u>
68	<u>1320</u>	<u>415</u>
71	<u>1443</u>	<u>415</u>
72	<u>1121</u>	<u>415</u>
100	<u>1144</u>	<u>415</u>
101	<u>1505</u>	<u>415</u>

Flat Charge	0	0
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ARKANSAS USP PACKAGE PREMISES RATE PAGES

Protection/Construction Class Relativities

Homes

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

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Protection/Construction Class Relativities

Condos

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

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

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

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Homes

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Homes

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

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

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Condos

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

USP PORTFOLIO ARKANSAS: HOME RULES

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1. ELIGIBILITY

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

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

2. PREMIUM DETERMINATION

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

The base rates shown on the State Rate Pages for USP Package reflect a package discount. In order to calculate the rate level for USP Segment, multiply the applicable USP Package base rate by ~~1.33~~ 1.40.

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

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

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

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

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

H. Optional Excess Liability

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

I. Reinsurance Charge

Charge to cover the net cost of reinsurance.

Determine the Reinsurance Charge as follows:

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

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

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

1.

Coverage Amounts Shown	Factors Shown
\$ 85,000	85
\$ - 80,000	-.80
\$ 5,000 (Difference – Amount)	5 (Difference - Factor)
2.
$$[\$3,000 \text{ (Additional Amount)} / \$5,000 \text{ (Difference – Amount)}] \times [5 \text{ (Difference – Factor)}] = 3.000$$

Round to Three Decimals)

80.000 (Factor for \$80,000)

+3.000 (Factor for Additional \$3,000)

83.000 (Factor for \$83,000 Rounded to Three Decimals)

3. RENTERS COVERAGE

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

4. OTHER RESIDENCE PREMISES

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

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

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

- B. Reserved for Future use.

- C. Apply the appropriate USP Segment factor (if applicable) from Rule 2 of this section.

- D. Apply one of the following factors based on the type of occupancy.

Secondary Seasonal	1.10
Secondary Non-Seasonal	1.00

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

- E. Apply the appropriate Coverage Option factors (if applicable) from Rule 2 of this section.

- F. Apply the appropriate liability premium adjustment (if applicable) from Rule 2 of this section.

- G. Basic Liability Only

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

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

- H. Optional Excess Liability

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

5. PROTECTION CLASSIFICATION CODES AND INFORMATION

A. Codes

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

B. Protection Information

- Using the Insurance Services Office assigned fire protection classification as published in their Community Mitigation Classification Manual, a risk is assigned the town class of the area in which it is situated.
- In the event that the Insurance Services Office provides a split classification (e.g., a 6/9), the classification number will be determined as follows:
 - If the risk is within 1000 feet of an approved water source, then the PPC to be assigned is the lower-numbered class (e.g. class 6 in the example above).
 - Otherwise, the risk is assigned the higher-numbered class.
- Town Class 10 applies to risks located more than five miles from a responding fire department or which have no qualified fire department response.

6. CONSTRUCTION DEFINITIONS

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

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

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

7. RESERVED FOR FUTURE USE

8. SINGLE BUILDING DEFINITION

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

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

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

9. RESERVED FOR FUTURE USE

10. REPLACEMENT VALUE COVERAGE

A. Replacement Value Coverage for Personal Property:

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

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

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

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

11. PROTECTIVE DEVICES

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

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

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

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

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

12. DEDUCTIBLES

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

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

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

Deductible Amount	Factors		Maximum Premium Credit	
	<u>Dwelling</u>	<u>Condo/Renter</u>	<u>Dwelling</u>	<u>Condo/Renter</u>
\$ 250	1.00	1.00	-	-
500	.90	.85	\$ <u>425,132</u>	\$ <u>425,130</u>
1,000	.75	.70	<u>375,395</u>	<u>375,391</u>
2,500	.65	.50	<u>4,125,186</u>	<u>4,125,175</u>
5,000	.55	.35	<u>2,375,2504</u>	<u>2,375,2482</u>

13. AGE OF DWELLING DISCOUNT

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

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

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

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

14. RETIREMENT COMMUNITY DISCOUNT

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

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

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

15. MISCELLANEOUS COVERAGES

A. Backup of Sewers or Drain Coverage

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

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

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

B. Personal Home Computer and Data Records

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

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

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

This coverage is subject to the property deductible.

C. Loss Assessment Coverage

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

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

Optional limits are available at the following additional premium charge:

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

D. Building Ordinance Increased Costs

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

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

Dwellings	- Apply a factor of 1.10
Renters/Condos	- Charge \$3.28 <u>3.43</u>

E. Misplaced or Lost Jewelry Coverage

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

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

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

F. Home Day Care Operations

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

(1) Property Coverage:

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

(2) Liability Coverage:

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

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

G. HomeWork Supplement

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

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

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

H. Lifestyle Coverage Endorsement

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

I. Theft of Building Materials and Builder's Risk

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

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

J. Identity Fraud Expense Coverage Endorsement

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

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

16. BUILDING ADDITIONS AND ALTERATIONS

For condominiums or residences rented to the insured—coverage is automatically included at limits equal to 10% of the personal property limit. For each additional \$1,000 of replacement cost of the addition or alteration, charge \$~~3.28~~ 3.43.

17. CREDIT CARD, FORGERY AND COUNTERFEIT MONEY

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

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

These limits cannot be further increased.

18. RESERVED FOR FUTURE USE

19. RESERVED FOR FUTURE USE

20. OTHER STRUCTURES

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

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

- (1) For an other structure used for residential purposes that is rented or occupied by others:

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

- (2) For another structure used for office, professional, private school or studio refer to Rule 26 B.1(b).

- (3) For another structure occupied by the insured on the insured residence premises:

\$4 per thousand of additional replacement value of structure.

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

- B. For Condominium Unit owners only:

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

\$10 per thousand of replacement value of structure

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

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

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

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

- D. Optional Excess Liability Coverage

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

21. PERSONAL PROPERTY

A. Property Special Limits

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

B. Tangible Personal Property

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

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

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

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

C. Personal Property Plus

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

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

22. SCHEDULED PERSONAL PROPERTY

A. Rates

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

B. Blanket Coverage

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

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

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

C. Jewelry Surcharges

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

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

Example

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

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

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

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

D. Alarms

See Protective Devices Rule in this section for applicable credits.

E. Deductibles

The base deductible of \$250 applies.

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

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

F. Reserved for Future Use

G. Stated Value Coverage—Scheduled Personal Property

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

H. Fine Arts Annual Premiums

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

23. LOSS FREE DISCOUNT

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

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

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

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

24. RESERVED FOR FUTURE USE

25. RESERVED FOR FUTURE USE

26. PERMITTED BUSINESS EXPOSURES**A. BUSINESS PURSUITS**

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

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

B. PERMITTED INCIDENTAL BUSINESS OCCUPANCIES

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

- (a) In the primary residence premises:

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

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

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

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

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

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

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

2. Business Property

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

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

27. INCIDENTAL FARMING PERSONAL LIABILITY

A. Basic Liability

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

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

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

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

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

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

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

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

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

- A. Take the difference between the two lowest available limits on the rate page.

$$\begin{array}{r} \$40,000\text{--Second lowest limit} \\ -30,000\text{--Lowest limit} \\ \hline \$10,000\text{--Difference (Amount)} \end{array}$$

- B. Take the difference between the premiums associated with the limits in Step A.

$$\begin{array}{r} \$118\text{--Premium for second lowest limit} \\ -106\text{--Premium for lowest limit} \\ \hline \$ 12\text{--Difference (Premium)} \end{array}$$

- C. $\$ 5,000\text{--divided by } \$10,000 \text{ Difference (Amount) } \times \$12\text{--Difference (Premium) } = \$6\text{-- Premium for coverage from desired amount to lowest amount shown}$

- D. $\$106 \text{ --Premium for lowest limit}$

$$\begin{array}{r} -6 \text{ --Premium for coverage from desired amount to lowest limit} \\ \hline \$100 \text{ --Premium for desired amount } (\$25,000) \end{array}$$

U.S.P. PORTFOLIO: DWELLING FIRE RULES

B. Condominiums and Cooperative Apartments

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

6. SEASONAL DWELLING DEFINITION

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

7. OCCUPANCY FACTORS

A. Dwellings

(1) Dwelling Factors

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

	<u>Territories 62-65</u>		<u>All Other Territories</u>	
	<u>Frame</u>	<u>Masonry</u>	<u>Frame</u>	<u>Masonry</u>
Secondary Seasonal	0.70 <u>0.71</u>	0.74 <u>0.75</u>	0.75 <u>0.76</u>	0.75 <u>0.76</u>
Secondary Non-Seasonal	0.74 <u>0.75</u>	0.75 <u>0.76</u>	0.75 <u>0.76</u>	0.74 <u>0.75</u>
Primary	0.74 <u>0.75</u>	0.75 <u>0.76</u>	0.75 <u>0.76</u>	0.74 <u>0.75</u>

(2) Additional Contents Factor

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

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

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

(3) Rental Factor

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

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

**EFFECTIVE: June 14, 2012
PAGE NO: 4-Arkansas**

13. RESERVED FOR FUTURE USE

14. BUILDING ORDINANCE INCREASED COSTS

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

Dwellings - Apply a factor of 1.10
Condominiums - Charge \$~~3~~ 3.43

15. LOSS ASSESSMENT COVERAGE

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

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

16. BACKUP OF SEWER OR DRAIN COVERAGE

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

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

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

17. PERSONAL HOME COMPUTER AND DATA RECORDS

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

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

This coverage is subject to the dwelling deductible.

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

SERFF Tracking Number: ALSE-127983758 State: Arkansas
 Filing Company: Encompass Insurance Company of America State Tracking Number:
 Company Tracking Number: ER-1913
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
 Product Name: AR EICA OTA
 Project Name/Number: Rate/Factor Revision (+6.9%)/847664

Supporting Document Schedules

		Item Status:	Status Date:
Bypassed - Item:	Form RF-2 Loss Costs Only (not for workers' compensation)	Filed	01/30/2012
Bypass Reason:	NA		
Comments:			

		Item Status:	Status Date:
Satisfied - Item:	H-1 Homeowners Abstract	Filed	01/30/2012
Comments:			
Attachment:			
	03. ER-1913 StateFilingFormH-1.pdf		

		Item Status:	Status Date:
Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey	Filed	01/30/2012
Comments:			
Attachments:			
	05. ER-1913 HPCS.v2.pdf		
	05. ER-1913 HPCS.v2.xls		

		Item Status:	Status Date:
Satisfied - Item:	NAIC loss cost data entry document	Filed	01/30/2012
Comments:			
Attachment:			
	04. ER-1913 StateFilingFormRF-1.v3.pdf		

	Item Status:	Status Date:
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SERFF Tracking Number: ALSE-127983758 State: Arkansas
Filing Company: Encompass Insurance Company of America State Tracking Number:
Company Tracking Number: ER-1913
TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Product Name: AR EICA OTA
Project Name/Number: Rate/Factor Revision (+6.9%)/847664
Satisfied - Item: Supporting Documentation Filed 01/30/2012

Comments:

Attachments:

- 08. ER-1913 Development of the Underwriting Profit Provision.pdf
- 09. ER-1913 Attachment A - Extended RRP Support.pdf
- 10. ER-1913 Attachment B - Contingency filing memo.pdf
- 12. ER-1913 Attachment A - Rating Plan Revisions.pdf
- 06. ER-1913 Indication Memo.v4.pdf
- 07. ER-1913 AR OTA Indication.v3.pdf

HOMEOWNERS ABSTRACT

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

Company Name Encompass Insurance Company of America

NAIC No. 10071

Group No. 008

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

2. If you use a cost estimator (or some similar method) in order to make sure that dwellings (or contents) are insured at their value, state when this program was started in Arkansas and estimate its impact. Agents can use any of the most current automated residential cost estimators available from Marshall & Swift, or BOECKH. The majority of agents use BOECKH and its impact generally understates the cost by approximately 10% on average.

3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used. 100% insurance to value (ITV) is required. Agents submit acceptable documentation estimating the replacement value of the home. If the agent is unable to provide an estimate, then an inspection is ordered to determine the accurate replacement value.

4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact. Historically, Encompass has utilized the Marshall & Swift Inflation Guard Factors which are published every 6 months. The percent increase will range from 2% to 4%.

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

a.	Fire Extinguisher	<u>0-5</u> %
b.	Burglar Alarm	<u>2-5</u> %
c.	Smoke Alarm	<u>2-5</u> %
d.	Insured who has both homeowners and auto with your company	<u>29</u> %
e.	Deadbolt Locks	<u>0-5</u> %
f.	Window or Door Locks	<u>0</u> %
g.	Other (specify)	<u> </u> %
	<u>Protective Package – a combination of fire alarm, dead bolt locks</u>	
	<u>on all exterior doors, and a fire extinguisher in the residence</u>	<u>5</u> %
	<u>Automatic Sprinkler System</u>	<u>8-13</u> %

6. Are there any areas in the State of Arkansas in which your company will not write homeowners insurance? No
If so, state the areas and explain reason for not writing. N/A

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

Form	Premium Volume
<u>Homeowners</u>	<u>\$687,872</u>
<u>Dwelling Fire</u>	<u>\$53,460</u>
<u>Condo/Renter</u>	<u>\$19,811</u>

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

9. If there is a surcharge on risks with wood heat? No
If yes, state surcharge N/A
Does the surcharge apply to conventional fire places? No
If yes, state surcharge N/A

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

Rebecca J. Rodery

Signature

Pricing Technician Analyst

Title

(847)402-8830

Telephone Number

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: 6/14/2012

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

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

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$754.00	\$839.00	\$990.00	\$1,111.00	\$1,108.00	\$1,241.00	\$1,220.00	\$1,367.00	\$1,036.00	\$1,160.00	\$1,127.00	\$1,262.00	\$840.00	\$934.00	\$956.00	\$1,074.00	\$1,116.00	\$1,250.00
	\$120,000	\$1,046.00	\$1,175.00	\$1,394.00	\$1,561.00	\$1,556.00	\$1,739.00	\$1,709.00	\$1,911.00	\$1,457.00	\$1,629.00	\$1,581.00	\$1,766.00	\$1,177.00	\$1,319.00	\$1,348.00	\$1,510.00	\$1,566.00	\$1,750.00
	\$160,000	\$1,301.00	\$1,457.00	\$1,726.00	\$1,928.00	\$1,922.00	\$2,147.00	\$2,111.00	\$2,356.00	\$1,801.00	\$2,011.00	\$1,953.00	\$2,179.00	\$1,459.00	\$1,633.00	\$1,669.00	\$1,866.00	\$1,935.00	\$2,160.00
6	\$80,000	\$989.00	\$1,121.00	\$1,319.00	\$1,491.00	\$1,472.00	\$1,662.00	\$1,618.00	\$1,826.00	\$1,376.00	\$1,556.00	\$1,495.00	\$1,688.00	\$1,112.00	\$1,259.00	\$1,275.00	\$1,442.00	\$1,481.00	\$1,672.00
	\$120,000	\$1,394.00	\$1,394.00	\$1,845.00	\$1,845.00	\$2,055.00	\$2,055.00	\$2,255.00	\$2,255.00	\$1,925.00	\$1,925.00	\$2,086.00	\$2,086.00	\$1,562.00	\$1,562.00	\$1,786.00	\$1,786.00	\$2,067.00	\$2,067.00
	\$160,000	\$1,723.00	\$1,946.00	\$2,275.00	\$2,563.00	\$2,532.00	\$2,850.00	\$2,776.00	\$3,125.00	\$2,372.00	\$2,673.00	\$2,569.00	\$2,894.00	\$1,930.00	\$2,175.00	\$2,203.00	\$2,481.00	\$2,547.00	\$2,868.00
9	\$80,000	\$2,691.00	\$3,157.00	\$3,537.00	\$4,143.00	\$3,928.00	\$4,601.00	\$4,303.00	\$5,038.00	\$3,687.00	\$4,318.00	\$3,989.00	\$4,671.00	\$3,008.00	\$3,526.00	\$3,426.00	\$4,013.00	\$3,952.00	\$4,628.00
	\$120,000	\$3,728.00	\$4,366.00	\$4,886.00	\$5,717.00	\$5,422.00	\$6,344.00	\$5,936.00	\$6,943.00	\$5,091.00	\$5,957.00	\$5,504.00	\$6,440.00	\$4,160.00	\$4,870.00	\$4,733.00	\$5,539.00	\$5,455.00	\$6,383.00
	\$160,000	\$4,574.00	\$5,353.00	\$5,988.00	\$7,003.00	\$6,644.00	\$7,768.00	\$7,271.00	\$8,500.00	\$6,238.00	\$7,294.00	\$6,743.00	\$7,884.00	\$5,100.00	\$5,968.00	\$5,801.00	\$6,786.00	\$6,684.00	\$7,816.00

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

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000																		
	\$15,000																		
	\$25,000	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00
6	\$5,000																		
	\$15,000																		
	\$25,000	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00
9	\$5,000																		
	\$15,000																		
	\$25,000	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00	\$357.00

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$456.00	\$515.00	\$595.00	\$670.00	\$660.00	\$742.00	\$730.00	\$800.00	\$628.00	\$688.00	\$669.00	\$752.00	\$509.00	\$572.00	\$576.00	\$649.00	\$663.00	\$746.00
	\$120,000	\$626.00	\$705.00	\$815.00	\$918.00	\$904.00	\$1,016.00	\$1,000.00	\$1,096.00	\$860.00	\$943.00	\$917.00	\$1,031.00	\$697.00	\$785.00	\$790.00	\$889.00	\$908.00	\$1,022.00
	\$160,000	\$764.00	\$860.00	\$995.00	\$1,121.00	\$1,103.00	\$1,247.00	\$1,225.00	\$1,356.00	\$1,050.00	\$1,151.00	\$1,120.00	\$1,267.00	\$851.00	\$958.00	\$965.00	\$1,086.00	\$1,110.00	\$1,255.00
6	\$80,000	\$594.00	\$675.00	\$774.00	\$879.00	\$858.00	\$973.00	\$949.00	\$1,050.00	\$816.00	\$904.00	\$870.00	\$988.00	\$662.00	\$751.00	\$750.00	\$852.00	\$862.00	\$979.00
	\$120,000	\$815.00	\$925.00	\$1,061.00	\$1,207.00	\$1,175.00	\$1,351.00	\$1,313.00	\$1,467.00	\$1,119.00	\$1,243.00	\$1,192.00	\$1,373.00	\$906.00	\$1,030.00	\$1,028.00	\$1,168.00	\$1,182.00	\$1,360.00
	\$160,000	\$995.00	\$1,130.00	\$1,307.00	\$1,503.00	\$1,462.00	\$1,678.00	\$1,632.00	\$1,821.00	\$1,385.00	\$1,548.00	\$1,485.00	\$1,705.00	\$1,106.00	\$1,264.00	\$1,263.00	\$1,452.00	\$1,471.00	\$1,690.00
9	\$80,000	\$1,558.00	\$1,866.00	\$2,070.00	\$2,472.00	\$2,307.00	\$2,752.00	\$2,569.00	\$2,979.00	\$2,192.00	\$2,543.00	\$2,344.00	\$2,796.00	\$1,750.00	\$2,093.00	\$2,003.00	\$2,392.00	\$2,322.00	\$2,769.00
	\$120,000	\$2,186.00	\$2,608.00	\$2,887.00	\$3,437.00	\$3,211.00	\$3,821.00	\$3,572.00	\$4,132.00	\$3,053.00	\$3,535.00	\$3,261.00	\$3,880.00	\$2,448.00	\$2,917.00	\$2,795.00	\$3,328.00	\$3,231.00	\$3,845.00
	\$160,000	\$2,698.00	\$3,214.00	\$3,554.00	\$4,226.00	\$3,951.00	\$4,695.00	\$4,390.00	\$5,074.00	\$3,757.00	\$4,345.00	\$4,011.00	\$4,766.00	\$3,017.00	\$3,592.00	\$3,441.00	\$4,093.00	\$3,975.00	\$4,723.00

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

HO3 and HO4 only

Fire Extinguisher		%	Deadbolt Lock		%
Burglar Alarm	2 to 5	%	Window Locks		%
Smoke Alarm	2 to 5	%	\$1,000 Deductible	17	%
			Other (specify)		%
			Maximum Credit Allowed		%

EARTHQUAKE INSURANCE

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	No	(yes or no)	
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?		%	
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?			
	Zone	Brick	Frame
	Highest Risk	\$	\$
	Lowest Risk	\$	\$

NAIC LOSS COST DATA ENTRY DOCUMENT

1. This filing transmittal is part of Company Tracking # **ER-1913**

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

		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.	4.0 Homeowners	B.		N/A

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Home	33.6%	5.0%					
Dwelling Fire	55.7%	5.0%					
Condo/Renters	64.7%	4.9%					
TOTAL OVERALL EFFECT	35.2%	5.0%					

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	1222	N/A	N/A	2515	926	36.8%	52.5%
2007	824	4.6%	12/20/07	1879	459	24.4%	37.8%
2008	607	-0.6%	6/5/08	634	1384	218.3%	52.1%
2009	468	N/A	N/A	1846	369	20.0%	49.4%
2010	374	8.6%	4/23/10	829	199	24.0%	47.6%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	15.2%
B. General Expense	7.8%
C. Taxes, License & Fees	3.1%
D. Underwriting Profit & Contingencies	8.9%
E. Other (Debt Provision)	1.4%
F. TOTAL	36.4%

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

9. +11.5% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 30

10. +2.1% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): 65

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

Explanatory Memorandum

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>

Development of the Underwriting Profit Provision
 Encompass Insurance Group
 Other Than Automobile
 Arkansas

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.

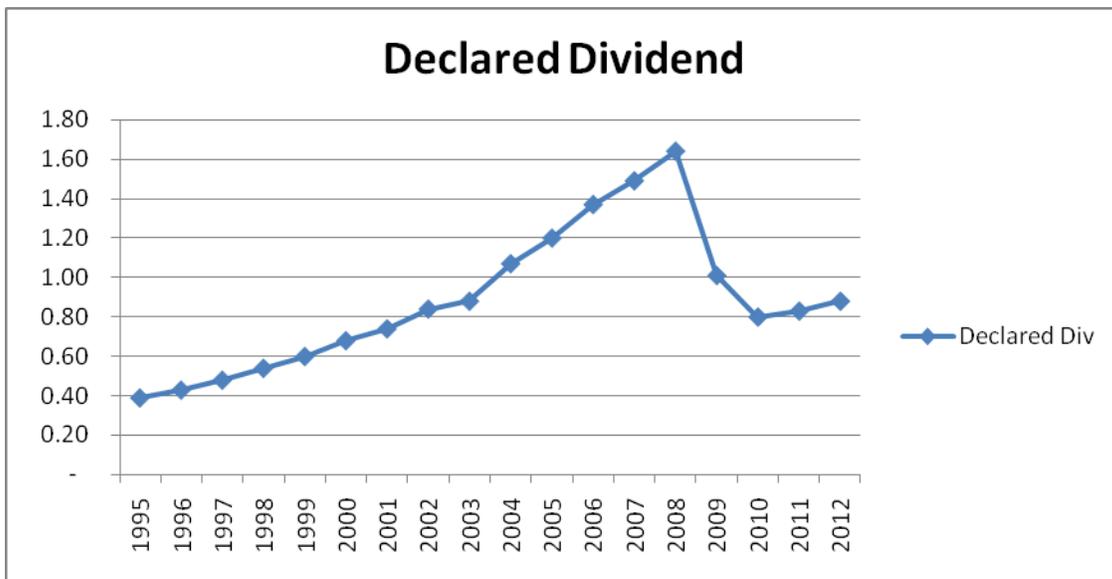
Discounted Cash Flow

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*

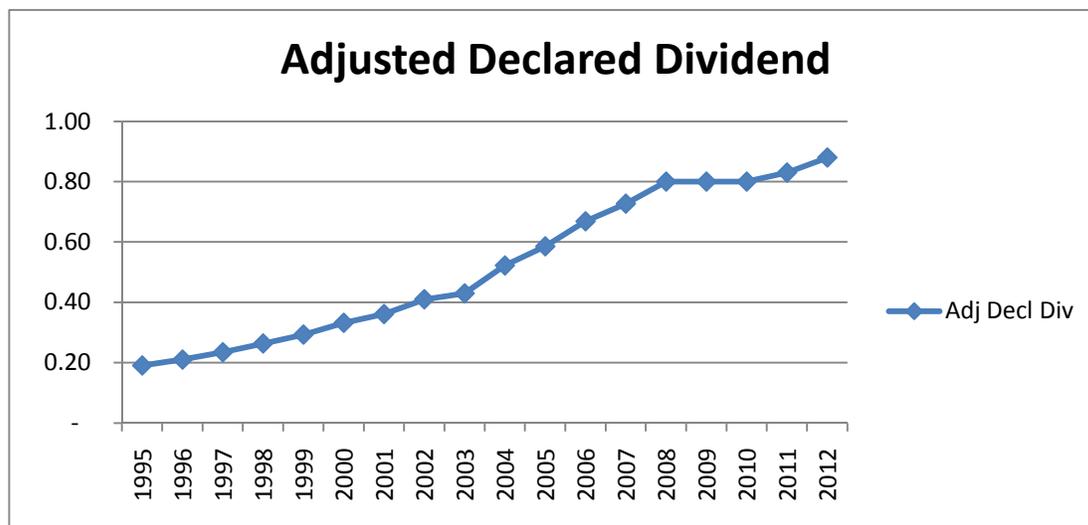
⁵ Note: the calculation is to the (1/6) power because the average years in comparison are 2009 and 2015, which is a six-year span.

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

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.

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

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

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 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

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.

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

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 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
Homeowners

Development of the Underwriting Profit

	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**:	1.9%	App. 3, Exh. 5, Pg. 1
(13) After-tax U/W Profit Provision:	5.1%	=(11)-(12)
(14) Tax Rate:	35%	FIT***
(15) Pre-tax U/W Income Needed by Allstate:	7.8%	=(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) Year	(2) Prior Year GAAP Net Income*	(3) Dividends	(4) Stock Repurchases (Net)	(5) = (3)+(4) Total Payout	(6) = (5)/(2) 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/invsb/results/compare.asp?Page=TenYearSummary&Symbol=ALL>

ENCOMPASS INSURANCE COMPANY
HOMEOWNERS

Arkansas

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 2.6%*
force of interest, given an Operating Profit of 7.0%
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 @ 2.6%	Discounted Payments
1	25.7%	25.7%	0.70	1.008	25.9%
2	78.6%	52.9%	1.40	0.990	52.4%
3	89.8%	11.2%	2.40	0.964	10.8%
4	93.9%	4.1%	3.50	0.937	3.8%
5	96.3%	2.4%	4.50	0.913	2.2%
Subsequent	100.0%	3.7%	6.90	0.858	3.2%
Total		100.0%			98.3%
Expected Losses and Loss Expense Ratio					62.6%
Present Value of Loss and Loss Expense Payments					61.5%
General Expense		7.8%	0.75	1.007	7.9%
Other Acquisition		0.7%	0.63	1.010	0.7%
Taxes		2.9%	0.65	1.009	2.9%
Commissions		14.5%	0.58	1.011	14.7%
Debt Provision		1.4%	1.00	1.000	1.4%
Profit Provision		7.9%	1.00	1.000	7.9%
Contingency Provision		2.0%	1.00	1.000	2.0%
Licenses and Fees		0.2%	0.65	1.009	0.2%
Total Present Value of Outgo					99.2%
Premiums		100.0%	0.57	1.011	101.1%
Difference, Present Value of Income Less Present Value of Outgo					1.9%

*Discount rate from Investments Department forecast

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

ATTACHMENT A

Retained Risk Provision

Encompass Insurance Group
Other Than Automobile
Arkansas

DEVELOPMENT OF RETAINED RISK PROVISION DUE TO CATASTROPHE EXPOSURE

With this filing, Encompass is introducing a provision in the rates to cover the risk of exposing its capital to large catastrophic events. This retained risk provision (RRP) is intended to provide appropriate compensation to Encompass relative to its retained, high-layer catastrophe risk. The provision described below is consistent with the rules and procedures set forth in the Actuarial Standard of Practice No. 38, *Using Models Outside the Actuary's Area of Expertise (Property and Casualty)* and Actuarial Standard of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*.

The procedure for developing the RRP calls for identifying the portion of catastrophic losses that will be retained by Encompass and then estimating the cost to Encompass of holding the capital required to pay such losses. To measure the amount of retained losses, Encompass' actual reinsurance contracts are applied to the modeled losses based on the 2010/2009 AIR Version 12.0 Hurricane and Earthquake Model for Arkansas. This provides an estimate of the portion of the losses that will be covered by Encompass' reinsurance contracts and the amounts that will be retained by Encompass. Once the retained losses in excess of a 1-in-5-year event (i.e., 20% annual occurrence probability) have been determined, we then calculate the appropriate compensation for exposure to such losses by using data from capital markets – specifically the market for catastrophe bonds. The details of the procedures used to determine the magnitude of retained losses at various occurrence probabilities, and the investor-required compensation for bearing the risk of those losses, are explained in more detail below.

Catastrophe bonds are one of a class of financial instruments known collectively as “insurance linked securities (ILS).” ILS have payoffs conditional on future contingent events, such as the occurrence of hurricanes. While there are a variety of ILS traded in today's capital markets, the most common and prominent of these are catastrophe bonds, which are bonds that may default on both principal and interest if a specific catastrophic event occurs.

Typically a catastrophe bond is issued by an insurance company with a provision that if a specified catastrophic event (e.g., hurricane in Florida, earthquake in California, winter storm in Europe, etc.) of a particular magnitude occurs, the issuer may default on the payment of principal and/or interest on the bond. In that respect, the bond functions similarly to reinsurance – once the “attachment point” is breached, the insurer receives a benefit that at maximum is equal to the face amount of the bond. When catastrophe bonds are sold, investors naturally demand a yield premium as compensation for the risk of default.

Mechanically, when catastrophe bonds are sold, the issuer deposits the proceeds of the sale into a segregated account which pays interest at the risk free rate. However, because of the default risk, the yields on such bonds must be higher than the risk free rate. Thus, the interest in excess of the risk free rate is an excellent basis for measuring the risk premium that the marketplace has established for bearing catastrophe exposure. Furthermore, since insurers face the same risk of catastrophic loss as investors, the risk premiums paid in capital markets provide an appropriate measure of the compensation required for the insurer as well.

There are several reasons why this is a particularly useful way to quantify a RRP in ratemaking. First, the data are drawn directly from capital markets, meaning they reflect the consensus of all investors as to the compensation required for bearing catastrophe risk. Second, they reflect exactly the types of risks to which insurers are exposed when they write property coverage in catastrophe prone states; as such they represent an appropriate estimate of the return demanded for the catastrophe exposure. Third, the entire

Encompass Insurance Group
Other Than Automobile
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analysis is free of assumptions regarding insurer-specific factors such as cost of capital, leverage, and investment income. Finally, the data required to adapt this information to insurance ratemaking is readily available and reported regularly at annual (or more frequent) intervals.

The data used in the calculation of the rate retained risk provision was selected in accordance with the considerations listed in Section 3.2 of Actuarial Standard of Practice No. 23, *Data Quality*. As regards the data, the sources Encompass relies upon are the annual publications of Lane Financial LLC, the most prominent analyst of the ILS market in the US. Annually, Lane Financial provides a summary of all newly issued catastrophe bonds, which includes information on the following critical variables:

- Face amount of bond
- Insured peril
- Yield spread to risk free rate (the excess return or risk premium on the bond)
- Probability of first loss (the probability that the insured event will cause any loss of principal or interest)
- Probability of exhaustion (the probability that the loss will be large enough to exhaust the entire principal of the bond)
- Expected value of loss (the annual average loss given the probability of attachment and exhaustion, expressed as a percent of the face amount of the bond)

Encompass uses this data to develop the appropriate RRP by state, line, and company in the following manner. First, profit multiples are calculated, which are obtained by subtracting the expected value of loss from the excess return on the bond, and then dividing that quantity by the expected loss. This profit multiple is essentially a measure of the profit an investor expects per dollar of expected loss on the bond. However, as might be expected, the amount of profit that investors require per dollar of loss depends on the riskiness of the losses themselves. For bonds that are extremely risky (i.e., that have very low probabilities of attachment) the profit multiples are considerably higher than for less risky instruments. Therefore, when the data are compiled, the profit multiples are computed for bonds in several different groups: those with attachment probabilities of 20% - 10%, 10% - 5%, 5% - 2%, 2% - 1%, 1% - 0.4%, and less than 0.4%. As expected, these profit multiples increase as the attachment probabilities decrease.

The next step is to apply these profit multiples to the amount of catastrophe losses retained by Encompass. To do this, the amount of retained catastrophe losses are compiled by layer, where the layers are defined by occurrence probabilities in the same ranges as the profit multiples described above. Given the expected retained losses within each layer and the required profit per dollar of loss as measured by the profit multiples, the RRP (in dollars) is calculated by multiplying the expected retained losses within each layer by the corresponding profit multiple and summing across the layers. This result can be used to estimate the appropriate compensation to Encompass for its retained catastrophe exposure.

These calculations are performed using annual aggregate catastrophe losses since Encompass' surplus is exposed to multiple events in the same year. The aggregate annual occurrence probabilities are determined by using all catastrophe losses in Arkansas using the AIR model event sets.

The AIR model produces 50,000 years of modeled losses, which are initially ranked from high to low. The loss sizes are determined for each of the occurrence probabilities that are used to define the loss layers (0.4%, 1%, 2%, 5%, 10%, and 20%). For example, the 1-in-100-year loss (1% probability) is the amount of catastrophe loss in the 500th largest year (1% of 50,000), the 1-in-250-year loss (0.4% probability) is the amount of catastrophe loss in the 200th largest year, etc. Once the loss sizes are determined for the boundaries of each layer, all expected losses from the AIR model are distributed into these layers of loss.

Encompass Insurance Group
Other Than Automobile
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Next, the amount of losses in each layer that are covered by Encompass' reinsurance contracts is determined by applying Encompass' reinsurance contracts to the modeled losses. The following items need to be considered when applying Encompass' reinsurance contracts:

- For events that impact more than one state, the reinsured losses are allocated to each affected state proportional to those events' expected losses in each state.
- Encompass' nationwide (excluding Florida and New Jersey) reinsurance contract is a per occurrence excess-of-loss contract that covers catastrophe losses in a year, subject to the terms and limits of that contract.
- The reinsurance coverage provided by the nationwide contract is applied to each state proportional to each state's expected losses in the reinsured layer.
- Some states have multiple reinsurance contracts that provide coverage for various types of catastrophe losses – these may include state-specific reinsurance contracts in addition to the nationwide contract.
- Additional considerations are required when there are multiple events in a year to ensure that the reinsured losses are allocated properly to each state.

Encompass' retained losses for each event are derived by subtracting the losses covered by reinsurance from the total expected losses. In some years, the retained losses exceed the total amount of Encompass' statutory surplus. Those years with retained losses in excess of Encompass' surplus are identified and Arkansas's portion of the excess losses is determined proportional to the retained losses in that year. The losses in excess of Encompass' statutory surplus are subtracted from the retained losses to determine the exposed losses covered by Encompass' surplus.

The indicated RRP is then developed by applying the profit multiple indicated by capital markets to the exposed Arkansas losses covered by surplus in each layer. The dollars of RRP are summed across the layers, and a diversification factor is applied to account for the fact that Encompass is a multi-line, multi-state company, to determine the total RRP.

Finally, the dollars of calculated RRP are divided by Amount of Insurance Years (AIYs) to develop a per-AIY charge that is included in the rate level indication.

ATTACHMENT B

Contingency Provision

**Encompass Insurance Group
Other Than Automobile
Contingency Factor Support
Explanatory Memorandum**

This memo provides explanation regarding Encompass's methodology for calculating a contingency provision to be used in its Homeowner rate level.

Background

Actuarial Standard of Practice #30 (ASOP #30), Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking, defines the contingency provision for ratemaking purposes as follows: A provision for the expected differences, if any, between the estimated costs and the average actual costs, that cannot be eliminated by changes in other components of the ratemaking process. ASOP #30 goes on to state that:

- The actuary should include a contingency provision in the rates if assumptions used in ratemaking produce cost estimates that are not expected to equal average actual costs, and if the difference cannot be eliminated by changes in other components of the ratemaking process.
- While estimated costs are intended to equal average actual costs over time, differences between estimated and actual risk transfer costs may be expected in any given year. If a difference persists, the difference should be reflected in the ratemaking calculations as a contingency provision. The contingency provision is not intended to measure the variability of results and is not expected to contribute to profit.

Thus, even if the actuary has available relevant, credible data and uses the best, state-of-the-art actuarial techniques, there may still be instances where estimated future costs differ from actual future costs. The factors causing this situation to occur are outside the actuary's ability to predict and the insurer's ability to control. Examples would include (but not be limited to) court decisions, legislative action and media influence on the public's behavior.

In spite of the inability to foresee specific events, an insurer may look back at recent history and identify past events that triggered unexpected payments. Given the highly regulated nature of the property and casualty insurance industry and the large amounts of money that flow through an insurance organization, it is reasonable to assume that adverse court decisions and similar unexpected events will occur again in the future. Courts and regulatory bodies are likely to continue to respond to lawsuits and other attempts at unexpected application of an insurance policy's coverage. As outlined in the Actuarial Standard of Practice referenced above, these events should be accounted for in ratemaking in the form of a contingency provision.

In his paper Contingency Margins in Rate Calculations, Steven Lehmann argues that the difference between the targeted underwriting profit and the realized underwriting profit can be used as a basis for calculating a contingency provision. He writes that the difference between targeted and realized profit can be caused by many things including court and legislative issues (as mentioned above) and also by dramatic inflation, inadequate residual market rates and other events. There are a couple of reasons why Encompass is not following the specific methodology outlined in Mr. Lehmann's paper. First, the difference between targeted and realized

underwriting profit is also influenced by the occurrence of catastrophes during the time period for which the difference is calculated. Mr. Lehmann mentions that one element of a contingency provision should be catastrophe events not adequately anticipated in the ratemaking. Because Encompass does calculate an adequate catastrophe load (theoretically sound and calculated over a sufficiently long period of time), the calculations described in Contingency Margins in Rate Calculations could result in “double-counting” some catastrophe events. This occurs if the calculations are made over a relatively short time period that also contains a significant catastrophe event. Addressing this problem by extending the contingency calculation too far into the past could lead to a provision that might not reflect the current environment. A second reason to depart from Mr. Lehmann’s methodology is that we have data resources today that were not available at the time Mr. Lehmann’s paper was published (1985). Sophisticated programs allow Encompass to review our claim file narratives to identify specific types of claims that are appropriate to include in support for a contingency provision because they can be representative of unforeseeable events. Taking advantage of advances in computing and data coding, Encompass can exclude claims that are not appropriate to a contingency provision, such as normal catastrophes and regulatory delay situations (regulatory delay can usually be priced for by adjusting assumptions regarding length of time the rates will be in effect). The effect of inflation (which should be captured in pure premium trend selections) is also excluded. For these reasons, Encompass has calculated a contingency provision using a methodology different from (but not inconsistent with) the methodology outlined in Mr. Lehmann’s paper.

Encompass Homeowners Contingency Provision calculation

With this filing, Encompass is presenting a method of calculating a contingency provision that allows more specificity around the type of events that are included. We have reviewed experience over approximately a 20-year period and have identified a number of representative events that are appropriate to a contingency provision, due to their unanticipated nature. Considered events include the following: court decisions redefining the cause of loss for earth movement- and landslide-related loss, sinkholes, failure to disclose (in connection with sale of a home), oil tank leakage, foundation slab losses, mold, methamphetamine lab damage, legislated exceptions to policy language, flooding, lead paint poisoning, imminent collapse, terrorism, radiant floor heating systems and dog bites.

Some of these losses are too old to obtain reliable loss data at the claim level of detail. Some events are excluded because, even with sophisticated computer programs, losses are not specifically tracked and so can’t be separated from other loss data for inclusion in Encompass’s computations. Some events simply did not produce a frequency of loss to materially impact our calculations. However, each event mentioned above illustrates that unforeseen loss does occur. This can be the case when a legislative or court decision expands the scope of Encompass’s policy coverage, or when the media unexpectedly focuses attention on a health issue or other item of public concern. Other as-yet-unknown influences that Encompass cannot predict or price for will also likely affect claims payments in the future.

In order to estimate an appropriate contingency provision, we have used a recent group of events (including oil tanks, slab losses, mold and flooding) for which we can obtain more reliable loss data. Issues which triggered payments over several years cannot be considered “unexpected” for an indefinite period of time. In these cases, we have judgmentally included losses from the first 3 years following the initial event. After 3 years we assume that these losses are present in our indications data and that we have priced sufficiently for the event’s exposure in our rates. Some events are of shorter duration and so fewer than 3 years of losses are included in the calculations. Note also that data includes some catastrophe losses. As mentioned above, catastrophe losses are

more appropriately accounted for in a catastrophe provision rather than in a contingency provision. However, the legislative, media and other influences that generate unexpected losses can also affect catastrophe losses. Therefore, catastrophe losses are included in our analysis when they stem from one of the issues in question. Losses are included for Encompass's Owners, Renters and Condo forms.

Exhibit A shows the sum of all claims divided by countrywide homeowners accident year losses from 1996 – 2003 (adjusted for expected catastrophe levels) and adjusted for expense provisions. This time period was chosen to match the time period of losses readily available to us (our claim files older than 1996 cannot be effectively reviewed to extract specific losses). Losses for some events have been adjusted downward to reflect the fact that, despite the sophistication of our analysis, some claims unrelated to the issue in question can be unintentionally included in the loss totals.

**Encompass Insurance Group
Other Than Automobile
Contingency Factor Support – Exhibit A**

Total estimated loss from unexpected events:	\$388,265,584
Total countrywide ex-cat accident year losses:	\$14,082,669,021
Indicated contingency provision as percentage of ex-cat loss:	2.8%
Indicated contingency provision as percentage of total loss:	2.1%
Indicated contingency provision adjusted for expenses:	1.9%
Selected contingency provision:	2.0%

Note: the information presented above represents Allstate Insurance Company data from accident years 1996-2003

ATTACHMENT A

Rating Plan Revisions

Support for Package Factor Revisions

With this filing, Encompass is proposing revisions to the Package Rating Tier Factors. These revisions are based on a loss ratio analysis of 5 years of Arkansas specific data which demonstrates that package customers have a lower loss ratio relativity when compared to segment customers. Page 2 of Attachment A includes five years of loss ratio information for Arkansas specific data for both package and segment customers.

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Loss Ratio Analysis: Package Factor Support
Based on Encompass Group Data
Accident Year 2Q2006-1Q2011

	(1)	(2)	(3)=(1)/(2)	(4)	(5)=(4)-1	(6)
Package/ Segment	Ex-CAT Limited Developed Incurred Losses Plus ALAE	Earned Premium @ CRL	Loss Ratio	Loss Ratio Relativity to Segment	Supportable Percent Change	Selected Percent Change
Package	\$ 4,497,222	\$ 12,628,343	35.6%	0.86	-14.2%	-5.0%
Segment	\$ 1,965,840	\$ 4,736,860	41.5%	1.00	0.0%	0.0%

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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 @ <u>CRL</u>	Encompass Insurance Group Indicated Rate <u>Level Change</u>	Encompass Insurance Company of America Written Premium <u>@ CRL</u>	Encompass Insurance Company of America Proposed Rate <u>Level Change</u>
Home	\$2,094,070	33.6%	\$687,872	5.0%
Dwelling Fire	88,093	55.7%	53,460	5.0%
Condo/Renters	54,006	64.7%	19,811	4.9%
Overall	\$2,236,169	35.2%	\$761,143	5.0%

Please note that although Encompass believes our methodologies are appropriate and justified, in this filing we have calculated the indicated rate level change with several adjustments as requested by the Arkansas Department of Insurance. The contingency provision was capped at 1.0%, and the indication was calculated without the Retained Risk Provision. The Hurricane Provision for Loss and LAE was also removed, and actual historical hurricane losses were included in the development of the Non-Modeled CAT provision.

The filing contains the following revisions:

Rate Factor Revisions

Encompass Insurance Company of America proposes the following revisions to the Other Than Automobile program in the state of Arkansas. The overall impact is 5.0% after accounting for the changes described below:

- **Base Rates**
With this filing, Encompass is proposing revisions to the Home and Condo Base Rates in order to reach the desired overall impact. Please refer to Page 1 of the Home Rate Pages for the revised base rates.
- **Maximum Deductible Credits**
With this filing, Encompass is proposing revisions to the Maximum Deductible Factors in order to reach the desired overall impact. Please refer to Rule 12 (Deductibles) in the Home Rules Pages for the revised factors.
- **Segment Tier Factor**
With this filing, Encompass is proposing a revision to the Segment Tier Factor. Please refer to Rule 2.E (Premium Determination – Package Discount) in the Home Rules Pages for the revised factor. For information supporting this revision of the Segment Factor, please refer to **Attachment A**.

- **Building Ordinance Increased Costs**
With this filing, Encompass is proposing a revision to the Building Ordinance Increased Cost for Renters/Condo to reach the desired overall impact. Please refer to Rule 15 (Miscellaneous Coverages), section D in the Home Rules Pages and Rule 14 (Building Ordinance and Increased Costs) in the Dwelling Fire Pages for the revised charge.
- **Building Additions and Alterations**
With this filing, Encompass is proposing a revision to the Building Additions and Alterations charge to reach the desired overall impact. Please refer to Rule 16 (Building Additions and Alterations) in the Home Rules Pages for the revised charge.
- **Dwelling Fire Occupancy Factors**
With this filing, Encompass is proposing a revision to the Occupancy Factors for Dwelling Fire to reach the desired overall impact. Please refer to Rule 7 (Occupancy Factors) in the Dwelling Fire Rules Pages for the revised factors.

OVERVIEW OF HOMEOWNERS 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.

With this filing, Encompass is calculating the Non Cat Indicated Provision for Loss and LAE for the Dwelling Fire and Condo/Renters Indications using a relativity based on the Non Cat Indicated Provision for Loss and LAE for the Homeowners Indication. Encompass believes that by applying a relativity to the Homeowners Non Cat Indicated Provision for Loss and LAE, Encompass can still reflect differences in the Dwelling Fire or Condo/Renters Pure Premium (i.e. trends) while having the advantage of applying this to a more stable base being the Homeowners data. Nine years of Dwelling Fire or Condo/Renters Unlimited Pure Premiums to Homeowners Unlimited Pure Premiums has been reviewed and a relativity has been selected based off of this. The data to support the relativity selection is shown in **Exhibit 2.B**. The selected relativity is then applied to the Homeowners Non Cat Indicated Provision for Loss and LAE to develop a Dwelling Fire or Condo/Renters Non Cat Indicated Provision for Loss and LAE. Please refer to **Exhibit 2.A** for more info on the relativity method of the Dwelling Fire and Condo/Renters indications.

The statewide rate level indication is based on data from five rolling accident years for Homeowners 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 by line. 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 by line. 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 line.

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 increasing amounts of insurance and deductible drift. 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 each line are shown in **Exhibit 5.A**. Encompass Insurance Group trend data is included as **Exhibit 5.B** to this attachment.

ADJUSTMENTS TO NON-CATASTROPHE LOSSES

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

Loss Development

The losses for a given accident year may not have been fully determined at the evaluation date of this review. As such, the losses must be adjusted to an ultimate settlement basis. This is accomplished by analyzing historical patterns of incurred loss development and selecting loss development factors. Because of limited Arkansas specific historical data, Countrywide data has been considered in the selection of the loss development factors. Losses used in the analysis include ALAE but exclude catastrophes in order to minimize distortions. Age-to-age factors are selected for each coverage using total limits losses. Additional analysis of losses limited to \$100,000 per claim is performed to develop limited losses to ultimate for Homeowners. 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 Homeowners 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 factor used in this filing is 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 to an ultimate settlement basis, they do not reflect the prospective rate of change in the occurrence of (frequency) or in the cost of (severity) incidents that may result in the payment of claims. To properly adjust historical costs to future cost levels, a loss trend adjustment is applied.

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.

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 both trend and projection factors.

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. Encompass determines the ULAE provision using expense 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.A**.

NON-MODELED CATASTROPHE ADJUSTMENTS IN DETAIL

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

Encompass applies credibility to the resulting relativities for each state to stabilize the results. The credibility is based on the standard (Buhlmann/Bayesian) credibility method as described in Loss Models, by Klugman, Panjer and Willmot, chapter 5, pages 436 to 441. The credibility reflects the confidence Encompass has in the state's average relativity. In order to develop the credibility, Encompass considers the number of years used to determine the relativity as well as the variance of all states' relativities to countrywide.* The complement of credibility is applied to a relativity of 1.000. The final relativity is applied to the countrywide catastrophe factor to develop the Arkansas catastrophe factor.

Exhibit 9.A displays the development of the total Homeowners non-modeled catastrophe factor of 28.9% for Arkansas.

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

EXPENSE AND PROFIT PROVISIONS

Exhibit 10.A 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. 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. Because premiums charged for the net cost of reinsurance (NCOR) do not include provisions for general and other acquisition expenses, the earned premium used in the development of the general and other acquisition expenses is countrywide direct earned premium less countrywide NCOR premium.

Encompass determines 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.

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.B** 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. A provision for guaranty fund assessments is included if applicable. The provisions are shown in **Exhibit 11**.

Contingency Provision

Encompass selected a 1% contingency provision. Please see **Attachment B** for further explanation.

Underwriting Profit/Operating Profit

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**. 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 Selected
Home	\$2,094,070	33.6%	\$687,872	5.0%
Dwelling Fire	88,093	55.7%	53,460	5.0%
Condo/Renters	54,006	64.7%	19,811	4.9%
Total Other Than Automobile	2,236,169	35.2%	761,143	5.0%

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Exhibit 2.A.1

Development of Statewide Rate Level Indication - Home

1)	Current Fixed Expense Ratio (Exhibit 10.A)	8.7 %
2)	Three Year Average Earned Premium	\$1,575.10
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$137.03
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.B)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$146.35
6)	Variable Expense and Profit Ratio (Exhibit 11)	27.7 %
7)	Home Non-Cat Indicated Provision for Loss and LAE (Exhibit 4.1)	\$1,182.55
8)	Complement of Credibility = [(Exhibit 2.C, Column 5) x (15)]	\$0.00
9)	Credibility (Exhibit 2.C)	100.0 %
9)	Indicated Provision for Loss and LAE = [(7) x [1 + (8)]]	\$1,524.31
10)	Indicated Average Premium = [(9) + (5)] / [1 - (6)]	\$2,310.73
11)	Projected Average Earned Premium at Current Rates (Exhibit 3.1)	\$1,729.59
12)	Indicated Rate Level Change = [(10) / (11) - 1]	33.6 %

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Exhibit 2.A.2

Development of Statewide Rate Level Indication - Dwelling Fire

1)	Current Fixed Expense Ratio (Exhibit 10.A)	8.7 %
2)	Three Year Average Earned Premium	\$1,045.36
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$90.95
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.B)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$97.13
6)	Variable Expense and Profit Ratio (Exhibit 11)	27.7 %
7)	Dwelling Fire Non-Cat Indicated Provision for Loss and LAE (Exhibit 4.2)	\$621.30
7)	Dwelling Fire Non-Cat Indicated Provision for Loss and LAE = { [Exhibit 2.A.1 (7)] x [Exhibit 2.B] }	\$895.19
10)	Credibility Weighted Non-Cat Indicated Provision for Loss and LAE = [(7) x (9)] + [(8) x [1 - (9)]]	\$895.19
9)	Indicated Provision for Loss and LAE = [(7) x [1 + (8)]]	\$1,153.90
10)	Indicated Average Premium = [(9) + (5)] / [1 - (6)]	\$1,730.33
11)	Projected Average Earned Premium at Current Rates (Exhibit 3.1)	\$1,111.33
12)	Indicated Rate Level Change = [(10) / (11) - 1]	55.7 %

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Exhibit 2.A.3

Development of Statewide Rate Level Indication - Condo/Renters

1)	Current Fixed Expense Ratio (Exhibit 10.A)	8.7 %
2)	Three Year Average Earned Premium	\$450.32
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$39.18
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.B)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$41.84
6)	Variable Expense and Profit Ratio (Exhibit 11)	27.7 %
7)	Condo/Renters Non-Cat Indicated Provision for Loss and LAE (Exhibit 4.3)	\$365.47
7)	Condo/Renters Non-Cat Indicated Provision for Loss and LAE = { [Exhibit 2.A.1 (7)] x [Exhibit 2.B] }	\$419.81
10)	Credibility Weighted Non-Cat Indicated Provision for Loss and LAE = [(7) x (9)] + [(8) x [1 - (9)]]	\$419.81
9)	Indicated Provision for Loss and LAE = [(7) x [1 + (8)]]	\$541.14
10)	Indicated Average Premium = [(9) + (5)] / [1 - (6)]	\$806.33
11)	Projected Average Earned Premium at Current Rates (Exhibit 3.1)	\$489.64
12)	Indicated Rate Level Change = [(10) / (11) - 1]	64.7 %

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Dwelling Fire vs. Homeowners Non-Cat Loss + ALAE Pure Premium Relativities

Year Ending	Homeowners Pure Premium	Dwelling Fire Pure Premium	Relativity
2003 Q1	516	121	0.234
2004 Q1	397	383	0.964
2005 Q1	229	727	3.177
2006 Q1	336	909	2.702
2007 Q1	536	157	0.293
2008 Q1	1127	682	0.605
2009 Q1	856	650	0.759
2010 Q1	1047	362	0.346
2011 Q1	741	79	0.106
		Straight Average	1.021
		Weighted Average	0.757
		Selected Ratio	0.757

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Condo/Renters vs. Homeowners Non-Cat Loss + ALAE Pure Premium Relativities

Year Ending	Homeowners Pure Premium	Condo/Renters Pure Premium	Relativity
2003 Q1	516	115	0.223
2004 Q1	397	118	0.298
2005 Q1	229	3	0.012
2006 Q1	336	120	0.355
2007 Q1	536	504	0.941
2008 Q1	1127	98	0.087
2009 Q1	856	729	0.851
2010 Q1	1047	24	0.023
2011 Q1	741	77	0.104
		Straight Average	0.321
		Weighted Average	0.355
		Selected Ratio	0.355

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Exhibit 3.1

Development of Projected Average Earned Premium at Current Rates - Home

	(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 Weights</u>
3/31/2011	1,459	\$2,457,136	1.027	\$2,523,479	\$1,729.59	100 %
					(7) Projected Average Earned Premium At Current Rates \$1,729.59	

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Exhibit 3.2

Development of Projected Average Earned Premium at Current Rates - Dwelling Fire

	(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	96	\$106,688	1.000	\$106,688	\$1,111.33	100 %
					(7) Projected Average Earned Premium At Current Rates \$1,111.33	

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Exhibit 3.3

Development of Projected Average Earned Premium at Current Rates - Condo/Renters

	(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	139	\$66,271	1.027	\$68,060	\$489.64	100 %
					(7) Projected Average Earned Premium At Current Rates \$489.64	

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Exhibit 4

Development of Non-Cat Provision for Loss and LAE - Home

	(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 Non-Cat Losses and ALAE	Developed Limited Non-Cat Losses and LAE	Excess Loss Provision	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Non-Cat Loss and LAE	Projected Average Non-Cat Loss and LAE	Experience Year Weights
3/31/2007	2,483	\$1,258,732	\$1,429,920	1.24	1.299	\$2,303,258	\$927.61	20 %
3/31/2008	2,310	1,529,527	1,737,543	1.24	1.249	\$2,691,037	\$1,164.95	20
3/31/2009	2,103	1,299,144	1,475,828	1.24	1.201	\$2,197,862	\$1,045.11	20
3/31/2010	1,797	1,751,026	1,989,166	1.24	1.155	\$2,848,884	\$1,585.36	20
3/31/2011	1,459	1,110,158	1,261,139	1.24	1.110	\$1,735,832	\$1,189.74	20
							\$1,182.55	

(9) Non-Cat Indicated Provision for Loss and LAE

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Exhibit 5.A

Calculation of Premium & AIY Trend Factors

<u>Coverage</u>	Selected Annual Premium Impacts	Selected Annual AIY Impacts
	<u>Projected</u>	<u>Projected</u>
Home	1.00%	3.5%
Dwelling Fire	0.00%	8.0%
Condo/Renters	1.00%	6.0%

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

<u>Coverage</u>	Factor to Adjust to Projected Premium Level	Factor to Adjust to Projected AIY Level
	<u>Current Year</u>	<u>Current Year</u>
Home	1.027	1.096
Dwelling Fire	1.000	1.228
Condo/Renters	1.027	1.168

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

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.B.1

Premium Trends - Homeowners

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$1,751.64	3.2 %	1,711.43		
12/06	1,742.91	0.7	1,708.49		
03/07	1,750.37	0.5	1,705.55		
06/07	1,717.28	-1.6	1,702.62		
09/07	1,684.30	-3.8	1,699.70		
12/07	1,681.38	-3.5	1,696.78		
03/08	1,647.12	-5.9	1,693.87		
06/08	1,681.38	-2.1	1,690.96		
09/08	1,659.38	-1.5	1,688.05	1,649.77	
12/08	1,650.00	-1.9	1,685.15	1,653.18	
03/09	1,647.34	0.0	1,682.26	1,656.59	
06/09	1,655.93	-1.5	1,679.37	1,660.00	
09/09	1,663.75	0.3	1,676.49	1,663.43	
12/09	1,678.41	1.7	1,673.61	1,666.86	
03/10	1,670.85	1.4	1,670.73	1,670.30	1,667.08
06/10	1,664.93	0.5	1,667.86	1,673.74	1,671.48
09/10	1,669.73	0.4	1,665.00	1,677.19	1,675.89
12/10	1,690.15	0.7	1,662.14	1,680.65	1,680.32
03/11	1,691.17	1.2	1,659.28	1,684.12	1,684.75
06/11	1,681.98	1.0	1,656.43	1,687.59	1,689.20
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-0.7 %	0.8 %	1.1 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.B.2

Premium Trends - Dwelling Fire

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	1,023.29	4.3 %	1080.81		
12/06	1,014.62	1.4	1080.23		
03/07	1,048.84	3.2	1079.65		
06/07	1,073.47	5.8	1079.07		
09/07	1,117.38	9.2	1078.49		
12/07	1,092.32	7.7	1077.91		
03/08	1,079.20	2.9	1077.33		
06/08	1,148.17	7.0	1076.75		
09/08	1,059.40	-5.2	1076.17	1123.06	
12/08	1,135.36	3.9	1075.59	1114.41	
03/09	1,100.52	2.0	1075.01	1105.82	
06/09	1,088.60	-5.2	1074.43	1097.30	
09/09	1,109.29	4.7	1073.85	1088.85	
12/09	1,092.94	-3.7	1073.27	1080.46	
03/10	1,132.79	2.9	1072.70	1072.13	1124.47
06/10	1,117.88	2.7	1072.12	1063.87	1096.37
09/10	1,068.51	-3.7	1071.54	1055.67	1068.97
12/10	987.80	-9.6	1070.97	1047.53	1042.26
03/11	1,010.15	-10.8	1070.39	1039.46	1016.21
06/11	1,024.34	-8.4	1069.81	1031.45	990.82
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-0.2 %	-3.0 %	-9.6 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.B.3

Premium Trends - Condo/Renters

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$606.38	-16.2 %	542.26		
12/06	572.37	-20.0	536.85		
03/07	535.94	-20.6	531.49		
06/07	551.45	-10.9	526.18		
09/07	517.31	-14.7	520.92		
12/07	500.12	-12.6	515.72		
03/08	493.28	-8.0	510.57		
06/08	481.06	-12.8	505.47		
09/08	457.33	-11.6	500.43	459.33	
12/08	459.47	-8.1	495.43	461.12	
03/09	467.06	-5.3	490.48	462.92	
06/09	460.48	-4.3	485.58	464.72	
09/09	477.02	4.3	480.73	466.52	
12/09	457.58	-0.4	475.93	468.34	
03/10	477.85	2.3	471.18	470.16	473.43
06/10	470.02	2.1	466.47	471.99	474.25
09/10	462.56	-3.0	461.81	473.83	475.07
12/10	497.23	8.7	457.20	475.67	475.89
03/11	468.04	-2.1	452.64	477.52	476.71
06/11	477.93	1.7	448.12	479.38	477.54
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-3.9 %	1.6 %	0.7 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.C.1

AIY Trends - Homeowners

Year Ending	AIY	Annual % Change	Exponential Curve of Best Fit		
			20 pt.	12 pt.	6 pt.
09/06	257.86	14.5 %	260.45		
12/06	260.30	9.5	262.82		
03/07	264.26	7.8	265.21		
06/07	269.13	7.1	267.62		
09/07	268.92	4.3	270.05		
12/07	274.08	5.3	272.50		
03/08	275.36	4.2	274.98		
06/08	280.48	4.2	277.48		
09/08	283.29	5.3	280.00	281.70	
12/08	284.02	3.6	282.55	283.96	
03/09	283.52	3.0	285.11	286.24	
06/09	288.62	2.9	287.70	288.54	
09/09	290.45	2.5	290.32	290.86	
12/09	295.12	3.9	292.96	293.20	
03/10	295.52	4.2	295.62	295.56	295.26
06/10	296.62	2.8	298.30	297.94	297.72
09/10	300.51	3.5	301.01	300.33	300.21
12/10	302.99	2.7	303.75	302.75	302.71
03/11	306.92	3.9	306.51	305.18	305.23
06/11	306.36	3.3	309.30	307.63	307.78
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			3.7 %	3.3 %	3.4 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.C.2

AIY Trends - Dwelling Fire

Year Ending	AIY	Annual % Change	Exponential Curve of Best Fit		
			20 pt.	12 pt.	6 pt.
09/06	141.46	14.0 %	149.41		
12/06	140.64	23.6	152.24		
03/07	152.65	12.7	155.13		
06/07	161.59	16.1	158.08		
09/07	172.20	1.0	161.08		
12/07	173.87	4.0	164.13		
03/08	172.02	1.8	167.25		
06/08	187.64	-5.7	170.42		
09/08	173.96	5.7	173.65	170.09	
12/08	180.83	2.1	176.95	173.65	
03/09	175.15	7.6	180.31	177.29	
06/09	176.90	12.8	183.73	181.01	
09/09	183.79	7.7	187.22	184.80	
12/09	184.61	5.3	190.77	188.68	
03/10	188.48	11.9	194.39	192.63	187.49
06/10	199.62	14.3	198.08	196.67	193.49
09/10	197.92	0.0	201.84	200.79	199.69
12/10	194.47	0.0	205.67	205.00	206.09
03/11	210.90	0.0	209.57	209.29	212.69
06/11	228.20	0.0	213.55	213.68	219.50
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			7.8 %	8.7 %	13.4 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.C.3

AIY Trends - Condo/Renters

Year Ending	AIY	Annual % Change	Exponential Curve of Best Fit		
			20 pt.	12 pt.	6 pt.
09/06	66.74	-6.7 %	60.96		
12/06	64.83	-9.1	61.31		
03/07	61.01	-15.2	61.67		
06/07	63.72	-4.2	62.03		
09/07	63.51	-4.8	62.39		
12/07	61.63	-4.9	62.75		
03/08	61.52	0.8	63.12		
06/08	61.69	-3.2	63.48		
09/08	58.67	-7.6	63.85	59.24	
12/08	59.89	-2.8	64.23	60.30	
03/09	62.63	1.8	64.60	61.39	
06/09	61.41	-0.5	64.97	62.49	
09/09	65.03	10.8	65.35	63.61	
12/09	63.64	6.3	65.73	64.75	
03/10	66.73	6.6	66.12	65.92	66.59
06/10	67.00	9.1	66.50	67.10	67.55
09/10	67.94	4.5	66.89	68.31	68.53
12/10	72.23	13.5	67.28	69.53	69.52
03/11	68.53	2.7	67.67	70.78	70.53
06/11	71.92	7.3	68.06	72.06	71.55
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			2.3 %	7.4 %	5.9 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 6.1.a

Incurred Loss + ALAE Development Factors - Home Limited

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	2,022	1,696	1,186	981	749	1,221	1,440	1,250	1,570	999
27 MONTHS	2,040	1,802	1,217	1,050	788	1,246	1,491	1,263	1,679	
39 MONTHS	2,123	1,736	1,203	1,050	788	1,237	1,503	1,267		
51 MONTHS	2,079	1,736	1,203	1,053	788	1,237	1,507			
63 MONTHS	2,063	1,736	1,203	1,053	788	1,248				
75 MONTHS	2,063	1,736	1,203	1,053	788					
87 MONTHS	2,063	1,736	1,203	1,053						
99 MONTHS	2,063	1,736	1,203							
111 MONTHS	2,063	1,736								
123 MONTHS	2,063									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010
15 To 27	1.009	1.062	1.026	1.070	1.052	1.020	1.035	1.010	1.069
27 To 39	1.041	0.963	0.988	1.000	1.000	0.993	1.008	1.003	
39 To 51	0.979	1.000	1.000	1.002	1.000	1.000	1.002		
51 To 63	0.992	1.000	1.000	1.000	1.000	1.009			
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 Countrywide	Selected	Factor To Ultimate
	15 To 27	1.066	1.066	1.111
27 To 39	1.017	1.017	1.043
39 To 51	1.010	1.010	1.025
51 To 63	1.006	1.006	1.015
63 To 75	1.004	1.004	1.009
75 To 87	1.002	1.002	1.005
87 To 99	1.001	1.001	1.003
99 To 111	1.001	1.001	1.002
111 To 123	1.001	1.001	1.001

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 6.1.b

Incurred Loss + ALAE Development Factors - Home Unlimited

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	2,200	1,734	1,204	2,190	769	1,229	2,338	1,735	1,690	1,066
27 MONTHS	2,218	1,840	1,236	2,206	819	1,253	2,526	1,740	1,837	
39 MONTHS	2,301	1,774	1,221	2,022	819	1,245	2,538	1,745		
51 MONTHS	2,256	1,778	1,222	2,174	819	1,245	2,542			
63 MONTHS	2,240	1,778	1,222	2,174	819	1,255				
75 MONTHS	2,240	1,778	1,222	2,174	819					
87 MONTHS	2,240	1,778	1,222	2,174						
99 MONTHS	2,240	1,778	1,222							
111 MONTHS	2,240	1,778								
123 MONTHS	2,240									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010
15 To 27	1.008	1.061	1.026	1.007	1.066	1.020	1.080	1.003	1.087
27 To 39	1.037	0.964	0.988	0.917	1.000	0.993	1.005	1.002	
39 To 51	0.981	1.002	1.000	1.075	1.000	1.000	1.001		
51 To 63	0.993	1.000	1.000	1.000	1.000	1.008			
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 Countrywide	Selected	Factor To Ultimate
	15 To 27	1.074	1.074	1.135
27 To 39	1.017	1.017	1.057
39 To 51	1.014	1.014	1.040
51 To 63	1.009	1.009	1.025
63 To 75	1.010	1.010	1.016
75 To 87	1.002	1.002	1.006
87 To 99	1.001	1.001	1.004
99 To 111	1.001	1.001	1.003
111 To 123	1.002	1.002	1.002

Encompass Insurance Group
Other Than Automobile
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Exhibit 7

Excess Loss Provision

Homeowners

<u>Experience</u> <u>Period</u>	<u>Ultimate Total Ex- Cat Losses +</u> <u>ALAE</u>	<u>Ultimate Limited Ex-Cat Losses +</u> <u>ALAE</u>	<u>Total / Limited</u>
03/01-03/02	2,240	2,063	1.09
03/02-03/03	1,782	1,738	1.03
03/03-03/04	1,225	1,205	1.02
03/04-03/05	2,183	1,056	2.07
03/05-03/06	824	792	1.04
03/06-03/07	1,275	1,259	1.01
03/07-03/08	2,606	1,530	1.70
03/08-03/09	1,814	1,299	1.40
03/09-03/10	1,942	1,750	1.11
03/10-03/11	1,211	1,111	1.09
	Weighted Average		1.24
	Straight Average		1.25
	Selected		1.24

Encompass Insurance Group
Other Than Automobile
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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>
Home	4.00%	4.00%

	<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>Factor to Adjust Losses for Pure Premium Trend</u>				
<u>Coverage</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>
Home	1.299	1.249	1.201	1.155	1.110

(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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Exhibit 8.B

Pure Premium Loss Trends - Homeowners

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/05	\$317.08	-24.6 %			
12/05	348.54	39.9			
03/06	385.66	-33.7			
06/06	427.79	0.9			
09/06	526.96	66.2	498.29		
12/06	477.40	37.0	513.67		
03/07	468.17	21.4	529.54		
06/07	546.71	27.8	545.89		
09/07	431.19	-18.2	562.74		
12/07	529.19	10.9	580.12		
03/08	526.67	12.5	598.03		
06/08	690.44	26.3	616.49		
09/08	727.23	68.7	635.53	806.52	
12/08	802.57	51.7	655.15	802.36	
03/09	895.42	70.0	675.38	798.22	
06/09	721.96	4.6	696.24	794.11	
09/09	827.80	13.8	717.74	790.01	
12/09	842.76	5.0	739.90	785.94	
03/10	803.77	-10.2	762.74	781.88	800.14
06/10	882.88	22.3	786.29	777.85	786.96
09/10	741.58	-10.4	810.57	773.84	774.01
12/10	635.77	-24.6	835.60	769.85	761.27
03/11	753.25	-6.3	861.40	765.88	748.73
06/11	811.74	-8.1	888.00	761.93	736.41
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			12.9 %	-2.0 %	-6.4 %

Encompass Insurance Group
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NON-MODELED CATASTROPHE FACTOR

(1)	(2)	(3)	(4)	(5)	(6)
ACCIDENT YEAR	EX-CAT INCURRED LOSS+ALAE	CATASTROPHE INCURRED LOSS+ALAE*	STATE CATASTROPHE FACTOR	COUNTRYWIDE CATASTROPHE FACTOR	RELATIVITIES
1988	1,579,834	37,017	0.023	0.056	0.411
1989	1,849,550	1,388,113	0.751	0.145	5.179
1990	1,008,317	351,471	0.349	0.216	1.616
1991	1,454,400	205,277	0.141	0.300	0.470
1992	903,216	26,211	0.029	0.167	0.174
1993	1,189,006	23,921	0.020	0.241	0.083
1994	802,038	63,772	0.080	0.379	0.211
1995	1,538,192	129,161	0.084	0.143	0.587
1996	1,616,672	1,115,444	0.690	0.492	1.402
1997	2,006,585	1,070,468	0.533	0.125	4.264
1998	1,309,287	284,965	0.218	0.421	0.518
1999	1,624,429	2,583,898	1.591	0.173	9.197
2000	2,353,497	1,040,216	0.442	0.128	3.453
2001	2,474,959	46,576	0.019	0.078	0.244
2002	1,920,755	191,548	0.100	0.156	0.641
2003	1,337,002	422,683	0.316	0.192	1.646
2004	2,092,108	77,354	0.037	0.152	0.243
2005	872,261	20,617	0.024	0.118	0.203
2006	1,162,639	426,593	0.367	0.181	2.028
2007	2,414,756	48,328	0.020	0.193	0.104
2008	2,160,792	1,429,890	0.662	0.217	3.051
2009	1,766,718	903,687	0.512	0.202	2.535
2010	849,659	492,408	0.580	0.350	1.657
(7) Average Relativity					1.736
(8) Standard Deviation					2.172
(9) Credibility					0.772
(10) Credibility Weighted Relativity					1.568
(11) Countrywide Selected Catastrophe Factor					0.184
(12) ARKANSAS Catastrophe Factor					0.289

*Actual hurricane losses available in historical data are included in column (3) since Encompass has removed the Modeled Hurricane Provision from the

Encompass Insurance Group
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Exhibit 10.A

Summary of Expense Provisions

	<u>Percent Fixed</u>	<u>Expense Provision</u>
General Expense	100 %	7.8 %
Other Acquisition	100	0.7
Licenses and Fees	100	0.2
ULAE	0	13.6
Commissions	0	14.5
Taxes †	0	2.9
Contingency Provision	0	1.0
Profit Provision	0	7.9
Debt Provision	0	1.4

† State Taxes - Does not include Federal Income Tax

Encompass Insurance Group
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Exhibit 10.B

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)	3.918
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
Other Than Automobile
Arkansas

Exhibit 11

Investment Income

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 2.6%*
force of interest, given an Operating Profit of 7.0%
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 @ 2.6%	Discounted Payments
1	25.7%	25.7%	0.70	1.008	25.9%
2	78.6%	52.9%	1.40	0.990	52.4%
3	89.8%	11.2%	2.40	0.964	10.8%
4	93.9%	4.1%	3.50	0.937	3.8%
5	96.3%	2.4%	4.50	0.913	2.2%
Subsequent	100.0%	3.7%	6.90	0.858	3.2%
Total		100.0%			98.3%
Expected Losses and Loss Expense Ratio					63.6%
Present Value of Loss and Loss Expense Payments					62.5%
General Expense		7.8%	0.75	1.007	7.9%
Other Acquisition		0.7%	0.63	1.010	0.7%
Taxes		2.9%	0.63	1.010	2.9%
Commissions		14.5%	0.58	1.011	14.7%
Debt Provision		1.4%	1.00	1.000	1.4%
Profit Provision		7.9%	1.00	1.000	7.9%
Contingency Provision		1.0%	1.00	1.000	1.0%
Licenses and Fees		0.2%	0.63	1.010	0.2%
Total Present Value of Outgo					99.2%
Premiums		100.0%	0.57	1.011	101.1%
Difference, Present Value of Income Less Present Value of Outgo					1.9%

*Discount rate from Investments Department forecast

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

SERFF Tracking Number: ALSE-127983758 State: Arkansas
 Filing Company: Encompass Insurance Company of America State Tracking Number:
 Company Tracking Number: ER-1913
 TOI: 04.0 Homeowners Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
 Product Name: AR EICA OTA
 Project Name/Number: Rate/Factor Revision (+6.9%)/847664

Superseded Schedule Items

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

Creation Date:	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
01/12/2012	Rate and Rule	ManualHomeRates	01/27/2012	13. ER-1913 ManualHomeRates.pdf (Superseded)
01/12/2012	Rate and Rule	ManualHomeRules	01/27/2012	14. ER-1913 ManualHomeRules.pdf (Superseded)
01/12/2012	Rate and Rule	ManualDwellingFireRules	01/27/2012	15. ER-1913 ManualDwellingFireRules.pdf (Superseded)
01/12/2012	Supporting Document	HPCS-Homeowners Premium Comparison Survey	01/27/2012	05. ER-1913 StateFilingFormHPCS.pdf (Superseded) 05. ER-1913 StateFilingFormHPCS.xls (Superseded)
01/12/2012	Supporting Document	NAIC loss cost data entry document	01/27/2012	04. ER-1913 StateFilingFormRF-1.v2.pdf (Superseded)
01/13/2012	Supporting Document	Supporting Documentation	01/27/2012	08. ER-1913 Development of the Underwriting Profit Provision.pdf 09. ER-1913 Attachment A - Extended RRP Support.pdf

SERFF Tracking Number: ALSE-127983758 *State:* Arkansas
Filing Company: Encompass Insurance Company of America *State Tracking Number:*
Company Tracking Number: ER-1913
TOI: 04.0 Homeowners *Sub-TOI:* 04.0000 Homeowners Sub-TOI Combinations
Product Name: AR EICA OTA
Project Name/Number: Rate/Factor Revision (+6.9%)/847664

10. ER-1913 Attachment B -
 Contingency filing memo.pdf
 07. ER-1913 AR OTA
 Indication.v2.pdf
 (Superceded)
 06. ER-1913 Indication
 Memo.v3.pdf (Superceded)
 12. ER-1913 Attachment A -
 Rating Plan Revisions.pdf

01/12/2012	Supporting Supporting Documentation Document	01/13/2012	08. ER-1913 Development of the Underwriting Profit Provision.pdf 09. ER-1913 Attachment A - Extended RRP Support.pdf 10. ER-1913 Attachment B - Contingency filing memo.pdf 06. ER-1913 Indication Memo.v2.pdf (Superceded) 07. ER-1913 AR OTA Indication.v2.pdf 12. ER-1913 Attachment C - Rating Plan Revisions.pdf (Superceded)
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ARKANSAS USP PACKAGE PREMISES RATE PAGES

BASE RATES

Territory	Homes	Condos
30	<u>1365</u>	<u>424</u>
31	<u>1519</u>	<u>424</u>
32	<u>1623</u>	<u>424</u>
36	<u>1289</u>	<u>424</u>
39	<u>1510</u>	<u>424</u>
40	<u>1047</u>	<u>424</u>
41	<u>1322</u>	<u>424</u>
44	<u>1105</u>	<u>424</u>
60	<u>1364</u>	<u>424</u>
61	<u>1154</u>	<u>424</u>
62	<u>1651</u>	<u>424</u>
63	<u>1636</u>	<u>424</u>
64	<u>1569</u>	<u>424</u>
65	<u>1420</u>	<u>424</u>
66	<u>1095</u>	<u>424</u>
67	<u>1335</u>	<u>424</u>
68	<u>1344</u>	<u>424</u>
71	<u>1469</u>	<u>424</u>
72	<u>1142</u>	<u>424</u>
100	<u>1165</u>	<u>424</u>
101	<u>1533</u>	<u>424</u>

Flat Charge	0	0
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ARKANSAS USP PACKAGE PREMISES RATE PAGES

Protection/Construction Class Relativities

Homes

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

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Protection/Construction Class Relativities

Condos

Territory	FRAME			
	1-5	6-7	8	9-10

30	1.000	1.095	1.458	1.458
31	1.000	1.095	1.458	1.458
32	1.000	1.095	1.458	1.458
36	1.000	1.095	1.458	1.458
39	1.000	1.095	1.458	1.458
40	1.000	1.095	1.458	1.458
41	1.000	1.095	1.458	1.458
44	1.000	1.095	1.458	1.458
60	1.000	1.095	1.458	1.458
61	1.000	1.095	1.458	1.458
62	1.000	1.095	1.458	1.458
63	1.000	1.095	1.458	1.458
64	1.000	1.095	1.458	1.458
65	1.000	1.095	1.458	1.458
66	1.000	1.095	1.458	1.458
67	1.000	1.095	1.458	1.458
68	1.000	1.095	1.458	1.458
71	1.000	1.095	1.458	1.458
72	1.000	1.095	1.458	1.458
100	1.000	1.095	1.458	1.458
101	1.000	1.095	1.458	1.458

Territory	MASONRY			
	1-5	6-7	8	9-10

30	1.000	1.095	1.458	1.458
31	1.000	1.095	1.458	1.458
32	1.000	1.095	1.458	1.458
36	1.000	1.095	1.458	1.458
39	1.000	1.095	1.458	1.458
40	1.000	1.095	1.458	1.458
41	1.000	1.095	1.458	1.458
44	1.000	1.095	1.458	1.458
60	1.000	1.095	1.458	1.458
61	1.000	1.095	1.458	1.458
62	1.000	1.095	1.458	1.458
63	1.000	1.095	1.458	1.458
64	1.000	1.095	1.458	1.458
65	1.000	1.095	1.458	1.458
66	1.000	1.095	1.458	1.458
67	1.000	1.095	1.458	1.458
68	1.000	1.095	1.458	1.458
71	1.000	1.095	1.458	1.458
72	1.000	1.095	1.458	1.458
100	1.000	1.095	1.458	1.458
101	1.000	1.095	1.458	1.458

ARKANSAS USP PACKAGE PREMISES RATE PAGES

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

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Homes

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Homes

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

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

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

ARKANSAS USP PACKAGE PREMISES RATE PAGES

Condos

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

USP PORTFOLIO ARKANSAS: HOME RULES

2. PREMIUM DETERMINATION

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

The base rates shown on the State Rate Pages for USP Package reflect a package discount. In order to calculate the rate level for USP Segment, multiply the applicable USP Package base rate by ~~4.33~~ 1.40.

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

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

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

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

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

12. DEDUCTIBLES

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

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

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

Deductible Amount	Factors		Maximum Premium Credit	
	<u>Dwelling</u>	<u>Condo/Renter</u>	<u>Dwelling</u>	<u>Condo/Renter</u>
\$ 250	1.00	1.00	-	-
500	.90	.85	\$ <u>425,132</u>	\$ <u>425,133</u>
1,000	.75	.70	<u>375,395</u>	<u>375,400</u>
2,500	.65	.50	<u>4,125,186</u>	<u>4,125,1201</u>
5,000	.55	.35	<u>2,375,2504</u>	<u>2,375,2536</u>

15. MISCELLANEOUS COVERAGES

A. Backup of Sewers or Drain Coverage

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

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

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

B. Personal Home Computer and Data Records

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

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

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

This coverage is subject to the property deductible.

C. Loss Assessment Coverage

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

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

Optional limits are available at the following additional premium charge:

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

D. Building Ordinance Increased Costs

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

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

Dwellings	- Apply a factor of 1.10
Renters/Condos	- Charge \$3.28 <u>3.50</u>

16. BUILDING ADDITIONS AND ALTERATIONS

For condominiums or residences rented to the insured—coverage is automatically included at limits equal to 10% of the personal property limit. For each additional \$1,000 of replacement cost of the addition or alteration, charge \$~~3.28~~ 3.50.

U.S.P. PORTFOLIO: DWELLING FIRE RULES

B. Condominiums and Cooperative Apartments

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

6. SEASONAL DWELLING DEFINITION

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

7. OCCUPANCY FACTORS

A. Dwellings

(1) Dwelling Factors

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

	<u>Territories 62-65</u>		<u>All Other Territories</u>	
	<u>Frame</u>	<u>Masonry</u>	<u>Frame</u>	<u>Masonry</u>
Secondary Seasonal	0.70 <u>0.71</u>	0.74 <u>0.75</u>	0.75 <u>0.76</u>	0.75 <u>0.76</u>
Secondary Non-Seasonal	0.74 <u>0.75</u>	0.75 <u>0.76</u>	0.75 <u>0.76</u>	0.74 <u>0.75</u>
Primary	0.74 <u>0.75</u>	0.75 <u>0.76</u>	0.75 <u>0.76</u>	0.74 <u>0.75</u>

(2) Additional Contents Factor

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

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

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

(3) Rental Factor

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

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

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

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

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$768.00	\$854.00	\$1,011.00	\$1,133.00	\$1,130.00	\$1,267.00	\$1,245.00	\$1,394.00	\$1,056.00	\$1,184.00	\$1,149.00	\$1,287.00	\$855.00	\$954.00	\$976.00	\$1,096.00	\$1,137.00	\$1,274.00
	\$120,000	\$1,068.00	\$1,198.00	\$1,423.00	\$1,592.00	\$1,585.00	\$1,773.00	\$1,744.00	\$1,949.00	\$1,485.00	\$1,662.00	\$1,612.00	\$1,802.00	\$1,200.00	\$1,345.00	\$1,376.00	\$1,540.00	\$1,596.00	\$1,785.00
	\$160,000	\$1,327.00	\$1,485.00	\$1,760.00	\$1,966.00	\$1,958.00	\$2,188.00	\$2,151.00	\$2,402.00	\$1,836.00	\$2,051.00	\$1,990.00	\$2,222.00	\$1,488.00	\$1,664.00	\$1,702.00	\$1,903.00	\$1,970.00	\$2,201.00
6	\$80,000	\$1,009.00	\$1,143.00	\$1,345.00	\$1,521.00	\$1,500.00	\$1,694.00	\$1,649.00	\$1,863.00	\$1,404.00	\$1,586.00	\$1,524.00	\$1,722.00	\$1,133.00	\$1,284.00	\$1,301.00	\$1,471.00	\$1,510.00	\$1,705.00
	\$120,000	\$1,421.00	\$1,421.00	\$1,881.00	\$1,881.00	\$2,093.00	\$2,093.00	\$2,298.00	\$2,298.00	\$1,963.00	\$1,963.00	\$2,127.00	\$2,127.00	\$1,592.00	\$1,592.00	\$1,820.00	\$1,820.00	\$2,107.00	\$2,107.00
	\$160,000	\$1,757.00	\$1,984.00	\$2,319.00	\$2,614.00	\$2,578.00	\$2,905.00	\$2,828.00	\$3,185.00	\$2,420.00	\$2,723.00	\$2,620.00	\$2,950.00	\$1,966.00	\$2,218.00	\$2,245.00	\$2,529.00	\$2,596.00	\$2,921.00
9	\$80,000	\$2,744.00	\$3,219.00	\$3,606.00	\$4,223.00	\$4,002.00	\$4,685.00	\$4,385.00	\$5,133.00	\$3,758.00	\$4,400.00	\$4,065.00	\$4,759.00	\$3,065.00	\$3,593.00	\$3,491.00	\$4,089.00	\$4,026.00	\$4,715.00
	\$120,000	\$3,798.00	\$4,448.00	\$4,979.00	\$5,827.00	\$5,523.00	\$6,460.00	\$6,048.00	\$7,073.00	\$5,188.00	\$6,069.00	\$5,609.00	\$6,561.00	\$4,238.00	\$4,962.00	\$4,823.00	\$5,643.00	\$5,557.00	\$6,500.00
	\$160,000	\$4,660.00	\$5,455.00	\$6,102.00	\$7,136.00	\$6,766.00	\$7,910.00	\$7,407.00	\$8,659.00	\$6,356.00	\$7,433.00	\$6,871.00	\$8,033.00	\$5,197.00	\$6,081.00	\$5,911.00	\$6,913.00	\$6,808.00	\$7,959.00

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

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000																		
	\$15,000																		
	\$25,000	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00
6	\$5,000																		
	\$15,000																		
	\$25,000	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00
9	\$5,000																		
	\$15,000																		
	\$25,000	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$465.00	\$524.00	\$606.00	\$682.00	\$671.00	\$755.00	\$743.00	\$815.00	\$639.00	\$701.00	\$681.00	\$767.00	\$518.00	\$582.00	\$588.00	\$661.00	\$675.00	\$760.00
	\$120,000	\$637.00	\$718.00	\$831.00	\$935.00	\$919.00	\$1,035.00	\$1,019.00	\$1,117.00	\$877.00	\$960.00	\$933.00	\$1,051.00	\$709.00	\$798.00	\$805.00	\$906.00	\$924.00	\$1,041.00
	\$160,000	\$779.00	\$877.00	\$1,014.00	\$1,141.00	\$1,122.00	\$1,272.00	\$1,250.00	\$1,384.00	\$1,069.00	\$1,173.00	\$1,140.00	\$1,294.00	\$866.00	\$975.00	\$983.00	\$1,106.00	\$1,130.00	\$1,280.00
6	\$80,000	\$606.00	\$688.00	\$788.00	\$896.00	\$873.00	\$991.00	\$967.00	\$1,070.00	\$832.00	\$920.00	\$886.00	\$1,007.00	\$673.00	\$765.00	\$764.00	\$869.00	\$878.00	\$997.00
	\$120,000	\$829.00	\$942.00	\$1,080.00	\$1,232.00	\$1,196.00	\$1,378.00	\$1,340.00	\$1,498.00	\$1,139.00	\$1,269.00	\$1,217.00	\$1,401.00	\$923.00	\$1,049.00	\$1,047.00	\$1,190.00	\$1,205.00	\$1,387.00
	\$160,000	\$1,013.00	\$1,151.00	\$1,334.00	\$1,533.00	\$1,491.00	\$1,712.00	\$1,665.00	\$1,858.00	\$1,415.00	\$1,578.00	\$1,515.00	\$1,740.00	\$1,127.00	\$1,291.00	\$1,289.00	\$1,482.00	\$1,501.00	\$1,722.00
9	\$80,000	\$1,590.00	\$1,905.00	\$2,112.00	\$2,521.00	\$2,352.00	\$2,804.00	\$2,620.00	\$3,037.00	\$2,235.00	\$2,593.00	\$2,390.00	\$2,849.00	\$1,785.00	\$2,134.00	\$2,043.00	\$2,439.00	\$2,367.00	\$2,823.00
	\$120,000	\$2,229.00	\$2,659.00	\$2,943.00	\$3,504.00	\$3,273.00	\$3,893.00	\$3,640.00	\$4,211.00	\$3,112.00	\$3,603.00	\$3,325.00	\$3,955.00	\$2,495.00	\$2,974.00	\$2,849.00	\$3,392.00	\$3,293.00	\$3,917.00
	\$160,000	\$2,750.00	\$3,276.00	\$3,623.00	\$4,308.00	\$4,025.00	\$4,782.00	\$4,473.00	\$5,171.00	\$3,829.00	\$4,429.00	\$4,088.00	\$4,857.00	\$3,075.00	\$3,660.00	\$3,507.00	\$4,170.00	\$4,050.00	\$4,812.00

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

HO3 and HO4 only

Fire Extinguisher		%	Deadbolt Lock		%
Burglar Alarm	2 to 5	%	Window Locks		%
Smoke Alarm	2 to 5	%	\$1,000 Deductible	17	%
		%	Other (specify)		%
		%	Maximum Credit Allowed		%

EARTHQUAKE INSURANCE

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	No	(yes or no)	
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?		%	
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?			
	Zone	Brick	Frame
	Highest Risk	\$	\$
	Lowest Risk	\$	\$

NAIC LOSS COST DATA ENTRY DOCUMENT

1. This filing transmittal is part of Company Tracking # **ER-1913**

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

		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.	4.0 Homeowners	B.		N/A

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Home	33.6%	6.9%					
Dwelling Fire	55.7%	6.9%					
Condo/Renters	64.7%	7.0%					
TOTAL OVERALL EFFECT	35.2%	6.9%					

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	1222	N/A	N/A	2515	926	36.8%	52.5%
2007	824	4.6%	12/20/07	1879	459	24.4%	37.8%
2008	607	-0.6%	6/5/08	634	1384	218.3%	52.1%
2009	468	N/A	N/A	1846	369	20.0%	49.4%
2010	374	8.6%	4/23/10	829	199	24.0%	47.6%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	15.2%
B. General Expense	7.8%
C. Taxes, License & Fees	3.1%
D. Underwriting Profit & Contingencies	8.9%
E. Other (Debt Provision)	1.4%
F. TOTAL	36.4%

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

9. +13.6% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 30

10. +3.3% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): 65

Encompass Insurance Group
Other Than Automobile
Arkansas

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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 Selected
Home	\$2,094,070	33.6%	\$687,872	6.9%
Dwelling Fire	88,093	55.7%	53,460	6.9%
Condo/Renters	54,006	64.7%	19,811	7.0%
Total Other Than Automobile	2,236,169	35.2%	761,143	6.9%

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Other Than Automobile
Arkansas

Exhibit 2.A.1

Development of Statewide Rate Level Indication - Home

1)	Current Fixed Expense Ratio (Exhibit 10.A)	8.7 %
2)	Three Year Average Earned Premium	\$1,575.10
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$137.03
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.B)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$146.35
6)	Variable Expense and Profit Ratio (Exhibit 11)	27.7 %
7)	Home Non-Cat Indicated Provision for Loss and LAE (Exhibit 4.1)	\$1,182.55
8)	Complement of Credibility = [(Exhibit 2.C, Column 5) x (15)]	\$0.00
9)	Credibility (Exhibit 2.C)	100.0 %
9)	Indicated Provision for Loss and LAE = [(7) x [1 + (8)]]	\$1,524.31
10)	Indicated Average Premium = [(9) + (5)] / [1 - (6)]	\$2,310.73
11)	Projected Average Earned Premium at Current Rates (Exhibit 3.1)	\$1,729.59
12)	Indicated Rate Level Change = [(10) / (11) - 1]	33.6 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 2.A.2

Development of Statewide Rate Level Indication - Dwelling Fire

1)	Current Fixed Expense Ratio (Exhibit 10.A)	8.7 %
2)	Three Year Average Earned Premium	\$1,045.36
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$90.95
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.B)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$97.13
6)	Variable Expense and Profit Ratio (Exhibit 11)	27.7 %
7)	Dwelling Fire Non-Cat Indicated Provision for Loss and LAE (Exhibit 4.2)	\$621.30
7)	Dwelling Fire Non-Cat Indicated Provision for Loss and LAE = { [Exhibit 2.A.1 (7)] x [Exhibit 2.B] }	\$895.19
10)	Credibility Weighted Non-Cat Indicated Provision for Loss and LAE = [(7) x (9)] + [(8) x [1 - (9)]]	\$895.19
9)	Indicated Provision for Loss and LAE = [(7) x [1 + (8)]]	\$1,153.90
10)	Indicated Average Premium = [(9) + (5)] / [1 - (6)]	\$1,730.33
11)	Projected Average Earned Premium at Current Rates (Exhibit 3.1)	\$1,111.33
12)	Indicated Rate Level Change = [(10) / (11) - 1]	55.7 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 2.A.3

Development of Statewide Rate Level Indication - Condo/Renters

1)	Current Fixed Expense Ratio (Exhibit 10.A)	8.7 %
2)	Three Year Average Earned Premium	\$450.32
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$39.18
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.B)	1.068
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$41.84
6)	Variable Expense and Profit Ratio (Exhibit 11)	27.7 %
7)	Condo/Renters Non-Cat Indicated Provision for Loss and LAE (Exhibit 4.3)	\$365.47
7)	Condo/Renters Non-Cat Indicated Provision for Loss and LAE = { [Exhibit 2.A.1 (7)] x [Exhibit 2.B] }	\$419.81
10)	Credibility Weighted Non-Cat Indicated Provision for Loss and LAE = [(7) x (9)] + [(8) x [1 - (9)]]	\$419.81
9)	Indicated Provision for Loss and LAE = [(7) x [1 + (8)]]	\$541.14
10)	Indicated Average Premium = [(9) + (5)] / [1 - (6)]	\$806.33
11)	Projected Average Earned Premium at Current Rates (Exhibit 3.1)	\$489.64
12)	Indicated Rate Level Change = [(10) / (11) - 1]	64.7 %

Encompass Insurance Group
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Arkansas

Dwelling Fire vs. Homeowners Non-Cat Loss + ALAE Pure Premium Relativities

Year Ending	Homeowners Pure Premium	Dwelling Fire Pure Premium	Relativity
2003 Q1	516	121	0.234
2004 Q1	397	383	0.964
2005 Q1	229	727	3.177
2006 Q1	336	909	2.702
2007 Q1	536	157	0.293
2008 Q1	1127	682	0.605
2009 Q1	856	650	0.759
2010 Q1	1047	362	0.346
2011 Q1	741	79	0.106
		Straight Average	1.021
		Weighted Average	0.757
		Selected Ratio	0.757

Encompass Insurance Group
Other Than Automobile
Arkansas

Condo/Renters vs. Homeowners Non-Cat Loss + ALAE Pure Premium Relativities

Year Ending	Homeowners Pure Premium	Condo/Renters Pure Premium	Relativity
2003 Q1	516	115	0.223
2004 Q1	397	118	0.298
2005 Q1	229	3	0.012
2006 Q1	336	120	0.355
2007 Q1	536	504	0.941
2008 Q1	1127	98	0.087
2009 Q1	856	729	0.851
2010 Q1	1047	24	0.023
2011 Q1	741	77	0.104
		Straight Average	0.321
		Weighted Average	0.355
		Selected Ratio	0.355

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 3.1

Development of Projected Average Earned Premium at Current Rates - Home

	(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 Weights</u>
3/31/2011	1,459	\$2,457,136	1.027	\$2,523,479	\$1,729.59	100 %
					(7) Projected Average Earned Premium At Current Rates \$1,729.59	

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 3.2

Development of Projected Average Earned Premium at Current Rates - Dwelling Fire

	(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	96	\$106,688	1.000	\$106,688	\$1,111.33	100 %
					(7) Projected Average Earned Premium At Current Rates \$1,111.33	

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 3.3

Development of Projected Average Earned Premium at Current Rates - Condo/Renters

	(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	139	\$66,271	1.027	\$68,060	\$489.64	100 %
					(7) Projected Average Earned Premium At Current Rates \$489.64	

Encompass Insurance Group
Other Than Automobile
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Exhibit 4

Development of Non-Cat Provision for Loss and LAE - Home

	(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 Non-Cat Losses and ALAE	Developed Limited Non-Cat Losses and LAE	Excess Loss Provision	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Non-Cat Loss and LAE	Projected Average Non-Cat Loss and LAE	Experience Year Weights	
3/31/2007	2,483	\$1,258,732	\$1,429,920	1.24	1.299	\$2,303,258	\$927.61	20 %	
3/31/2008	2,310	1,529,527	1,737,543	1.24	1.249	\$2,691,037	\$1,164.95	20	
3/31/2009	2,103	1,299,144	1,475,828	1.24	1.201	\$2,197,862	\$1,045.11	20	
3/31/2010	1,797	1,751,026	1,989,166	1.24	1.155	\$2,848,884	\$1,585.36	20	
3/31/2011	1,459	1,110,158	1,261,139	1.24	1.110	\$1,735,832	\$1,189.74	20	
							\$1,182.55		
		(9) Non-Cat Indicated Provision for Loss and LAE							

Encompass Insurance Group
Other Than Automobile
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Exhibit 5.A

Calculation of Premium & AIY Trend Factors

<u>Coverage</u>	Selected Annual Premium Impacts	Selected Annual AIY Impacts
	<u>Projected</u>	<u>Projected</u>
Home	1.00%	3.5%
Dwelling Fire	0.00%	8.0%
Condo/Renters	1.00%	6.0%

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

<u>Coverage</u>	Factor to Adjust to Projected Premium Level	Factor to Adjust to Projected AIY Level
	<u>Current Year</u>	<u>Current Year</u>
Home	1.027	1.096
Dwelling Fire	1.000	1.228
Condo/Renters	1.027	1.168

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

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.B.1

Premium Trends - Homeowners

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$1,751.64	3.2 %	1,711.43		
12/06	1,742.91	0.7	1,708.49		
03/07	1,750.37	0.5	1,705.55		
06/07	1,717.28	-1.6	1,702.62		
09/07	1,684.30	-3.8	1,699.70		
12/07	1,681.38	-3.5	1,696.78		
03/08	1,647.12	-5.9	1,693.87		
06/08	1,681.38	-2.1	1,690.96		
09/08	1,659.38	-1.5	1,688.05	1,649.77	
12/08	1,650.00	-1.9	1,685.15	1,653.18	
03/09	1,647.34	0.0	1,682.26	1,656.59	
06/09	1,655.93	-1.5	1,679.37	1,660.00	
09/09	1,663.75	0.3	1,676.49	1,663.43	
12/09	1,678.41	1.7	1,673.61	1,666.86	
03/10	1,670.85	1.4	1,670.73	1,670.30	1,667.08
06/10	1,664.93	0.5	1,667.86	1,673.74	1,671.48
09/10	1,669.73	0.4	1,665.00	1,677.19	1,675.89
12/10	1,690.15	0.7	1,662.14	1,680.65	1,680.32
03/11	1,691.17	1.2	1,659.28	1,684.12	1,684.75
06/11	1,681.98	1.0	1,656.43	1,687.59	1,689.20
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-0.7 %	0.8 %	1.1 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.B.2

Premium Trends - Dwelling Fire

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	1,023.29	4.3 %	1080.81		
12/06	1,014.62	1.4	1080.23		
03/07	1,048.84	3.2	1079.65		
06/07	1,073.47	5.8	1079.07		
09/07	1,117.38	9.2	1078.49		
12/07	1,092.32	7.7	1077.91		
03/08	1,079.20	2.9	1077.33		
06/08	1,148.17	7.0	1076.75		
09/08	1,059.40	-5.2	1076.17	1123.06	
12/08	1,135.36	3.9	1075.59	1114.41	
03/09	1,100.52	2.0	1075.01	1105.82	
06/09	1,088.60	-5.2	1074.43	1097.30	
09/09	1,109.29	4.7	1073.85	1088.85	
12/09	1,092.94	-3.7	1073.27	1080.46	
03/10	1,132.79	2.9	1072.70	1072.13	1124.47
06/10	1,117.88	2.7	1072.12	1063.87	1096.37
09/10	1,068.51	-3.7	1071.54	1055.67	1068.97
12/10	987.80	-9.6	1070.97	1047.53	1042.26
03/11	1,010.15	-10.8	1070.39	1039.46	1016.21
06/11	1,024.34	-8.4	1069.81	1031.45	990.82
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-0.2 %	-3.0 %	-9.6 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.B.3

Premium Trends - Condo/Renters

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$606.38	-16.2 %	542.26		
12/06	572.37	-20.0	536.85		
03/07	535.94	-20.6	531.49		
06/07	551.45	-10.9	526.18		
09/07	517.31	-14.7	520.92		
12/07	500.12	-12.6	515.72		
03/08	493.28	-8.0	510.57		
06/08	481.06	-12.8	505.47		
09/08	457.33	-11.6	500.43	459.33	
12/08	459.47	-8.1	495.43	461.12	
03/09	467.06	-5.3	490.48	462.92	
06/09	460.48	-4.3	485.58	464.72	
09/09	477.02	4.3	480.73	466.52	
12/09	457.58	-0.4	475.93	468.34	
03/10	477.85	2.3	471.18	470.16	473.43
06/10	470.02	2.1	466.47	471.99	474.25
09/10	462.56	-3.0	461.81	473.83	475.07
12/10	497.23	8.7	457.20	475.67	475.89
03/11	468.04	-2.1	452.64	477.52	476.71
06/11	477.93	1.7	448.12	479.38	477.54
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-3.9 %	1.6 %	0.7 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.C.1

AIY Trends - Homeowners

Year Ending	AIY	Annual % Change	Exponential Curve of Best Fit		
			20 pt.	12 pt.	6 pt.
09/06	257.86	14.5 %	260.45		
12/06	260.30	9.5	262.82		
03/07	264.26	7.8	265.21		
06/07	269.13	7.1	267.62		
09/07	268.92	4.3	270.05		
12/07	274.08	5.3	272.50		
03/08	275.36	4.2	274.98		
06/08	280.48	4.2	277.48		
09/08	283.29	5.3	280.00	281.70	
12/08	284.02	3.6	282.55	283.96	
03/09	283.52	3.0	285.11	286.24	
06/09	288.62	2.9	287.70	288.54	
09/09	290.45	2.5	290.32	290.86	
12/09	295.12	3.9	292.96	293.20	
03/10	295.52	4.2	295.62	295.56	295.26
06/10	296.62	2.8	298.30	297.94	297.72
09/10	300.51	3.5	301.01	300.33	300.21
12/10	302.99	2.7	303.75	302.75	302.71
03/11	306.92	3.9	306.51	305.18	305.23
06/11	306.36	3.3	309.30	307.63	307.78
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			3.7 %	3.3 %	3.4 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.C.2

AIY Trends - Dwelling Fire

Year Ending	AIY	Annual % Change	Exponential Curve of Best Fit		
			20 pt.	12 pt.	6 pt.
09/06	141.46	14.0 %	149.41		
12/06	140.64	23.6	152.24		
03/07	152.65	12.7	155.13		
06/07	161.59	16.1	158.08		
09/07	172.20	1.0	161.08		
12/07	173.87	4.0	164.13		
03/08	172.02	1.8	167.25		
06/08	187.64	-5.7	170.42		
09/08	173.96	5.7	173.65	170.09	
12/08	180.83	2.1	176.95	173.65	
03/09	175.15	7.6	180.31	177.29	
06/09	176.90	12.8	183.73	181.01	
09/09	183.79	7.7	187.22	184.80	
12/09	184.61	5.3	190.77	188.68	
03/10	188.48	11.9	194.39	192.63	187.49
06/10	199.62	14.3	198.08	196.67	193.49
09/10	197.92	0.0	201.84	200.79	199.69
12/10	194.47	0.0	205.67	205.00	206.09
03/11	210.90	0.0	209.57	209.29	212.69
06/11	228.20	0.0	213.55	213.68	219.50
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			7.8 %	8.7 %	13.4 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 5.C.3

AIY Trends - Condo/Renters

Year Ending	AIY	Annual % Change	Exponential Curve of Best Fit		
			20 pt.	12 pt.	6 pt.
09/06	66.74	-6.7 %	60.96		
12/06	64.83	-9.1	61.31		
03/07	61.01	-15.2	61.67		
06/07	63.72	-4.2	62.03		
09/07	63.51	-4.8	62.39		
12/07	61.63	-4.9	62.75		
03/08	61.52	0.8	63.12		
06/08	61.69	-3.2	63.48		
09/08	58.67	-7.6	63.85	59.24	
12/08	59.89	-2.8	64.23	60.30	
03/09	62.63	1.8	64.60	61.39	
06/09	61.41	-0.5	64.97	62.49	
09/09	65.03	10.8	65.35	63.61	
12/09	63.64	6.3	65.73	64.75	
03/10	66.73	6.6	66.12	65.92	66.59
06/10	67.00	9.1	66.50	67.10	67.55
09/10	67.94	4.5	66.89	68.31	68.53
12/10	72.23	13.5	67.28	69.53	69.52
03/11	68.53	2.7	67.67	70.78	70.53
06/11	71.92	7.3	68.06	72.06	71.55
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			2.3 %	7.4 %	5.9 %

Encompass Insurance Group
Other Than Automobile
Arkansas

Exhibit 6.1.a

Incurred Loss + ALAE Development Factors - Home Limited

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	2,022	1,696	1,186	981	749	1,221	1,440	1,250	1,570	999
27 MONTHS	2,040	1,802	1,217	1,050	788	1,246	1,491	1,263	1,679	
39 MONTHS	2,123	1,736	1,203	1,050	788	1,237	1,503	1,267		
51 MONTHS	2,079	1,736	1,203	1,053	788	1,237	1,507			
63 MONTHS	2,063	1,736	1,203	1,053	788	1,248				
75 MONTHS	2,063	1,736	1,203	1,053	788					
87 MONTHS	2,063	1,736	1,203	1,053						
99 MONTHS	2,063	1,736	1,203							
111 MONTHS	2,063	1,736								
123 MONTHS	2,063									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010
15 To 27	1.009	1.062	1.026	1.070	1.052	1.020	1.035	1.010	1.069
27 To 39	1.041	0.963	0.988	1.000	1.000	0.993	1.008	1.003	
39 To 51	0.979	1.000	1.000	1.002	1.000	1.000	1.002		
51 To 63	0.992	1.000	1.000	1.000	1.000	1.009			
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	1.066	1.066	1.111
27 To 39	1.017	1.017	1.043
39 To 51	1.010	1.010	1.025
51 To 63	1.006	1.006	1.015
63 To 75	1.004	1.004	1.009
75 To 87	1.002	1.002	1.005
87 To 99	1.001	1.001	1.003
99 To 111	1.001	1.001	1.002
111 To 123	1.001	1.001	1.001

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Exhibit 6.1.b

Incurred Loss + ALAE Development Factors - Home Unlimited

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	2,200	1,734	1,204	2,190	769	1,229	2,338	1,735	1,690	1,066
27 MONTHS	2,218	1,840	1,236	2,206	819	1,253	2,526	1,740	1,837	
39 MONTHS	2,301	1,774	1,221	2,022	819	1,245	2,538	1,745		
51 MONTHS	2,256	1,778	1,222	2,174	819	1,245	2,542			
63 MONTHS	2,240	1,778	1,222	2,174	819	1,255				
75 MONTHS	2,240	1,778	1,222	2,174	819					
87 MONTHS	2,240	1,778	1,222	2,174						
99 MONTHS	2,240	1,778	1,222							
111 MONTHS	2,240	1,778								
123 MONTHS	2,240									

AGE TO AGE FACTORS

DEVELOPMENT PERIOD	2Q2001	2Q2002	2Q2003	2Q2004	2Q2005	2Q2006	2Q2007	2Q2008	2Q2009
	1Q2002	1Q2003	1Q2004	1Q2005	1Q2006	1Q2007	1Q2008	1Q2009	1Q2010
15 To 27	1.008	1.061	1.026	1.007	1.066	1.020	1.080	1.003	1.087
27 To 39	1.037	0.964	0.988	0.917	1.000	0.993	1.005	1.002	
39 To 51	0.981	1.002	1.000	1.075	1.000	1.000	1.001		
51 To 63	0.993	1.000	1.000	1.000	1.000	1.008			
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 Countrywide	Selected	Factor To Ultimate
	15 To 27	1.074	1.074	1.135
27 To 39	1.017	1.017	1.057
39 To 51	1.014	1.014	1.040
51 To 63	1.009	1.009	1.025
63 To 75	1.010	1.010	1.016
75 To 87	1.002	1.002	1.006
87 To 99	1.001	1.001	1.004
99 To 111	1.001	1.001	1.003
111 To 123	1.002	1.002	1.002

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Exhibit 7

Excess Loss Provision

Homeowners

<u>Experience</u> <u>Period</u>	<u>Ultimate Total Ex-</u> <u>Cat Losses +</u> <u>ALAE</u>	<u>Ultimate Limited</u> <u>Ex-Cat Losses +</u> <u>ALAE</u>	<u>Total / Limited</u>
03/01-03/02	2,240	2,063	1.09
03/02-03/03	1,782	1,738	1.03
03/03-03/04	1,225	1,205	1.02
03/04-03/05	2,183	1,056	2.07
03/05-03/06	824	792	1.04
03/06-03/07	1,275	1,259	1.01
03/07-03/08	2,606	1,530	1.70
03/08-03/09	1,814	1,299	1.40
03/09-03/10	1,942	1,750	1.11
03/10-03/11	1,211	1,111	1.09
		Weighted Average	1.24
		Straight Average	1.25
		Selected	1.24

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Exhibit 8.A

Calculation of Pure Premium Trend Factor

	<u>Selected Annual Pure Premium Impacts</u>	
<u>Coverage</u>	<u>Historical</u>	<u>Projected</u>
Home	4.00%	4.00%

	<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>Factor to Adjust Losses for Pure Premium Trend</u>				
<u>Coverage</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>
Home	1.299	1.249	1.201	1.155	1.110

(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)

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Exhibit 8.B

Pure Premium Loss Trends - Homeowners

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/05	\$317.08	-24.6 %			
12/05	348.54	39.9			
03/06	385.66	-33.7			
06/06	427.79	0.9			
09/06	526.96	66.2	498.29		
12/06	477.40	37.0	513.67		
03/07	468.17	21.4	529.54		
06/07	546.71	27.8	545.89		
09/07	431.19	-18.2	562.74		
12/07	529.19	10.9	580.12		
03/08	526.67	12.5	598.03		
06/08	690.44	26.3	616.49		
09/08	727.23	68.7	635.53	806.52	
12/08	802.57	51.7	655.15	802.36	
03/09	895.42	70.0	675.38	798.22	
06/09	721.96	4.6	696.24	794.11	
09/09	827.80	13.8	717.74	790.01	
12/09	842.76	5.0	739.90	785.94	
03/10	803.77	-10.2	762.74	781.88	800.14
06/10	882.88	22.3	786.29	777.85	786.96
09/10	741.58	-10.4	810.57	773.84	774.01
12/10	635.77	-24.6	835.60	769.85	761.27
03/11	753.25	-6.3	861.40	765.88	748.73
06/11	811.74	-8.1	888.00	761.93	736.41
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			12.9 %	-2.0 %	-6.4 %

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NON-MODELED CATASTROPHE FACTOR

(1)	(2)	(3)	(4)	(5)	(6)
ACCIDENT YEAR	EX-CAT INCURRED LOSS+ALAE	CATASTROPHE INCURRED LOSS+ALAE*	STATE CATASTROPHE FACTOR	COUNTRYWIDE CATASTROPHE FACTOR	RELATIVITIES
1988	1,579,834	37,017	0.023	0.056	0.411
1989	1,849,550	1,388,113	0.751	0.145	5.179
1990	1,008,317	351,471	0.349	0.216	1.616
1991	1,454,400	205,277	0.141	0.300	0.470
1992	903,216	26,211	0.029	0.167	0.174
1993	1,189,006	23,921	0.020	0.241	0.083
1994	802,038	63,772	0.080	0.379	0.211
1995	1,538,192	129,161	0.084	0.143	0.587
1996	1,616,672	1,115,444	0.690	0.492	1.402
1997	2,006,585	1,070,468	0.533	0.125	4.264
1998	1,309,287	284,965	0.218	0.421	0.518
1999	1,624,429	2,583,898	1.591	0.173	9.197
2000	2,353,497	1,040,216	0.442	0.128	3.453
2001	2,474,959	46,576	0.019	0.078	0.244
2002	1,920,755	191,548	0.100	0.156	0.641
2003	1,337,002	422,683	0.316	0.192	1.646
2004	2,092,108	77,354	0.037	0.152	0.243
2005	872,261	20,617	0.024	0.118	0.203
2006	1,162,639	426,593	0.367	0.181	2.028
2007	2,414,756	48,328	0.020	0.193	0.104
2008	2,160,792	1,429,890	0.662	0.217	3.051
2009	1,766,718	903,687	0.512	0.202	2.535
2010	849,659	492,408	0.580	0.350	1.657
(7) Average Relativity					1.736
(8) Standard Deviation					2.172
(9) Credibility					0.772
(10) Credibility Weighted Relativity					1.568
(11) Countrywide Selected Catastrophe Factor					0.184
(12) ARKANSAS Catastrophe Factor					0.289

*Actual hurricane losses available in historical data are included in column (3) since Encompass has removed the Modeled Hurricane Provision from the

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Exhibit 10.A

Summary of Expense Provisions

	<u>Percent Fixed</u>	<u>Expense Provision</u>
General Expense	100 %	7.8 %
Other Acquisition	100	0.7
Licenses and Fees	100	0.2
ULAE	0	13.6
Commissions	0	14.5
Taxes †	0	2.9
Contingency Provision	0	1.0
Profit Provision	0	7.9
Debt Provision	0	1.4

† State Taxes - Does not include Federal Income Tax

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Exhibit 10.B

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)	3.918
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

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Exhibit 11

Investment Income

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 2.6%*
force of interest, given an Operating Profit of 7.0%
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 @ 2.6%	Discounted Payments
1	25.7%	25.7%	0.70	1.008	25.9%
2	78.6%	52.9%	1.40	0.990	52.4%
3	89.8%	11.2%	2.40	0.964	10.8%
4	93.9%	4.1%	3.50	0.937	3.8%
5	96.3%	2.4%	4.50	0.913	2.2%
Subsequent	100.0%	3.7%	6.90	0.858	3.2%
Total		100.0%			98.3%
Expected Losses and Loss Expense Ratio					63.6%
Present Value of Loss and Loss Expense Payments					62.5%
General Expense		7.8%	0.75	1.007	7.9%
Other Acquisition		0.7%	0.63	1.010	0.7%
Taxes		2.9%	0.63	1.010	2.9%
Commissions		14.5%	0.58	1.011	14.7%
Debt Provision		1.4%	1.00	1.000	1.4%
Profit Provision		7.9%	1.00	1.000	7.9%
Contingency Provision		1.0%	1.00	1.000	1.0%
Licenses and Fees		0.2%	0.63	1.010	0.2%
Total Present Value of Outgo					99.2%
Premiums		100.0%	0.57	1.011	101.1%
Difference, Present Value of Income Less Present Value of Outgo					1.9%

*Discount rate from Investments Department forecast

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

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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 @ <u>CRL</u>	Encompass Insurance Group Indicated Rate <u>Level Change</u>	Encompass Insurance Company of America Written Premium <u>@ CRL</u>	Encompass Insurance Company of America Proposed Rate <u>Level Change</u>
Home	\$2,094,070	33.6%	\$687,872	6.9%
Dwelling Fire	88,093	55.7%	53,460	6.9%
Condo/Renters	54,006	64.7%	19,811	7.0%
Overall	\$2,236,169	35.2%	\$761,143	6.9%

Please note that although Encompass believes our methodologies are appropriate and justified, in this filing we have calculated the indicated rate level change with several adjustments as requested by the Arkansas Department of Insurance. The contingency provision was capped at 1.0%, and the indication was calculated without the Retained Risk Provision. The Hurricane Provision for Loss and LAE was also removed, and actual historical hurricane losses were included in the development of the Non-Modeled CAT provision.

The filing contains the following revisions:

Rate Factor Revisions

Encompass Insurance Company of America proposes the following revisions to the Other Than Automobile program in the state of Arkansas. The overall impact is 6.9% after accounting for the changes described below:

- **Base Rates**
With this filing, Encompass is proposing revisions to the Home and Condo Base Rates in order to reach the desired overall impact. Please refer to Page 1 of the Home Rate Pages for the revised base rates.
- **Maximum Deductible Credits**
With this filing, Encompass is proposing revisions to the Maximum Deductible Factors in order to reach the desired overall impact. Please refer to Rule 12 (Deductibles) in the Home Rules Pages for the revised factors.
- **Segment Tier Factor**
With this filing, Encompass is proposing a revision to the Segment Tier Factor. Please refer to Rule 2.E (Premium Determination – Package Discount) in the Home Rules Pages for the revised factor. For information supporting this revision of the Segment Factor, please refer to **Attachment A**.

- **Building Ordinance Increased Costs**

With this filing, Encompass is proposing a revision to the Building Ordinance Increased Cost for Renters/Condo to reach the desired overall impact. Please refer to Rule 15 (Miscellaneous Coverages), section D in the Home Rules Pages for the revised charge.

- **Building Additions and Alterations**

With this filing, Encompass is proposing a revision to the Building Additions and Alterations charge to reach the desired overall impact. Please refer to Rule 16 (Building Additions and Alterations) in the Home Rules Pages for the revised charge.

- **Dwelling Fire Occupancy Factors**

With this filing, Encompass is proposing a revision to the Occupancy Factors for Dwelling Fire to reach the desired overall impact. Please refer to Rule 7 (Occupancy Factors) in the Dwelling Fire Rules Pages for the revised factors.

OVERVIEW OF HOMEOWNERS 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.

With this filing, Encompass is calculating the Non Cat Indicated Provision for Loss and LAE for the Dwelling Fire and Condo/Renters Indications using a relativity based on the Non Cat Indicated Provision for Loss and LAE for the Homeowners Indication. Encompass believes that by applying a relativity to the Homeowners Non Cat Indicated Provision for Loss and LAE, Encompass can still reflect differences in the Dwelling Fire or Condo/Renters Pure Premium (i.e. trends) while having the advantage of applying this to a more stable base being the Homeowners data. Nine years of Dwelling Fire or Condo/Renters Unlimited Pure Premiums to Homeowners Unlimited Pure Premiums has been reviewed and a relativity has been selected based off of this. The data to support the relativity selection is shown in **Exhibit 2.B**. The selected relativity is then applied to the Homeowners Non Cat Indicated Provision for Loss and LAE to develop a Dwelling Fire or Condo/Renters Non Cat Indicated Provision for Loss and LAE. Please refer to **Exhibit 2.A** for more info on the relativity method of the Dwelling Fire and Condo/Renters indications.

The statewide rate level indication is based on data from five rolling accident years for Homeowners 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 by line. 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 by line. 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 line.

ADJUSTMENTS TO PREMIUMS

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Encompass Insurance Group
Other Than Automobile
Arkansas

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II. Homeowner Statewide Rate Level Indications

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

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 @ <u>CRL</u>	Encompass Insurance Group Indicated Rate <u>Level Change</u>	Encompass Insurance Company of America Written Premium <u>@ CRL</u>	Encompass Insurance Company of America Proposed Rate <u>Level Change</u>
Home	\$2,094,070	33.6%	\$687,872	6.9%
Dwelling Fire	88,093	55.7%	53,460	6.9%
Condo/Renters	54,006	64.7%	19,811	7.0%
Overall	\$2,236,169	35.2%	\$761,143	6.9%

Please note that although Encompass believes our methodologies are appropriate and justified, in this filing we have calculated the indicated rate level change with several adjustments as requested by the Arkansas Department of Insurance. The contingency provision was capped at 1.0%, and the indication was calculated without the Retained Risk Provision. The Hurricane Provision for Loss and LAE was also removed, and actual historical hurricane losses were included in the development of the Non-Modeled CAT provision.

The filing contains the following revisions:

Rate Factor Revisions

Encompass Insurance Company of America proposes the following revisions to the Other Than Automobile program in the state of Arkansas. The overall impact is 6.9% after accounting for the changes described below:

- **Base Rates**
With this filing, Encompass is proposing revisions to the Home and Condo Base Rates in order to reach the desired overall impact. Please refer to Page 1 of the Home Rate Pages for the revised base rates.
- **Maximum Deductible Credits**
With this filing, Encompass is proposing revisions to the Maximum Deductible Factors in order to reach the desired overall impact. Please refer to Rule 12 (Deductibles) in the Home Rules Pages for the revised factors.
- **Segment Tier Factor**
With this filing, Encompass is proposing a revision to the Segment Tier Factor. Please refer to Rule 2.E (Premium Determination – Package Discount) in the Home Rules Pages for the revised factor. For information supporting this revision of the Segment Factor, please refer to **Attachment C**.

- **Building Ordinance Increased Costs**

With this filing, Encompass is proposing a revision to the Building Ordinance Increased Cost for Renters/Condo to reach the desired overall impact. Please refer to Rule 15 (Miscellaneous Coverages), section D in the Home Rules Pages for the revised charge.

- **Building Additions and Alterations**

With this filing, Encompass is proposing a revision to the Building Additions and Alterations charge to reach the desired overall impact. Please refer to Rule 16 (Building Additions and Alterations) in the Home Rules Pages for the revised charge.

- **Dwelling Fire Occupancy Factors**

With this filing, Encompass is proposing a revision to the Occupancy Factors for Dwelling Fire to reach the desired overall impact. Please refer to Rule 7 (Occupancy Factors) in the Dwelling Fire Rules Pages for the revised factors.

OVERVIEW OF HOMEOWNERS 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.

With this filing, Encompass is calculating the Non Cat Indicated Provision for Loss and LAE for the Dwelling Fire and Condo/Renters Indications using a relativity based on the Non Cat Indicated Provision for Loss and LAE for the Homeowners Indication. Encompass believes that by applying a relativity to the Homeowners Non Cat Indicated Provision for Loss and LAE, Encompass can still reflect differences in the Dwelling Fire or Condo/Renters Pure Premium (i.e. trends) while having the advantage of applying this to a more stable base being the Homeowners data. Nine years of Dwelling Fire or Condo/Renters Unlimited Pure Premiums to Homeowners Unlimited Pure Premiums has been reviewed and a relativity has been selected based off of this. The data to support the relativity selection is shown in **Exhibit 2.B**. The selected relativity is then applied to the Homeowners Non Cat Indicated Provision for Loss and LAE to develop a Dwelling Fire or Condo/Renters Non Cat Indicated Provision for Loss and LAE. Please refer to **Exhibit 2.A** for more info on the relativity method of the Dwelling Fire and Condo/Renters indications.

The statewide rate level indication is based on data from five rolling accident years for Homeowners 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 by line. 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 by line. 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.

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ATTACHMENT C

Rating Plan Revisions

Support for Package Factor Revisions

With this filing, Encompass is proposing revisions to the Package Rating Tier Factors. These revisions are based on a loss ratio analysis of 5 years of Arkansas specific data which demonstrates that package customers have a lower loss ratio relativity when compared to segment customers. Page 2 of Attachment C includes five years of loss ratio information for Arkansas specific data for both package and segment customers.

Encompass Insurance Group
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Loss Ratio Analysis: Package Factor Support
Based on Encompass Group Data
Accident Year 2Q2006-1Q2011

	(1)	(2)	(3)=(1)/(2)	(4)	(5)=(4)-1	(6)
Package/ Segment	Ex-CAT Limited Developed Incurred Losses Plus ALAE	Earned Premium @ CRL	Loss Ratio	Loss Ratio Relativity to Segment	Supportable Percent Change	Selected Percent Change
Package	\$ 4,497,222	\$ 12,628,343	35.6%	0.86	-14.2%	-5.0%
Segment	\$ 1,965,840	\$ 4,736,860	41.5%	1.00	0.0%	0.0%