

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Filing at a Glance

Company: Auto-Owners Insurance Company  
Product Name: Arkansas Dwelling Fire  
State: Arkansas  
TOI: 01.0 Property  
Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)  
Filing Type: Rate/Rule  
Date Submitted: 10/04/2012  
SERFF Tr Num: AOIC-128700509  
SERFF Status: Closed-Filed  
State Tr Num:  
State Status:  
Co Tr Num: DWF-AR-01-11/15/2012-01  
Effective Date: 11/15/2012  
Requested (New):  
Effective Date: 12/21/2012  
Requested (Renewal):  
Author(s): Dan Keefe, Amy Lueders, Joel Schultz  
Reviewer(s): Becky Harrington (primary)  
Disposition Date: 10/24/2012  
Disposition Status: Filed  
Effective Date (New): 11/15/2012  
Effective Date (Renewal): 12/21/2012

State Filing Description:  
referred to Commissioner 10/8/12

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
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## General Information

Project Name: Arkansas Dwelling Fire Rate and Rule Change Status of Filing in Domicile:  
 Project Number: DWF-AR-01-11/15/2012-01 Domicile Status Comments:  
 Reference Organization: Reference Number:  
 Reference Title: Advisory Org. Circular:  
 Filing Status Changed: 10/24/2012  
 State Status Changed: 10/19/2012 Deemer Date:  
 Created By: Joel Schultz Submitted By: Joel Schultz  
 Corresponding Filing Tracking Number:

Filing Description:  
Rate and Rule Change

## Company and Contact

### Filing Contact Information

Dan Keefe, Assistant Manager keefe.dan@aoins.com  
 P.O. Box 30660 517-886-1846 [Phone]  
 Lansing, MI 48909-8160 517-323-8796 [FAX]

### Filing Company Information

Auto-Owners Insurance Company CoCode: 18988 State of Domicile: Michigan  
 P.O. Box 30660 Group Code: 280 Company Type: PC  
 Lansing, MI 48909-8160 Group Name: Auto-Owners Ins State ID Number:  
 (800) 346-0346 ext. [Phone] Group  
 FEIN Number: 38-0315280

## Filing Fees

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

Company	Amount	Date Processed	Transaction #
Auto-Owners Insurance Company	\$100.00	10/04/2012	63436199

**State:** Arkansas  
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**Filing Company:** Auto-Owners Insurance Company

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	10/24/2012	10/24/2012

### Objection Letters and Response Letters

#### Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	10/19/2012	10/19/2012
No response necessary	Becky Harrington	10/08/2012	10/08/2012
Pending Industry Response	Becky Harrington	10/05/2012	10/05/2012

#### Response Letters

Responded By	Created On	Date Submitted
Joel Schultz	10/22/2012	10/22/2012
Joel Schultz	10/22/2012	10/22/2012
Joel Schultz	10/08/2012	10/08/2012

### Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Meeting	Note To Filer	Becky Harrington	10/19/2012	10/19/2012
Meeting with Commissioner	Note To Filer	Becky Harrington	10/17/2012	10/17/2012

SERFF Tracking #:

AOIC-128700509

State Tracking #:

Company Tracking #:

DWF-AR-01-11/15/2012-01

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
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## Disposition

Disposition Date: 10/24/2012  
 Effective Date (New): 11/15/2012  
 Effective Date (Renewal): 12/21/2012  
 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 req'd):	Minimum % Change (where req'd):
Auto-Owners Insurance Company	47.200%	10.000%	\$228,155	2,935	\$2,273,283	19.500%	-19.700%

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	Yes
Supporting Document (revised)	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document (revised)	P&C Actuarial Justification	Filed	Yes
Supporting Document	P&C Actuarial Justification		Yes
Rate	Eligibility	Filed	Yes
Rate	Adjusted Actual Cash Value	Filed	Yes
Rate	Applications	Filed	Yes
Rate	Definitions	Filed	Yes
Rate	Location Minimum Premium	Filed	Yes
Rate	Mandatory Coverages, Forms and Endorsements	Filed	Yes
Rate	Age of Construction Discount	Filed	Yes
Rate	Age of Insured Discount	Filed	Yes
Rate	Claim Free Discount	Filed	Yes
Rate	Deductible Rules	Filed	Yes
Rate	Maximum Discount	Filed	Yes
Rate	Experience Discount	Filed	Yes
Rate	Multi-Policy Discounts	Filed	Yes
Rate	Paid Loss Surcharge	Filed	Yes
Rate	Additional Living Expenses	Filed	Yes

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
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Schedule	Schedule Item	Schedule Item Status	Public Access
Rate	Condominium Owners Coverage - Coverage H	Filed	Yes
Rate	Increased Cost Endorsement	Filed	Yes
Rate	Premium Adjustments - Quick Reference	Filed	Yes
Rate	Adjusted Value Endorsement	Filed	Yes
Rate	Limitation - Fungi Remediation Cost	Filed	Yes
Rate	Approved Park	Filed	Yes
Rate	Fire Division	Filed	Yes
Rate	Binding Authority	Filed	Yes
Rate (revised)	Base Rates	Filed	Yes
Rate	Base Rates		Yes
Rate	Location Minimum Rates	Filed	Yes
Rate (revised)	Protection Class Relativities	Filed	Yes
Rate	Protection Class Relativities		Yes
Rate	Rating Procedure	Filed	Yes
Rate	Age of Construction Relativities	Filed	Yes
Rate	Age of Insured Relativities	Filed	Yes
Rate	Claim Free Relativities	Filed	Yes
Rate	Deductible Relativities	Filed	Yes
Rate	Experience Discount Relativities	Filed	Yes
Rate	Multi-Policy Relativities	Filed	Yes
Rate (revised)	Paid Loss Surcharge Relativities	Filed	Yes
Rate	Paid Loss Surcharge Relativities		Yes
Rate	Additional Coverages - Property Rating Procedures	Filed	Yes

State: Arkansas Filing Company: Auto-Owners Insurance Company  
TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
Product Name: Arkansas Dwelling Fire  
Project Name/Number: Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

Schedule	Schedule Item	Schedule Item Status	Public Access
Rate	Increased Cost Endorsement Relativities	Filed	Yes

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**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
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## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	10/19/2012
Submitted Date	10/19/2012
Respond By Date	

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Dear Dan Keefe,

**Introduction:**

*This requested increase has been reviewed by Commissioner Bradford.*

*Please amend the overall amount to 10% with individual increase capped at no more than 20%.*

*Provide a revised form HPCS.*

**Conclusion:**

*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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**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
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## Response Letter

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Response Letter Status	Submitted to State
Response Letter Date	10/22/2012
Submitted Date	10/22/2012

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Dear Becky Harrington,

### **Introduction:**

### **Response 1**

#### **Comments:**

The overall increase has been amended to 10%, with the maximum individual increase at 19.5%. To accomplish this, the Paid Loss Surcharge relativities for 2 losses were reduced, the increase to manufactured construction relativities was reduced, and the base rates were decreased by approximately 2.5%.

The HPCS Survey has been updated.

Please see post submission update for revised rate information.

### **Changed Items:**

#### **Supporting Document Schedule Item Changes**

Satisfied -Name: HPCS-Homeowners Premium Comparison Survey

Comment: Please see attachment which was calculated using non-owner basic form rates in the standard program.

No Form Schedule items changed.

SERFF Tracking #:

AOIC-128700509

State Tracking #:

Company Tracking #:

DWF-AR-01-11/15/2012-01

State:

Arkansas

Filing Company:

Auto-Owners Insurance Company

TOI/Sub-TOI:

01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

Product Name:

Arkansas Dwelling Fire

Project Name/Number:

Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

**Rate/Rule Schedule Item Changes**

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
Base Rates	AOARZ027	Replacement	AOARZ023
<i>Previous Version</i>			
<i>Base Rates</i>	<i>AOARZ027</i>	<i>Replacement</i>	<i>AOARZ023</i>
Protection Class Relativities	AOARZ029	Replacement	AOARZ024
<i>Previous Version</i>			
<i>Protection Class Relativities</i>	<i>AOARZ029</i>	<i>Replacement</i>	<i>AOARZ024</i>
Paid Loss Surcharge Relativities	AOARZ037	Replacement	AOURZ250
<i>Previous Version</i>			
<i>Paid Loss Surcharge Relativities</i>	<i>AOARZ037</i>	<i>Replacement</i>	<i>AOURZ250</i>

**Conclusion:**

Sincerely,  
Joel Schultz

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**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
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## Objection Letter

Objection Letter Status	No response necessary
Objection Letter Date	10/08/2012
Submitted Date	10/08/2012
Respond By Date	

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Dear Dan Keefe,

**Introduction:**

*This will acknowledge receipt of the recent response.*

*This filing is being referred to the Commissioner for review due to the requested increase amount being greater than 6%. Please do not respond at this time.*

**Conclusion:**

*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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**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
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## Response Letter

Response Letter Status	Submitted to State
Response Letter Date	10/22/2012
Submitted Date	10/22/2012

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Dear Becky Harrington,

**Introduction:**

**Response 1**

**Comments:**

Please see response submitted on 10/22/12.

**Changed Items:**

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

**Conclusion:**

Sincerely,

Joel Schultz

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**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	10/05/2012
Submitted Date	10/05/2012
Respond By Date	

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Dear Dan Keefe,

**Introduction:**

*This will acknowledge receipt of the captioned filing.*

**Objection 1**

*- P&C Actuarial Justification (Supporting Document)*

*Comments: Please provide the number of insureds impacted by the change in loss surcharge factors.*

**Objection 2**

*Comments: Please provide a histogram showing the number of insureds receiving greater than 20% increases.*

**Conclusion:**

*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*

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Response Letter

Response Letter Status	Submitted to State
Response Letter Date	10/08/2012
Submitted Date	10/08/2012

Dear Becky Harrington,

### Introduction:

### Response 1

#### Comments:

There are 16 of 2915 policies impacted by the change in loss surcharge factors. The combined rate impact for these 16 policies is 22.8%.

### Related Objection 1

Applies To:

- P&C Actuarial Justification (Supporting Document)

Comments: Please provide the number of insureds impacted by the change in loss surcharge factors.

### Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

### Response 2

#### Comments:

Please see P&C Actuarial Justification under the Supporting Documentation tab for the histogram by percent change.

### Related Objection 2

Comments: Please provide a histogram showing the number of insureds receiving greater than 20% increases.

### Changed Items:

## Supporting Document Schedule Item Changes

Satisfied -Name: P&C Actuarial Justification

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

**SERFF Tracking #:**

AOIC-128700509

**State Tracking #:**

**Company Tracking #:**

DWF-AR-01-11/15/2012-01

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**State:**

Arkansas

**Filing Company:**

Auto-Owners Insurance Company

**TOI/Sub-TOI:**

01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

**Product Name:**

Arkansas Dwelling Fire

**Project Name/Number:**

Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

**Conclusion:**

Sincerely,

Joel Schultz

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Note To Filer

**Created By:**

Becky Harrington on 10/19/2012 09:47 AM

**Last Edited By:**

Becky Harrington

**Submitted On:**

10/24/2012 07:30 AM

**Subject:**

Meeting

**Comments:**

My meeting was moved from Monday to this morning. Please see objection letter.

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
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## Note To Filer

**Created By:**

Becky Harrington on 10/17/2012 08:51 AM

**Last Edited By:**

Becky Harrington

**Submitted On:**

10/24/2012 07:30 AM

**Subject:**

Meeting with Commissioner

**Comments:**

Joel,

I'm set to meet with the Commissioner at 3:30 on Monday.

Becky

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Post Submission Update Request Processed On 10/24/2012

**Status:** Allowed  
**Created By:** Joel Schultz  
**Processed By:** Becky Harrington  
**Comments:** Overall increase reduced per Dept request.

### Company Rate Information:

Company Name:Auto-Owners Insurance Company

Field Name	Requested Change	Prior Value
Overall % Rate Impact	10.000%	12.300%
Written Premium Change for this Program	\$228155	\$277862
# of Policy Holders Affected for this Program	2935	2915
Written Premium for this Program	\$2273283	\$2259621
Maximum %Change (where required)	19.500%	37.100%
Minimum %Change (where required)	-19.700%	-17.900%

SERFF Tracking #:

AOIC-128700509

State Tracking #:

Company Tracking #:

DWF-AR-01-11/15/2012-01

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

### Rate Information

Rate data applies to filing.

**Filing Method:** File and Use  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** 15.000%  
**Effective Date of Last Rate Revision:** 11/15/2011  
**Filing Method of Last Filing:** File and Use

### Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Auto-Owners Insurance Company	47.200%	10.000%	\$228,155	2,935	\$2,273,283	19.500%	-19.700%

**SERFF Tracking #:**

AOIC-128700509

**State Tracking #:**

**Company Tracking #:**

DWF-AR-01-11/15/2012-01

---

**State:**

Arkansas

**Filing Company:**

Auto-Owners Insurance Company

**TOI/Sub-TOI:**

01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

**Product Name:**

Arkansas Dwelling Fire

**Project Name/Number:**

Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Rate/Rule Schedule

**State:** Arkansas  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

**Filing Company:** Auto-Owners Insurance Company

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 10/24/2012	Eligibility	AOURZ269	Replacement	AOURZ256	AOURZ269.pdf
2	Filed 10/24/2012	Adjusted Actual Cash Value	AOURZ272	New		AOURZ272.pdf
3	Filed 10/24/2012	Applications	AOURZ271	Replacement	AOURZ024	AOURZ271.pdf
4	Filed 10/24/2012	Definitions	AOURZ270	Replacement	AOURZ239	AOURZ270.pdf
5	Filed 10/24/2012	Location Minimum Premium	AOURZ273	Replacement	AOURZ258	AOURZ273.pdf
6	Filed 10/24/2012	Mandatory Coverages, Forms and Endorsements	AOURZ274	Replacement	AOURZ247	AOURZ274.pdf
7	Filed 10/24/2012	Age of Construction Discount	AOURZ275	Replacement	AOURZ252	AOURZ275.pdf
8	Filed 10/24/2012	Age of Insured Discount	AOURZ276	Replacement	AOURZ012	AOURZ276.pdf
9	Filed 10/24/2012	Claim Free Discount	AOURZ277	New		AOURZ277.pdf
10	Filed 10/24/2012	Deductible Rules	AOURZ278	Replacement	AOURZ206	AOURZ278.pdf
11	Filed 10/24/2012	Maximum Discount	AOURZ280	Replacement	AOURZ243	AOURZ280.pdf
12	Filed 10/24/2012	Experience Discount	AOURZ279	New		AOURZ279.pdf
13	Filed 10/24/2012	Multi-Policy Discounts	AOURZ281	Replacement	AOURZ199	AOURZ281.pdf
14	Filed 10/24/2012	Paid Loss Surcharge	AOURZ282	Replacement	AOURZ250	AOURZ282.pdf
15	Filed 10/24/2012	Additional Living Expenses	AOURZ283	Replacement	AOURZ044	AOURZ283.pdf
16	Filed 10/24/2012	Condominium Owners Coverage - Coverage H	AOURZ284	Replacement	AOURZ201	AOURZ284.pdf
17	Filed 10/24/2012	Increased Cost Endorsement	AOURZ285	Replacement	AOURZ193	AOURZ285.pdf
18	Filed 10/24/2012	Premium Adjustments - Quick Reference		Withdrawn	AOURZ251	
19	Filed 10/24/2012	Adjusted Value Endorsement		Withdrawn	AOURZ245	

**State:** Arkansas  
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**Filing Company:** Auto-Owners Insurance Company

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
20	Filed 10/24/2012	Limitation - Fungi Remediation Cost		Withdrawn	AOURZ102	
21	Filed 10/24/2012	Approved Park		Withdrawn	AOURZ107	
22	Filed 10/24/2012	Fire Division		Withdrawn	AOURZ109	
23	Filed 10/24/2012	Binding Authority		Withdrawn	AOURZ025	
24	Filed 10/24/2012	Base Rates	AOARZ027	Replacement	AOARZ023	AOARZ027.pdf
25	Filed 10/24/2012	Location Minimum Rates	AOARZ028	Replacement	AOURZ258	AOARZ028.pdf
26	Filed 10/24/2012	Protection Class Relativities	AOARZ029	Replacement	AOARZ024	AOARZ029.pdf
27	Filed 10/24/2012	Rating Procedure	AOARZ030	Replacement	AOARZ018	AOARZ030.pdf
28	Filed 10/24/2012	Age of Construction Relativities	AOARZ031	Replacement	AOURZ252	AOARZ031.pdf
29	Filed 10/24/2012	Age of Insured Relativities	AOARZ032	Replacement	AOURZ012	AOARZ032.pdf
30	Filed 10/24/2012	Claim Free Relativities	AOARZ033	New		AOARZ033.pdf
31	Filed 10/24/2012	Deductible Relativities	AOARZ034	Replacement	AOURZ206	AOARZ034.pdf
32	Filed 10/24/2012	Experience Discount Relativities	AOARZ035	New		AOARZ035.pdf
33	Filed 10/24/2012	Multi-Policy Relativities	AOARZ036	Replacement	AOURZ199	AOARZ036.pdf
34	Filed 10/24/2012	Paid Loss Surcharge Relativities	AOARZ037	Replacement	AOURZ250	AOARZ037.pdf
35	Filed 10/24/2012	Additional Coverages - Property Rating Procedures	AOARZ038	Replacement	AOURZ044, AOURZ201	AOARZ038.pdf
36	Filed 10/24/2012	Increased Cost Endorsement Relativities	AOARZ039	Replacement	AOURZ193	AOARZ039.pdf

Auto-Owners	<b>DWELLING FIRE ELIGIBILITY</b>	Arkansas
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### Standard Program

The Standard Dwelling Fire program is designed to insure maintained properties not eligible for Homeowners, Mobile Homeowners or the Premier Dwelling Fire programs because of occupancy or other aspects of the exposure. It is also used for Builders Risk policies. Basic Form with an actual cash value settlement option or Special Form with a replacement cost loss settlement option are available. The program is not designed for substandard properties.

### Premier Program

The Premier Dwelling Fire program is a preferred program designed for above average 1-2 family rental dwellings. Coverage is written on the Special Form and loss settlement for buildings is on a replacement cost basis.

[Age of Construction](#)  
[Construction](#)  
[Heating System](#)  
[Market Value](#)  
[Minimum Amounts of Insurance](#)  
[Occupancy](#)

[Photographs](#)  
[Previous Insurance History](#)  
[Protection Class](#)  
[Ineligible Characteristics](#)

### AGE OF CONSTRUCTION

#### Premier Program

Homes must be constructed within the past 30 years. Homes must be constructed within the past 50 years if a named insured is age 55 or older.

#### Standard Program

All considered.

### CONSTRUCTION

#### Premier Program

Dwellings under construction are not eligible.

Mobile homes are not eligible.

Condominium units are not eligible.

Garages and other outbuildings **pertaining to the service of the insured dwellings only.**

**Non-standard construction homes are not eligible. This includes dwellings of unique construction materials and methodology like geodesic domes, earth rammed, true adobe, straw bale, or others that may be considered unique.**

**Dwellings constructed with material containing asbestos are not eligible.**

Wood shake or wood shingle roofs are not eligible

#### Standard Program

All considered.

**Basic Form** - Mobile homes used for dwelling purposes at a fixed location.  
**Special Form – Same as Premier.**

All considered.

Garages and other outbuildings may be written separately.

Same as Premier.

Same as Premier.

Same as Premier.

### HEATING SYSTEM

#### Premier Program

No solid fuel heating appliances or furnace add-ons.

#### Standard Program

Solid fuel heating considered. Do not bind unless

submitted with a photo of the appliance and a completed survey.

Primary dwellings must have an operational heating system which delivers heat directly to all finished areas.

## MARKET VALUE

### Premier Program

50% or more of replacement cost.

### Standard Program

Special Form – 50% or more of replacement cost.  
Basic Form – All considered.

## MINIMUM AMOUNTS OF INSURANCE

### Premier Program

Special Form - \$100,000.

### Standard Program

#### Primary and Secondary Dwellings

Coverage A – Dwellings Only:

Basic Form – \$40,000.

Special Form – \$70,000.

Coverage A – Mobile Homes;

Basic Form - \$10,000.

Coverage H – Condominiums;  
and Other Structures Only Coverage:

Basic Form – \$4,000.

Special Form – \$8,000.

Contents Only – \$4,000.

#### Seasonal Dwellings

Coverage A – Dwellings Only;

Basic Form - \$20,000

Special Form - \$30,000

100% of replacement cost.

Basic Form – 100% of actual cash value.  
Special Form – 100% of replacement cost.

## OCCUPANCY

### Premier Program

1 to 2 family non-owner occupied buildings used exclusively for dwelling purposes. No more than 5 boarders.

Non-owner occupied seasonal dwellings are eligible. A seasonal dwelling is described as a dwelling occupied on a seasonal basis for less than a total of 180 days in any one year.

Non-owner occupied townhouses and row houses with not more than 2 families in each fire division.

Household contents and personal property only when located in a dwelling also insured under the policy.

Property situated on a farm is eligible for coverage under this program if it is a non-owner occupied dwelling.

### Standard Program

1 to 4 family buildings used exclusively for dwelling purposes (except for certain incidental occupancies). No more than 5 boarders.

Owner and non-owner occupied seasonal dwellings are eligible.

Townhouses and row houses with not more than 4 families in each fire division.

May write contents only policy for household contents or personal property of the insured, used for personal or acceptable business purposes and usually kept within a dwelling, apartment, outbuilding or other acceptable enclosure.

Same as Premier.

Liability coverage is not available.

Vacant or unoccupied dwellings are not eligible.

Do not bind if vacant or unoccupied.

### PHOTOGRAPHS

#### Premier Program

Photograph(s) of dwellings will be ordered by the Company for all new business and added or changed locations.

#### Standard Program

Same as Premier.

### PREVIOUS INSURANCE HISTORY

#### Premier Program

No non-weather related paid losses in the past 36 months.

#### Standard Program

No paid losses in the past 36 months except for 1 paid non-weather related loss. Necessary repairs as a result of a prior paid loss must be completed and/or the condition creating or increasing the likelihood of loss must have been mitigated where possible. All prior loss activity is subject to underwriting review and acceptance.

Weather losses include damage caused by wind, hail, lightning or the weight of ice and snow.

### PROTECTION CLASS

#### Premier Program

All considered.

Do not bind if the Protection Class is a 9 or 10 and Coverage A is \$1,000,000 or greater.

Do not bind for all other Protection Classes if Coverage A is \$1,500,000 or greater.

#### Standard Program

Same as Premier.

Same as Premier.

Same as Premier.

### INELIGIBLE CHARACTERISTICS:

#### Premier Program

Property with any of the following conditions:

1. Adjacent adverse physical hazards.
2. Broken, sagging or unsupported steps or stairs.
3. Gutters, downspouts or chimneys poorly maintained.
4. Unrepaired prior damage.
5. Outdated or worn electrical system.
6. Deteriorating firebox or chimney.
7. Poor plumbing i.e., leaking or exposed to freezing.
8. Poor inside maintenance such as accumulation of trash or careless storage of flammable liquids.
9. Poor outside maintenance such as:
  - a. Roofing sections missing.
  - b. Siding loose or missing.
  - c. Broken windows.
  - d. Accumulation of trash.
  - e. Grounds poorly kept (i.e., long grass, weeds, fences in poor condition).
10. Garages and other outbuildings used to any extent

#### Standard Program

Same as Premier.

- for business purposes.
11. Other conditions which may render the risk ineligible in the Company's opinion.

**Auto-Owners****DWELLING FIRE  
GENERAL RULES****Arkansas****ADJUSTED ACTUAL CASH VALUE – BASIC FORM ONLY**

This endorsement is optional. This endorsement is not available for Builders' Risk policies.

The Adjusted Actual Cash Value endorsement will maintain Actual Cash Value on dwellings insured to full actual cash value at the time the endorsement is added by increasing Coverage A (Dwelling) on each policy anniversary using factors or adjustments to account for the increases in regional building costs.

Attach the Adjusted Actual Cash Value Endorsement – {{15023 (AR)}}.

**Auto-Owners****DWELLING FIRE  
GENERAL RULES****Arkansas****APPLICATIONS**

A completed application is required to issue a policy.

Use Auto-Owners Dwelling Application form {{15073 (AR)}}.

## DEFINITIONS

**A. Approved Park:** An approved mobile home park is defined as one meeting all of the following requirements:

1. The park must have a minimum of twenty-five (25) permanent spaces for mobile homes.
2. Each mobile home space must have permanent electrical outlets, water and sewage facilities.
3. There must be a minimum of 15 feet between the main bodies of all mobile homes.
4. All streets must have all-weather surfaces and be wide enough to be accessible by emergency equipment.

## B. Construction Types

Aluminum (F) (Rate as Frame)	A dwelling with exterior walls of combustible construction covered with metal or vinyl types of siding.
Asbestos Siding (A)	A dwelling with exterior walls constructed of asbestos fiber materials.
Cement Fiber Board Siding (C)	A dwelling with at least 67% of its exterior walls constructed of combustible construction covered with cement fiber materials is classified as cement fiber.
Fire Resistive (R) (Rate as Masonry)	A dwelling with walls, floor, and roof constructed entirely of masonry or fire resistive materials with a Fire Resistance rating of not less than one hour is classified as fire resistive. Fire resistive is considered wind resistive.
Frame (F)	A dwelling with exterior walls of combustible construction, including walls with metal, stucco, or metal lath and plaster on combustible supports is classified as frame.
Log (L)	A dwelling with exterior walls of solid log construction. If exterior walls are log veneer or log siding, the dwelling should be classified as Frame.
Manufactured (P)	Manufactured homes are built and transported on steel chassis that are never removed. Manufactured homes conform only to HUD code, and are not required to meet the same local, state and regional building codes as site-built homes.
Masonry (M)	A dwelling with at least 67% of its exterior walls constructed of brick, concrete, concrete block, adobe, tile, or other masonry materials is classified as masonry.
Masonry Veneer (V) (Rate as Masonry)	A dwelling with at least 67% of its walls constructed of combustible construction veneered with masonry materials is classified as masonry veneer.
Mixed Construction	A dwelling shall be classified as frame construction when the wall area of frame construction exceeds 33% of the total wall area.
Modular	Modular homes are built off site in conventional building standards (2X4 construction, asphalt shingles on a pitched roof, etc.). The home is then transported and anchored to continuous foundation on a premises owned by the insured and taxed as real property.

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**C. Fire Division:** A building separated by space or those parts of a single building divided by an eight-inch masonry party wall piercing or rising to the roof shall be considered separate buildings. Openings in any communicating wall must be protected by a Class A fire door in a masonry wall section.

**Auto-Owners****DWELLING FIRE  
GENERAL RULES****Arkansas****LOCATION MINIMUM PREMIUM**

A minimum premium shall apply to each location.

For the applicable charges, please refer to {{AR DF Location Minimum Rates}}.

“Location Minimum Premium Applies” appears on the policy Declarations.

Auto-Owners

**DWELLING FIRE  
GENERAL RULES**

Arkansas

**MANDATORY COVERAGES, FORMS AND ENDORSEMENTS****Adjusted Value – Special Form only**

This endorsement will maintain insurance to value on dwellings by increasing Coverage A (Dwelling) on each policy anniversary using factors or adjustments to account for the increases in regional building costs.

The endorsement is automatically included on all Special Form policies except Builders' Risk and mobile home policies.

Adjusted Value Endorsement {{15022 (AR)}} is attached.

**Amendatory Endorsement – {{15067 (AR)}}****Policy Cancellation and Nonrenewal – {{15028 (AR)}}****Limitation – Fungi Remediation Cost**

These forms limit coverage for remediation costs for ensuing mold losses arising from a covered peril with the following coverage limits:

<b>COMPANY</b>	<b>COVERAGE LIMIT</b>
Auto-Owners Standard	\$15,000
Auto-Owners Premier	\$10,000

{{15245 (AR)}} attaches to Basic Form policies.

{{15246 (AR)}} attaches to Special Form policies.

**Auto-Owners****DWELLING FIRE  
PREMIUM ADJUSTMENTS****Arkansas****AGE OF CONSTRUCTION DISCOUNT****Premier and Standard Programs:**

Dwellings are eligible for an Age of Construction Discount **dependent upon the age of construction.**

**For discount, please refer to {{AR DF Age of Construction Relativities}}.**

Age = Policy term year minus year of construction of the dwelling.

“Age of Construction Discount Applies” appears on the policy Declarations.

This discount is not applicable to Builders’ Risk policies, mobile homes or vacant dwellings.

**Auto-Owners****DWELLING FIRE  
PREMIUM ADJUSTMENTS****Arkansas****AGE OF INSURED DISCOUNT**

The Age of Insured Discount will be applied based on the oldest named insured.

The Age of Insured Discount is applicable to policies insured under either the Basic or Special Form.

The discount is not applicable to:

- Builders' Risk locations,
- Vacant locations, or
- Policies issued in the name of a corporation.

For discounts, please refer to {{AR DF Age of Insured Relativities}}.

"Age of Insured Discount – Policy Term Age XX" will appear on the policy Declarations.

**Auto-Owners****DWELLING FIRE  
PREMIUM ADJUSTMENTS****Arkansas****CLAIM FREE DISCOUNT**

Insureds are eligible for the discount when there have been no paid claims in the past 5 years. Losses directly attributable to an event identified as catastrophic by the Property Claim Service (PCS) will not be considered.

Note: This discount is not available for Non-Owner occupied, new business and single location policies if the home is a new purchase and a new business venture for the insured. If the policy remains claim free for 1 year, the discount will apply at renewal.

{{AR DF Claim Free Relativities}}

“Claim Free Discount” will appear on the policy Declarations.

**Auto-Owners****DWELLING FIRE  
PREMIUM ADJUSTMENTS****Arkansas****DEDUCTIBLE RULES**

The deductible does not apply to Additional Living Expense or Loss of Rents.

For the deductible options and applicable relativities, refer to {{AR DF Deductible Relativities}}.

The deductible is shown on the policy Declarations.

**Auto-Owners****DWELLING FIRE  
PREMIUM ADJUSTMENTS****Arkansas****MAXIMUM DISCOUNT**

Premium discounts, exclusive of the [Age of Insured Discount](#), [Claim Free Discount](#), [Experience Discount](#), Insurance Score, Multi-Policy Discounts, Paid in Full and Roof Discount, may not exceed 55% of the base premium. Refer to {{AR DF Rating Procedure}} for specific rating information. When the maximum discount of 55% is reached, "Maximum Discount Applies" appears on the policy Declarations.

**Auto-Owners****DWELLING FIRE  
PREMIUM ADJUSTMENTS****Arkansas****EXPERIENCE DISCOUNT**

A discount will apply to an insured who has only one paid loss in the past 5 years. Losses directly attributable to an event identified as catastrophic by the Property Claim Service (PCS) will not be considered.

{{AR DF Experience Discount Relativities}}

"Experience Discount" will appear on the policy Declarations.

## MULTI-POLICY DISCOUNTS

The Multi-Policy and Dwelling/Life Multi-Policy Discounts are applicable to policies under either the Basic or Special Form.

The discounts are not applicable to:

- Builders' Risk policies,
- Vacant dwellings, **or**
- Policies issued in the name of a corporation.

The discounts may be applied to new business, renewals or mid-term to eligible policies with concurrent or non-concurrent policy anniversaries.

When all supporting policies are canceled, the Dwelling Fire policy is eligible for the Multi-Policy and/or Dwelling/Life Discount until the next policy anniversary except when cancellation is for underwriting reasons. When cancellation is for underwriting reasons, the discount will be removed from the Dwelling Fire policy by endorsement effective on the date of cancellation.

### Multi-Policy Discount

A dwelling policy covering owner occupied dwellings, non-owner occupied dwellings, owner occupied seasonal residences and other buildings will be eligible for a Multi-Policy discount when the named insured of the Dwelling policy also has any **one** of the following Auto-Owners policies related:

1. Automobile\*
2. Homeowners
3. Mobile Homeowners

Policies written in the name of a partnership are eligible if one of the named insured has any of the above policies written in any Auto-Owners Group Company.

\*An Automobile policy is any policy that insures your private passenger automobile, including an Automobile policy or Garage Liability (Division 1) policy issued to your business if you own the business.

"Multi-Policy Discount" appears on the policy Declarations.

### Dwelling/Life Multi-Policy Discount

A dwelling policy covering owner occupied dwellings, non-owner occupied dwellings, owner occupied seasonal residences and other buildings will be eligible for a Multi-Policy discount when the named insured of the Dwelling policy also has any **one** of the following Auto-Owners policies related:

1. Life policy
2. Annuity policy with a cash value of \$2,000 or greater
3. Disability Income policy (**Item 235**) with a monthly benefit of \$1,000 or greater, **or**  
**Disability Income policy (Item 260); or**
4. Long Term Care policy

"Dwelling/Life Multi-Policy Discount" appears on the policy Declarations.

**For discounts, please refer to** {{AR DF Multi-Policy Relativities}}.

**Auto-Owners****DWELLING FIRE  
PREMIUM ADJUSTMENTS****Arkansas****PAID LOSS SURCHARGE**

A Paid Loss Surcharge will be applied to policies demonstrating a loss frequency exposure. All losses **except PCS catastrophe and weather losses\*** for which an amount was paid, relating to current or previous residences **in the past 36 months will be applicable for this rule.**

Note: Policies may be non-renewed if the loss exposure is determined to be greater than the indicated surcharge can address.

\*Weather losses shall include only direct damage caused by wind, hail or lightning, or the weight of ice and snow.

**Please refer to the {{AR DF Paid Loss Surcharge Relativities}} for the applicable surcharge.**

"Paid Loss Surcharge Applies" prints on the policy Declarations page.

Auto-Owners

**DWELLING FIRE  
ADDITIONAL COVERAGES – PROPERTY**

Arkansas

**ADDITIONAL LIVING EXPENSES** (Special Form policy)

Additional Living Expense provides coverage for reasonable increases in living expense necessary to maintain normal standards of living when a covered loss makes an insured owner occupied dwelling uninhabitable. Coverage is also provided for up to two weeks, if civil authorities prohibit occupancy of the premises because of damage to a neighboring premises from a peril covered by our policy.

Coverage is not available under the Basic Form.

10% of Coverage A is provided automatically to owner occupied dwellings written under the Special Form. Additional amounts may be purchased. NOTE: There is no automatic extension of coverage for policies without Coverage A (i.e. tenants or condominium unit owners).

For rating information, refer to {{AR DF Additional Coverages – Property Rating Procedure}}.

“Additional Living Expense” and the limit appear on the policy Declarations.

Auto-Owners

**DWELLING FIRE  
ADDITIONAL COVERAGES – PROPERTY**

Arkansas

**CONDOMINIUM OWNERS COVERAGE – Coverage H  
Standard Program Only**

Coverage for fixtures, installations and additions within the interior of a condominium unit and real property outside of a condominium unit which are the policyholder's responsibility under the rules of a condo association is available.

Coverage is on a named perils basis when attached to a Basic Form policy and direct physical risk when attached to a Special Form policy.

Coverage for personal property located in a condominium is available under Coverage C – Personal Property.

For rating information, refer to {{AR DF Additional Coverages – Property Rating Procedures}}.

For minimum coverage limits, refer to {{AR DF Eligibility}}.

“Condominium Owners Coverage” and the limit appear on the policy Declarations. Form {{15015 (AR)}} is attached to Basic Form policies and Form {{15016 (AR)}} is attached to Special Form policies.

**Auto-Owners****DWELLING FIRE  
ADDITIONAL COVERAGES-PROPERTY****Arkansas****INCREASED COST ENDORSEMENT - Premier Program Only**

This coverage provides replacement of the dwelling at up to 125% of the insured amount.

Dwellings must be insured to 100% of Replacement Cost.

Dwellings must have a minimum Coverage A amount of \$100,000.

Maximum Coverage A limit: \$1,500,000.

Please refer to {{AR DF Increased Cost Endorsement Relativities}}.

“Increased Cost Endorsement” appears on the policy Declarations and Form {{15203 (AR)}} is attached.

Auto-Owners

DWELLING FIRE  
ARKANSAS  
BASE RATES

**STANDARD PROGRAM**

Occupancy	Base		Coverage	Rel
Bldg.-Owner	936.57		Basic	0.950
Bldg.-Tenant	891.97		Special	1.000
Contents	149.46			

**PREMIER PROGRAM**

Occupancy	Base		Coverage	Rel
Bldg.-Tenant	758.17		Special	1.000

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
LOCATION MINIMUM RATES

	<b>Minimum Rate</b>
<b>Building, Other Structures, Condo</b>	\$135
<b>Liability or Contents Only</b>	\$95

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
PROTECTION CLASS RELATIVITIES

PROTECTION CLASS	FRAME	MASONRY	CEMENT FIBER	MANUFACTURED
1	1.120	1.000	1.060	1.220
2	1.120	1.000	1.060	1.220
3	1.120	1.000	1.060	1.220
4	1.120	1.000	1.060	1.220
5	1.120	1.000	1.060	1.220
6	1.120	1.000	1.060	1.220
7	1.200	1.050	1.140	1.310
8	1.270	1.120	1.210	1.380
9	1.790	1.490	1.700	1.950
10	2.030	1.760	1.930	2.210
8B	1.790	1.490	1.700	1.950

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**Auto-Owners**

**DWELLING FIRE  
ARKANSAS  
RATING PROCEDURE**

- I. Determine the Dwelling base premium by following these steps:
  - A. Utilizing the Protection Class Selection and Construction Definitions, determine the Protection Class relativity.
  - B. Utilizing the Territory Descriptions, determine the Territory relativity.
  - C. Multiply the Protection Class relativity by the Territory relativity and round to three decimals.
  - D. Multiply the result of step C by the Coverage relativity and round to three decimals.
  - E. Multiply the result of step D by the Base Rate and round to two decimals.
  - F. Multiply the result of step E by the building Amount of Insurance relativity and round to the nearest dollar to determine the base premium. If the correct amount of coverage is not shown, interpolation is necessary. Determine the coverage amounts and relativities immediately preceding and following the desired amount. Follow steps 1 through 11.
    1. Record the low Amount of Insurance relativity.
    2. Record the high Amount of Insurance relativity.
    3. Subtract the low coverage amount from the desired coverage.
    4. Subtract the low coverage amount from the high coverage amount.
    5. Divide step 3 by step 4.
    6. Subtract step 1 from step 2
    7. Multiply step 5 by step 6.
    8. Add step 7 to the low Amount of Insurance relativity.
    9. Round step 8 to the nearest thousandth to obtain the Amount of Insurance relativity.
    10. Multiply the result of step E by step 9 and round to the nearest dollar to determine the base premium.
    11. If the coverage amount is greater than what is printed in the charts, use the each additional \$10,000 relativity, interpolating when necessary.
- II. For Standard Program policies follow the same procedure as step I (A through F) to determine the Personal Property base premium. For Premier Program policies calculate base premium for personal property based on the additional amounts rate per \$1,000.
- III. Calculate the premium for coverage of other structures beyond the included limit using the same method as in step I utilizing the each additional rate as shown on the Other Structures page. Include this premium with the Dwelling base premium when applicable discounts and surcharges apply.
- IV. Determine flat dollar, percentage or rate per increment charges and discounts separately for Dwelling and Personal Property (except the Claim Free, Experience, Paid Loss Surcharge, Roof Discount/Surcharge, Insurance Score, Dwelling/Auto Multi-Policy, Dwelling/Life Multi-Policy, Age of Insured, and Paid in Full Discount ) applying only appropriate discounts and surcharges to each as follows:
  - A. **Percentage Charges** – Multiply the charge percentage by the appropriate base premium developed in step I and round to the nearest dollar unless otherwise stated in the rate pages.
  - B. **Flat Dollar Charges** – Record each flat dollar charge amount.
  - C. **Percentage Discounts and Flat Dollar Discounts** – Calculate discounts in the same manner as a corresponding charge would be calculated. Sum the discounts and surcharges (excluding the Paid Loss Surcharge, Claim Free, Experience, Dwelling/Auto Multi-Policy, Dwelling/Life-Multi-Policy, Roof Discount/Surcharge, Insurance Score, Age of Insured, and Paid in Full Discounts) for each coverage. Calculate the maximum dollar amount discount by multiplying the maximum discount percentage by the respective base premium. Record the lesser of the total discount and the maximum discount for each.
  - D. **Rate per Increment** – Multiply the rate by the amount of coverage desired. Round to the nearest dollar unless otherwise stated on the rate pages. Record each charge amount.

- V. Obtain sub-totals for Dwelling, Condo, Personal Property, Liability, Earthquake, and Burglary by adding steps I, II, and III and the sum of appropriate elements of step IV (A, B, C, and D).
- VI. Add the Paid Loss Surcharge to the applicable sub-totals from step V and cent round.
- VII. Apply the Claim Free Discount to the applicable sub-totals from step VI and cent round.
- VIII. Apply the Experience Discount to the applicable sub-totals from step VII and cent round.
- IX. Apply the Roof Discount/Surcharge to the Dwelling sub-total developed for buildings from step VIII. Round to the nearest cent.
- X. Apply the Dwelling/Life Multi-Policy Discount to the applicable sub-totals from step IX and cent round.
- XI. Apply the Dwelling/Auto Multi-Policy Discount to the applicable sub-totals from step X and cent round.
- XII. Apply the Insurance Score to each sub-total developed in step XI. Round to the nearest cent.
- XIII. Apply the Age of Insured Discount to each sub-total developed in step XII. Round to the nearest cent.
- XIV. Add the Foreign Terrorism charge to step XIII if applicable.
- XV. Add all the premiums developed in step XIV and compare the result to the location minimum.
- XVI. Apply the Paid in Full Discount to premium developed from step XV. Round to the nearest cent to obtain the final premium.

**Mid Term Policy Changes:**

- A. Follow the applicable steps using rates from the policy effective date for old policy limits. Prorate the result for the remaining policy period to obtain the return premium for the policy change.
- B. Follow the applicable steps using rates from the policy effective date for new policy limits. Prorate the result for the remaining policy period to obtain the additional premium for the policy change.
- C. Determine the difference between the previous two steps.

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
AGE OF CONSTRUCTION RELATIVITIES

<b>Age of Dwelling</b>	<b>Relativity</b>
0	0.800
1	0.810
2	0.820
3	0.830
4	0.850
5	0.860
6	0.880
7	0.900
8	0.910
9	0.920
10	0.930
11	0.940
12	0.950
13	0.960
14	0.970
15	0.980
16	0.990
17+	1.000

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
AGE OF INSURED RELATIVITIES

<b>Age of Insured</b>	<b>Relativity</b>
0-54	1.000
55-64	0.950
65+	0.900

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
CLAIM FREE RELATIVITIES

	<b>Relativity</b>
<b>Claim Free</b>	0.950

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
DEDUCTIBLE RELATIVITIES

Deductible	All non-hail resistive roofs over 10 years old	All hail resistive roofs and all other roof types 10 years old or less	Contents Only and Condominium Policies
\$250 Flat	N/A	N/A	1.040
\$250 AOP/\$500 Wind/Hail	N/A	1.010	N/A
\$250 AOP/\$1,000 Wind/Hail	0.960	0.960	N/A
\$500 Flat	1.000	1.000	1.000
\$500 AOP/\$1,000 Wind/Hail	0.950	0.950	N/A
\$500 AOP/\$2,000 Wind/Hail	0.870	0.870	N/A
\$500 AOP/\$5,000 Wind/Hail	0.760	0.760	N/A
\$1,000 Flat	0.920	0.920	0.920
\$1,000 AOP/\$2,000 Wind/Hail	0.840	0.840	N/A
\$1,000 AOP/\$5,000 Wind/Hail	0.740	0.740	N/A
\$1,500 Flat	0.860	0.860	0.860
\$1,500 AOP/\$2,000 Wind/Hail	0.820	0.820	N/A
\$1,500 AOP/\$5,000 Wind/Hail	0.720	0.720	N/A
\$2,500 Flat	0.760	0.760	0.760
\$2,500 AOP/\$5,000 Wind/Hail	0.690	0.690	N/A
\$5,000 Flat	0.660	0.660	0.660

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
EXPERIENCE DISCOUNT RELATIVITIES

	<b>Relativity</b>
<b>Experience Discount</b>	0.980

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
MULTI-POLICY RELATIVITIES

	<b>Relativity</b>
<b>Multi-Policy</b>	0.950
<b>Dwelling/Life</b>	0.950

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
PAID LOSS SURCHARGE RELATIVITIES

Number of paid losses within 3 years	Continuously** insured for 3 or more years with an Auto-Owners Group company and the sum of all paid claims exceeds \$2,500.		Continuously** insured less than 3 years with an Auto-Owners Group company and the sum of all paid claims exceeds \$1000	
	If Multi-Policy*** and 65 or over	If Not Both	If Multi-Policy*** and 65 or over	If Not Both
2	1.250	1.350	1.350	1.500
3	1.900	1.950	1.950	2.000
4 or more	2.150	2.300	2.300	2.750

\*For the application of this rule, weather losses will not be considered. Weather losses shall include only direct damage caused by wind, hail or lightning, or the weight of ice and snow. Losses directly attributable to an event identified as catastrophic by the Property Claim Service (PCS) will not be considered.

\*\*Continuously insured means either this policy or this policy in combination with a previous policy rewritten to this policy has been in effect for 3 years.

\*\*\*Multi-Policy includes: Auto, Homeowners, and Life

The surcharge will be applied to the premiums of all locations on the policy. Please see table below for the applicable location factors.

Number of Locations	Factor
2	0.50
3+	0.33

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
ADDITIONAL COVERAGES - PROPERTY RATING PROCEDURES

Coverage	Rating Procedure
<b>Additional Living Expense</b>	Follow the steps listed on the Rating Procedures Page to determine the applicable base premium for Each Additional \$10,000 coverage amount. Multiply this by 0.1 to develop the rate per \$1,000.
<b>Condo Owners Coverage</b>	Follow the steps listed on the Rating Procedures Page to determine the applicable contents base premium for Each Additional \$10,000 coverage amount. Multiply this by 0.1 to develop the rate per \$1,000.

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Auto-Owners

DWELLING FIRE  
ARKANSAS  
INCREASED COST ENDORSEMENT RELATIVITIES

	<b>Relativity</b>	<b>Minimum Charge</b>
<b>Increased Cost Endorsement</b>	1.030	\$10

Edition Date: 11/15/12

SERFF Tracking #:

AOIC-128700509

State Tracking #:

Company Tracking #:

DWF-AR-01-11/15/2012-01

State: Arkansas

Filing Company:

Auto-Owners Insurance Company

TOI/Sub-TOI: 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)

Product Name: Arkansas Dwelling Fire

Project Name/Number: Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	10/24/2012
Comments:			
Attachment(s):			
NAIC Loss Cost Data Entry 11.15.2012.pdf			

		Item Status:	Status Date:
Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey	Filed	10/24/2012
Comments:	Please see attachment which was calculated using non-owner basic form rates in the standard program.		
Attachment(s):			
HO Survey FORM HPCS 11.15.12 updated.pdf			
HO Survey FORM HPCS 11.15.12 updated.xls			

		Item Status:	Status Date:
Satisfied - Item:	P&C Actuarial Justification	Filed	10/24/2012
Comments:			
Attachment(s):			
AR DWF Indication.pdf			
AR DWF Explanatory Memorandum 11.15.12.pdf			
AR DWF Histogram Rate Percent Impact.pdf			

**NAIC LOSS COST DATA ENTRY DOCUMENT**

1.	This filing transmittal is part of Company Tracking #	<b>DWF-AR-01-11/15/2012-01</b>
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	<b>N/A</b>
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Company Name		Company NAIC Number	
3.	<b>A.</b> <b>Auto-Owners Insurance Company</b>	<b>B.</b>	<b>280-18988</b>

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

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY			
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)
<b>Dwelling Fire</b>	<b>47.2%</b>	<b>12.3%</b>				
<b>TOTAL OVERALL EFFECT</b>		<b>12.3%</b>				

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
<b>2011</b>	<b>6,450</b>	<b>15.0%</b>	<b>11/15/11</b>	<b>1,777.4</b>	<b>2,284.4</b>	<b>141.9%</b>	<b>99.8%</b>
<b>2010</b>	<b>5,119</b>	<b>9.8%</b>	<b>4/20/10</b>	<b>1,264.1</b>	<b>965.3</b>	<b>84.3%</b>	<b>73.0%</b>
<b>2009</b>	<b>3,872</b>	<b>4.6%</b>	<b>4/20/09</b>	<b>852.6</b>	<b>1,080.7</b>	<b>140.0%</b>	<b>84.7%</b>
<b>2008</b>	<b>2,622</b>	<b>N/A</b>	<b>N/A</b>	<b>570.7</b>	<b>777.4</b>	<b>150.4%</b>	<b>90.3%</b>
<b>2007</b>	<b>1,624</b>	<b>2.1%</b>	<b>11/15/07</b>	<b>322.0</b>	<b>39.3</b>	<b>13.5%</b>	<b>71.5%</b>

7.

Expense Constants	Selected Provisions
A. Total Production Expense	<b>20.8</b>
B. General Expense	<b>1.6</b>
C. Taxes, License & Fees	<b>3.1</b>
D. Underwriting Profit & Contingencies	<b>7.4</b>
E. Other (reinsurance)	<b>0.1</b>
<b>F. TOTAL</b>	<b>33.0</b>

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

9.   37.1%   Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): Territory 1: Benton, Crawford, Sebastian, and Washington Counties.

10.   -17.9%   Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): Territory 5: Faulkner, Grant, Jefferson and Lonoke Counties; Remainder of Pulaski and Saline Counties.

NAIC Number:	18988
Company Name:	Auto-Owners Insurance Company
Contact Person:	Joel Schultz
Telephone No.:	(517) 323-1200
Email Address:	Schultz.Joel@aoins.com
Effective Date:	11/15/2012

**Homeowners Premium Comparison Survey Form  
FORM HP3S - last modified August, 2005**

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

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

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

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$690.00	\$773.00	\$712.00	\$797.00	\$836.00	\$936.00	\$836.00	\$936.00	\$836.00	\$936.00	\$836.00	\$936.00	\$836.00	\$936.00	\$690.00	\$773.00	\$726.00	\$813.00
	\$120,000	\$932.00	\$1,043.00	\$961.00	\$1,076.00	\$1,128.00	\$1,263.00	\$1,128.00	\$1,263.00	\$1,128.00	\$1,263.00	\$1,128.00	\$1,263.00	\$1,128.00	\$1,263.00	\$932.00	\$1,043.00	\$980.00	\$1,098.00
	\$160,000	\$1,185.00	\$1,327.00	\$1,222.00	\$1,369.00	\$1,434.00	\$1,606.00	\$1,434.00	\$1,606.00	\$1,434.00	\$1,606.00	\$1,434.00	\$1,606.00	\$1,434.00	\$1,606.00	\$1,185.00	\$1,327.00	\$1,246.00	\$1,396.00
6	\$80,000	\$690.00	\$773.00	\$712.00	\$797.00	\$836.00	\$936.00	\$836.00	\$936.00	\$836.00	\$936.00	\$836.00	\$936.00	\$836.00	\$936.00	\$690.00	\$773.00	\$726.00	\$813.00
	\$120,000	\$932.00	\$1,043.00	\$961.00	\$1,076.00	\$1,128.00	\$1,263.00	\$1,128.00	\$1,263.00	\$1,128.00	\$1,263.00	\$1,128.00	\$1,263.00	\$1,128.00	\$1,263.00	\$932.00	\$1,043.00	\$980.00	\$1,098.00
	\$160,000	\$1,185.00	\$1,327.00	\$1,222.00	\$1,369.00	\$1,434.00	\$1,606.00	\$1,434.00	\$1,606.00	\$1,434.00	\$1,606.00	\$1,434.00	\$1,606.00	\$1,434.00	\$1,606.00	\$1,185.00	\$1,327.00	\$1,246.00	\$1,396.00
9	\$80,000	\$1,028.00	\$1,235.00	\$1,060.00	\$1,274.00	\$1,244.00	\$1,495.00	\$1,244.00	\$1,495.00	\$1,244.00	\$1,495.00	\$1,244.00	\$1,495.00	\$1,244.00	\$1,495.00	\$1,028.00	\$1,235.00	\$1,082.00	\$1,300.00
	\$120,000	\$1,388.00	\$1,668.00	\$1,431.00	\$1,719.00	\$1,680.00	\$2,019.00	\$1,680.00	\$2,019.00	\$1,680.00	\$2,019.00	\$1,680.00	\$2,019.00	\$1,680.00	\$2,019.00	\$1,388.00	\$1,668.00	\$1,461.00	\$1,755.00
	\$160,000	\$1,765.00	\$2,120.00	\$1,820.00	\$2,186.00	\$2,136.00	\$2,566.00	\$2,136.00	\$2,566.00	\$2,136.00	\$2,566.00	\$2,136.00	\$2,566.00	\$2,136.00	\$2,566.00	\$1,765.00	\$2,120.00	\$1,858.00	\$2,232.00

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

**HO3 and HO4 only**

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

**EARTHQUAKE INSURANCE**

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	<input type="text"/>	Yes	(yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	<input type="text"/>	5,10,15	%
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?		Zone	
		Brick	Frame
		Highest Risk	\$ 2.88
		Lowest Risk	\$ 0.5
			\$ 2.04
			\$ 0.39

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Supporting Document Schedules

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas  
Dwelling Less Liability

## Determination of Rate Level Indications for Accident Year Data

	<u>Dec-07</u>	<u>Dec-08</u>	<u>Dec-09</u>	<u>Dec-10</u>	<u>Dec-11</u>
(1) <i>Current Level Trended Premiums</i>	384,897	676,402	1,011,452	1,421,728	1,858,384
(2) <i>Trended Incurred Losses and ALAE</i>	143,580	656,451	1,195,203	1,426,434	1,959,190
(3) <i>Projected Loss Ratio</i> <i>(2)/(1)</i>	37.3%	97.1%	118.2%	100.3%	105.4%
(4) <i>Weights</i>	10.0%	15.0%	20.0%	25.0%	30.0%
(5) <i>Weighted Projected Loss Ratio</i>					98.6%
(6) <i>Net Projected Loss Ratio</i>					98.6%
(7) <i>Permissible Loss Ratio</i>					67.0%
(8) <i>Indicated Rate Level Change</i> <i>(6)/(7)</i>					47.2%

### Past Rate Changes

<u>New Business</u>	<u>Renewal Business</u>	<u>Percent Change</u>
11/15/2007	12/21/2007	1.8 %
04/20/2009	05/26/2009	4.6 %
04/20/2010	05/26/2010	9.8 %
11/15/2011	12/21/2011	15.0 %

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas

## Calculation of Current Level Trended Premiums

Part	Year	Earned Premiums	Current Level Factor	Premium Trend Factor	Current Level Trended Premiums
		(1)	(2)	(3)	(4)
Dwelling less Liabili	2007	\$292,668	1.3450	0.978	\$384,897
	2008	\$518,844	1.3323	0.979	\$676,402
	2009	\$776,226	1.3101	0.995	\$1,011,452
	2010	\$1,162,496	1.2454	0.982	\$1,421,728
	2011	\$1,647,072	1.1585	0.974	\$1,858,384

### Notes

- (1) Actual Earned Premiums
- (2) Per Parallelogram Method
- (3) See Calculation of Premium Trend Factor
- (4) (1) \* (2) \* (3)

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas

## Calculation of Premium Trend Factors

	Experience Period	Dwelling less Liability	
		<i>Developed</i>	<i>Selected</i>
(1) <i>Current Premium Trend Factor</i>	2007	0.979	<b>0.979</b>
<i>Latest Avg. Written Premium ÷</i>	2008	0.980	<b>0.980</b>
<i>Historic Avg. Earned Premium at</i>	2009	0.996	<b>0.996</b>
<i>current level</i>	2010	0.983	<b>0.983</b>
	2011	0.975	<b>0.975</b>
(2) <i>Calculated Proj Premium Trend</i>		-0.07%	<b>-0.07%</b>
(3) <i>Trend Start Date</i>	2007	01/01/2007	
	2008	01/01/2008	
	2009	01/01/2009	
	2010	01/01/2010	
	2011	01/01/2011	
(4) <i>Trend End Date</i>	2007	06/21/2013	
<i>6 months past renewal date of</i>	2008	06/21/2013	
<i>12/21/2012</i>	2009	06/21/2013	
	2010	06/21/2013	
	2011	06/21/2013	
(6) <i>Years of Trend Extension Proj</i>	2007	1.971	
<i># of Years between the Premium</i>	2008	1.971	
<i>Trends midpoint and (4)</i>	2009	1.971	
<i>07/01/2011</i>	2010	1.971	
	2011	1.971	
(7) <i>Premium Trend Factor</i>	2007	0.978	
<i>(1)*[1+(2)]^(6)</i>	2008	0.979	
	2009	0.995	
	2010	0.982	
	2011	0.974	

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas  
Dwelling Less Liability

## Ultimate Losses

### Dwelling less Liability

Experience Period	Losses Less Large and Cats	Cat Losses Smoothed	Large Less Large Cats Smoothed	Final Ultimate Loss	ULAE Acc Year	Final Ultimate Loss With Factor
2007	16,316	110,947	7,464	134,727	1.0700	144,158
2008	405,438	196,687	13,233	615,358	1.0700	658,433
2009	806,324	294,257	19,797	1,120,378	1.0700	1,198,804
2010	865,457	440,687	29,648	1,335,792	1.0700	1,429,297
2011	1,166,465	624,383	42,007	1,832,855	1.0700	1,961,155

Arkansas  
Dwelling Fire  
Auto-Owners Insurance Group  
Dwelling less Liability  
Period Ending 12/2011  
All Reviewable Coverages  
Loss Development Exhibit

09/26/2012

**LOSSES - Losses Less Large and Cats : Incurred Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	66,343	28,794	28,794	28,794	28,794	28,794				
1/1/07 - 12/31/07	14,424	16,305	16,305	16,305	16,305					
1/1/08 - 12/31/08	425,212	405,438	405,438	405,438						
1/1/09 - 12/31/09	810,762	812,921	806,413							
1/1/10 - 12/31/10	880,435	864,601								
1/1/11 - 12/31/11	1,295,073									

**RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06	0.4340	1.0000	1.0000	1.0000	1.0000				
1/1/07 - 12/31/07	1.1304	1.0000	1.0000	1.0000					
1/1/08 - 12/31/08	0.9535	1.0000	1.0000						
1/1/09 - 12/31/09	1.0027	0.9920							
1/1/10 - 12/31/10	0.9820								

**AVERAGE RATIOS - Standard Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	0.9820	0.9920	1.0000	1.0000	1.0000				
2 Year Average	0.9924	0.9960	1.0000	1.0000	1.0000				
3 Year Average	0.9794	0.9973	1.0000	1.0000	1.0000				
4 Year Average	1.0172	0.9980	1.0000	1.0000	1.0000				
5 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
6 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
7 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
8 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
9 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
Middle 3 of 5	0.9794	0.9973	1.0000	1.0000					
Middle 5 of 7	0.8431	0.9973	1.0000	1.0000					
3 Year Volume Weighted	0.9842	0.9947	1.0000	1.0000	1.0000				
5 Year Volume Weighted	0.9686	0.9949	1.0000	1.0000	1.0000				
7 Year Volume Weighted	0.9686	0.9949	1.0000	1.0000	1.0000				
9 Year Volume Weighted	0.9686	0.9949	1.0000	1.0000	1.0000				

**SELECTED AND CUSTOM RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 1.0239	< 0.9951	< 0.9980	< 0.9995	< 1.0000	< 0.9999	< 1.0000	< 1.0000	< 1.0000
Cumulative	1.0162	0.9925	0.9974	0.9994	0.9999	0.9999	1.0000	1.0000	1.0000
Ratio to Ultimate	0.9840	1.0075	1.0026	1.0006	1.0001	1.0001	1.0000	1.0000	1.0000

Arkansas  
Dwelling Fire  
Auto-Owners Insurance Group  
Dwelling less Liability  
Period Ending 12/2011  
All Reviewable Coverages  
Loss Development Exhibit

09/26/2012

**LOSSES - Losses Less Large and Cats : Incurred Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	66,343	28,794	28,794	28,794	28,794	28,794				
1/1/07 - 12/31/07	14,424	16,305	16,305	16,305	16,305					
1/1/08 - 12/31/08	425,212	405,438	405,438	405,438						
1/1/09 - 12/31/09	810,762	812,921	806,413							
1/1/10 - 12/31/10	880,435	864,601								
1/1/11 - 12/31/11	1,295,073									

**RATIOS - Percent Premium Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06	-0.2808	0.0000	0.0000	0.0000	0.0000				
1/1/07 - 12/31/07	0.0064	0.0000	0.0000	0.0000					
1/1/08 - 12/31/08	-0.0381	0.0000	0.0000						
1/1/09 - 12/31/09	0.0028	-0.0084							
1/1/10 - 12/31/10	-0.0136								

**AVERAGE RATIOS - Percent Premium Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	-0.0136	-0.0084	0.0000	0.0000	0.0000				
2 Year Average	-0.0054	-0.0042	0.0000	0.0000	0.0000				
3 Year Average	-0.0163	-0.0028	0.0000	0.0000	0.0000				
4 Year Average	-0.0106	-0.0021	0.0000	0.0000	0.0000				
5 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
6 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
7 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
8 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
9 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
Middle 3 of 5	-0.0163	-0.0028	0.0000	0.0000					
Middle 5 of 7	-0.0824	-0.0028	0.0000	0.0000					
3 Year Volume Weighted	-0.0122	-0.0055	0.0000	0.0000	0.0000				
5 Year Volume Weighted	-0.0202	-0.0054	0.0000	0.0000	0.0000				
7 Year Volume Weighted	-0.0202	-0.0054	0.0000	0.0000	0.0000				
9 Year Volume Weighted	-0.0202	-0.0054	0.0000	0.0000	0.0000				

**SELECTED AND CUSTOM RATIOS - Percent Premium Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 0.0129	< -0.0025	< -0.0007	< -0.0002	< 0.0000	< -0.0001	< 0.0000	< 0.0000	< 0.0000
Cumulative	0.0094	-0.0035	-0.0010	-0.0003	-0.0001	-0.0001	0.0000	0.0000	0.0000

Arkansas  
 Dwelling Fire  
 Auto-Owners Insurance Group  
 Dwelling less Liability  
 Period Ending 12/2011  
 All Reviewable Coverages  
 Loss Development Exhibit

09/26/2012

**LOSSES - Losses Less Large and Cats : Paid Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	23,668	28,794	28,794	28,794	28,794	28,794				
1/1/07 - 12/31/07	14,424	16,305	16,305	16,305	16,305					
1/1/08 - 12/31/08	369,277	405,438	405,438	405,438						
1/1/09 - 12/31/09	705,359	797,238	806,413							
1/1/10 - 12/31/10	680,258	864,601								
1/1/11 - 12/31/11	813,814									

**RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06	1.2166	1.0000	1.0000	1.0000	1.0000				
1/1/07 - 12/31/07	1.1304	1.0000	1.0000	1.0000					
1/1/08 - 12/31/08	1.0979	1.0000	1.0000						
1/1/09 - 12/31/09	1.1303	1.0115							
1/1/10 - 12/31/10	1.2710								

**AVERAGE RATIOS - Standard Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	1.2710	1.0115	1.0000	1.0000	1.0000				
2 Year Average	1.2006	1.0058	1.0000	1.0000	1.0000				
3 Year Average	1.1664	1.0038	1.0000	1.0000	1.0000				
4 Year Average	1.1574	1.0029	1.0000	1.0000	1.0000				
5 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
6 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
7 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
8 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
9 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
Middle 3 of 5	1.1591	1.0000	1.0000	1.0000					
Middle 5 of 7	1.1438	1.0000	1.0000	1.0000					
3 Year Volume Weighted	1.1780	1.0075	1.0000	1.0000	1.0000				
5 Year Volume Weighted	1.1781	1.0073	1.0000	1.0000	1.0000				
7 Year Volume Weighted	1.1781	1.0073	1.0000	1.0000	1.0000				
9 Year Volume Weighted	1.1781	1.0073	1.0000	1.0000	1.0000				

**SELECTED AND CUSTOM RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 1.2469	< 1.0074	< 1.0016	< 1.0003	< 1.0003	< 1.0000	< 1.0000	< 1.0000	< 1.0000
Cumulative	1.2589	1.0096	1.0022	1.0006	1.0003	1.0000	1.0000	1.0000	1.0000
Ratio to Ultimate	0.7943	0.9905	0.9978	0.9994	0.9997	1.0000	1.0000	1.0000	1.0000

Arkansas  
 Dwelling Fire  
 Auto-Owners Insurance Group  
 Dwelling less Liability  
 Period Ending 12/2011  
 All Reviewable Coverages  
 Loss Development Exhibit

09/26/2012

**LOSSES - Losses Less Large and Cats : Paid Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	23,668	28,794	28,794	28,794	28,794	28,794				
1/1/07 - 12/31/07	14,424	16,305	16,305	16,305	16,305					
1/1/08 - 12/31/08	369,277	405,438	405,438	405,438						
1/1/09 - 12/31/09	705,359	797,238	806,413							
1/1/10 - 12/31/10	680,258	864,601								
1/1/11 - 12/31/11	813,814									

**RATIOS - Percent Premium Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06	0.0383	0.0000	0.0000	0.0000	0.0000				
1/1/07 - 12/31/07	0.0064	0.0000	0.0000	0.0000					
1/1/08 - 12/31/08	0.0697	0.0000	0.0000						
1/1/09 - 12/31/09	0.1184	0.0118							
1/1/10 - 12/31/10	0.1586								

**AVERAGE RATIOS - Percent Premium Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	0.1586	0.0118	0.0000	0.0000	0.0000				
2 Year Average	0.1385	0.0059	0.0000	0.0000	0.0000				
3 Year Average	0.1156	0.0039	0.0000	0.0000	0.0000				
4 Year Average	0.0883	0.0030	0.0000	0.0000	0.0000				
5 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
6 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
7 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
8 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
9 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
Middle 3 of 5	0.0755	0.0000	0.0000	0.0000					
Middle 5 of 7	0.0582	0.0000	0.0000	0.0000					
3 Year Volume Weighted	0.1237	0.0077	0.0000	0.0000	0.0000				
5 Year Volume Weighted	0.1217	0.0075	0.0000	0.0000	0.0000				
7 Year Volume Weighted	0.1217	0.0075	0.0000	0.0000	0.0000				
9 Year Volume Weighted	0.1217	0.0075	0.0000	0.0000	0.0000				

**SELECTED AND CUSTOM RATIOS - Percent Premium Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 0.1045	< 0.0040	< 0.0007	< 0.0001	< 0.0002	< 0.0000	< 0.0000	< 0.0000	< 0.0000
Cumulative	0.1095	0.0050	0.0010	0.0003	0.0002	0.0000	0.0000	0.0000	0.0000

Arkansas  
Dwelling Fire  
Auto-Owners Insurance Group  
Dwelling less Liability  
Period Ending 12/2011  
All Reviewable Coverages  
Loss Development Exhibit

09/26/2012

**LOSSES - Large Less Large Cats : Incurred Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	0	0	0	0	0	0				
1/1/07 - 12/31/07	0	0	0	0	0					
1/1/08 - 12/31/08	0	0	0	0						
1/1/09 - 12/31/09	37,144	37,144	37,144							
1/1/10 - 12/31/10	26,099	28,903								
1/1/11 - 12/31/11	43,000									

**RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06									
1/1/07 - 12/31/07									
1/1/08 - 12/31/08									
1/1/09 - 12/31/09	1.0000	1.0000							
1/1/10 - 12/31/10	1.1074								

**AVERAGE RATIOS - Standard Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	1.1074	1.0000							
2 Year Average	1.0537	1.0000							
3 Year Average	1.0537	1.0000							
4 Year Average	1.0537	1.0000							
5 Year Average	1.0537	1.0000							
6 Year Average	1.0537	1.0000							
7 Year Average	1.0537	1.0000							
8 Year Average	1.0537	1.0000							
9 Year Average	1.0537	1.0000							
Middle 3 of 5	1.0000								
Middle 5 of 7	1.0000								
3 Year Volume Weighted	1.0443	1.0000							
5 Year Volume Weighted	1.0443	1.0000							
7 Year Volume Weighted	1.0443	1.0000							
9 Year Volume Weighted	1.0443	1.0000							

**SELECTED AND CUSTOM RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 1.0840	< 0.9097	< 1.1044	< 0.9893	< 1.0005	< 1.0000	< 1.0000	< 1.0000	< 1.0000
Cumulative	1.0780	0.9944	1.0931	0.9898	1.0005	1.0000	1.0000	1.0000	1.0000
Ratio to Ultimate	0.9277	1.0056	0.9148	1.0103	0.9995	1.0000	1.0000	1.0000	1.0000

Arkansas  
Dwelling Fire  
Auto-Owners Insurance Group  
Dwelling less Liability  
Period Ending 12/2011  
All Reviewable Coverages  
Loss Development Exhibit

09/26/2012

**LOSSES - Cat Losses : Incurred Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	0	0	0	0	0	0				
1/1/07 - 12/31/07	62,454	48,454	48,454	48,454	48,454					
1/1/08 - 12/31/08	360,169	356,288	356,288	356,288						
1/1/09 - 12/31/09	256,468	258,950	259,432							
1/1/10 - 12/31/10	54,163	50,377								
1/1/11 - 12/31/11	956,406									

**RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06									
1/1/07 - 12/31/07	0.7758	1.0000	1.0000	1.0000					
1/1/08 - 12/31/08	0.9892	1.0000	1.0000						
1/1/09 - 12/31/09	1.0097	1.0019							
1/1/10 - 12/31/10	0.9301								

**AVERAGE RATIOS - Standard Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	0.9301	1.0019	1.0000	1.0000					
2 Year Average	0.9699	1.0010	1.0000	1.0000					
3 Year Average	0.9763	1.0006	1.0000	1.0000					
4 Year Average	0.9262	1.0006	1.0000	1.0000					
5 Year Average	0.9262	1.0006	1.0000	1.0000					
6 Year Average	0.9262	1.0006	1.0000	1.0000					
7 Year Average	0.9262	1.0006	1.0000	1.0000					
8 Year Average	0.9262	1.0006	1.0000	1.0000					
9 Year Average	0.9262	1.0006	1.0000	1.0000					
Middle 3 of 5	0.8984	1.0000	1.0000						
Middle 5 of 7	0.8984	1.0000	1.0000						
3 Year Volume Weighted	0.9923	1.0007	1.0000	1.0000					
5 Year Volume Weighted	0.9738	1.0007	1.0000	1.0000					
7 Year Volume Weighted	0.9738	1.0007	1.0000	1.0000					
9 Year Volume Weighted	0.9738	1.0007	1.0000	1.0000					

**SELECTED AND CUSTOM RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 1.0475	< 1.0014	< 1.0005	< 1.0006	< 1.0001	< 1.0000	< 1.0000	< 1.0000	< 1.0000
Cumulative	1.0502	1.0026	1.0012	1.0007	1.0001	1.0000	1.0000	1.0000	1.0000
Ratio to Ultimate	0.9522	0.9974	0.9988	0.9993	0.9999	1.0000	1.0000	1.0000	1.0000

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas

## Calculation of Loss Trends

### Average Paid

	Experience Period	Dwelling less Liability	
		CL	Proj
(1) <i>Calculated Loss Trend</i>		0.03%	0.03%
(2) <i>Selected Loss Trend</i>		0.03%	0.03%
(3) <i>Trend Start Date</i>	2007	07/01/2007	
	2008	07/01/2008	
	2009	07/01/2009	
	2010	07/01/2010	
	2011	07/01/2011	
(4) <i>Trend End Date</i>	2007	12/21/2013	
<i>12 months past renewal date of 12/21/2012</i>	2008	12/21/2013	
	2009	12/21/2013	
	2010	12/21/2013	
	2011	12/21/2013	
(5) <i>Years of Trend Extension CL</i>	2007	4.250	
<i># of Years between (3) and the midpoint of Loss Trends</i>	2008	3.250	
<i>10/01/2011</i>	2009	2.250	
	2010	1.250	
	2011	0.250	
(6) <i>Years of Trend Extension Proj</i>	2007	2.221	
<i># of Years between (4) and the midpoint of Loss Trends</i>	2008	2.221	
<i>10/01/2011</i>	2009	2.221	
	2010	2.221	
	2011	2.221	
(7) <i>Loss Trend Factor</i>	2007	1.002	
$((1+(2)_{CL})^{(5)}) * ((1+(2)_{Proj})^{(6)})$	2008	1.002	
	2009	1.001	
	2010	1.001	
	2011	1.001	

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas

## Calculation of Loss Trends

### Frequency

	Experience Period	Dwelling less Liability	
		CL	Proj
(1) <i>Calculated Loss Trend</i>		-0.10%	-0.10%
(2) <i>Selected Loss Trend</i>		-0.10%	-0.10%
(3) <i>Trend Start Date</i>	2007	07/01/2007	
	2008	07/01/2008	
	2009	07/01/2009	
	2010	07/01/2010	
	2011	07/01/2011	
(4) <i>Trend End Date</i>	2007	12/21/2013	
<i>12 months past renewal date of 12/21/2012</i>	2008	12/21/2013	
	2009	12/21/2013	
	2010	12/21/2013	
	2011	12/21/2013	
(5) <i>Years of Trend Extension CL</i>	2007	4.250	
<i># of Years between (3) and the midpoint of Loss Trends 10/01/2011</i>	2008	3.250	
	2009	2.250	
	2010	1.250	
	2011	0.250	
(6) <i>Years of Trend Extension Proj</i>	2007	2.221	
<i># of Years between (4) and the midpoint of Loss Trends 10/01/2011</i>	2008	2.221	
	2009	2.221	
	2010	2.221	
	2011	2.221	
(7) <i>Loss Trend Factor</i>	2007	0.994	
$((1+(2)_{CL})^{(5)}) * ((1+(2)_{Proj})^{(6)})$	2008	0.995	
	2009	0.996	
	2010	0.997	
	2011	0.998	

Arkansas  
Loss Trends Exhibit  
Auto-Owners Insurance Group  
Dwelling Fire - Dwelling less Liability

All Reviewable Coverages

Qtr/Yr	Statewide						Companywide					
	Written Units	Paid Count	Paid Amount	Freq	Average Paid	Pure Premium	Written Units	Paid Count	Paid Amount	Freq	Average Paid	Pure Premium
03/2007	596	7	26,225	11.74	3,746.41	43.97	498,210	10,598	91,823,265	21.27	8,664.21	184.31
06/2007	676	6	22,868	8.87	3,811.35	33.81	502,304	10,835	94,064,575	21.57	8,681.55	187.27
09/2007	798	8	28,308	10.02	3,538.48	35.46	502,611	11,372	101,160,663	22.63	8,895.59	201.27
12/2007	948	8	19,550	8.44	2,443.76	20.62	505,549	11,737	104,544,523	23.22	8,907.26	206.79
03/2008	1,091	7	179,515	6.42	25,644.98	164.57	509,488	12,208	106,337,858	23.96	8,710.51	208.71
06/2008	1,255	14	214,976	11.15	15,355.44	171.24	514,109	12,489	108,546,769	24.29	8,691.39	211.14
09/2008	1,401	26	240,636	18.56	9,255.22	171.81	521,261	12,605	106,204,261	24.18	8,425.57	203.74
12/2008	1,539	28	371,158	18.20	13,255.66	241.22	528,312	12,498	106,635,546	23.66	8,532.21	201.84
03/2009	1,688	39	269,562	23.10	6,911.85	159.66	535,328	13,101	115,079,578	24.47	8,784.03	214.97
06/2009	1,826	50	508,340	27.38	10,166.80	278.41	543,540	13,359	117,785,334	24.58	8,816.93	216.70
09/2009	2,035	62	642,280	30.47	10,359.36	315.66	553,105	13,585	122,513,477	24.56	9,018.29	221.50
12/2009	2,285	83	778,663	36.32	9,381.49	340.71	560,530	13,955	123,496,074	24.90	8,849.59	220.32
03/2010	2,544	84	895,910	33.02	10,665.60	352.14	567,545	13,314	117,542,211	23.46	8,828.47	207.11
06/2010	2,724	100	872,611	36.72	8,726.11	320.40	574,134	12,916	112,973,409	22.50	8,746.78	196.77
09/2010	2,863	114	995,367	39.82	8,731.29	347.70	581,643	12,877	110,198,030	22.14	8,557.74	189.46
12/2010	3,050	105	772,137	34.43	7,353.69	253.20	589,543	12,896	110,899,226	21.87	8,599.51	188.11
03/2011	3,229	106	870,362	32.83	8,210.96	269.55	594,921	12,587	107,767,062	21.16	8,561.77	181.15
06/2011	3,484	99	920,831	28.42	9,301.32	264.31	603,456	12,812	112,045,309	21.23	8,745.34	185.67
09/2011	3,721	91	802,521	24.46	8,818.92	215.69	608,530	12,979	115,003,674	21.33	8,860.75	188.99
12/2011	3,831	117	1,036,236	30.54	8,856.71	270.49	611,763	13,376	113,944,547	21.86	8,518.58	186.26
03/2012	3,892	130	1,223,453	33.40	9,411.17	314.37	613,813	13,761	115,155,196	22.42	8,368.23	187.61

# ***Auto-Owners Insurance***

Dwelling Fire  
Arkansas  
Dwelling Less Liability

## **Development of the Permissible Loss Ratio**

(1)	<i>Commission and Brokerage Expense</i>	15.1%
(2)	<i>Other Acquisitions</i>	5.7%
(3)	<i>General Expenses</i>	1.6%
(4)	<i>Tax, License, and Fees</i>	3.1%
(5)	<i>Reinsurance Expense</i>	0.1%
(6)	<i>Total Expenses</i> <i>(1)+(2)+(3)+(4)+(5)</i>	25.6%
(7)	<i>Profit and Contingency</i>	7.4%
(8)	<i>Permissible Loss Ratio</i> <i>1 - ((6) + (7))</i>	67.0%

**Expense Exhibit - Dwelling Fire  
Auto-Owners Insurance Group  
Arkansas**

**All Reviewable Coverages - Dwelling less Liability**

	12 MTD Ending 12 / 2007		12 MTD Ending 12 / 2008		12 MTD Ending 12 / 2009		12 MTD Ending 12 / 2010		12 MTD Ending 12 / 2011	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>Loss Experience</u>										
Written Premium	392,979		635,054		952,445		1,392,229		1,822,240	
Earned Premium	292,668	100.0	518,844	100.0	776,226	100.0	1,162,496	100.0	1,647,072	100.0
Incurred Amount	39,153	13.4	739,004	142.4	1,034,577	133.3	940,194	80.9	2,168,952	131.7
Allocated LAE	7,016	2.4	60,706	11.7	66,186	8.5	83,929	7.2	152,992	9.3
Unallocated LAE	2,385	0.8	43,301	8.3	52,662	6.8	53,026	4.6	98,128	6.0
<u>Total Losses</u>	<u>48,554</u>	<u>16.6</u>	<u>843,011</u>	<u>162.4</u>	<u>1,153,425</u>	<u>148.6</u>	<u>1,077,149</u>	<u>92.7</u>	<u>2,420,072</u>	<u>147.0</u>
<u>Expenses Incurred</u>										
Commission and Brokerage *	69,903	17.8	109,185	17.2	160,188	16.8	215,663	15.5	275,191	15.1
Other Acquisitions (2)	32,282	11.0	52,573	10.1	96,396	12.4	148,523	12.8	188,506	11.4
General Expenses (2)	8,176	2.8	14,296	2.8	26,383	3.4	44,550	3.8	56,376	3.4
Tax, License, and Fees *	12,739	3.2	20,816	3.3	29,382	3.1	41,636	3.0	57,443	3.2
<u>Total Expenses</u>	<u>123,100</u>	<u>34.8</u>	<u>196,870</u>	<u>33.4</u>	<u>312,349</u>	<u>35.7</u>	<u>450,373</u>	<u>35.1</u>	<u>577,515</u>	<u>33.1</u>
Total Losses and Expenses	171,654	51.4	1,039,881	195.8	1,465,774	184.3	1,527,522	127.8	2,997,587	180.1
Gain from Underwriting	121,014	48.6	-521,037	-95.8	-689,548	-84.3	-365,026	-27.8	-1,350,515	-80.1

<u>Loss Experience</u>	3 Year Total		4 Year Total		5 Year Total	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Written Premium	4,166,914		4,801,968		5,194,948	
Earned Premium	3,585,794	100.0	4,104,638	100.0	4,397,306	100.0
Incurred Amount	4,143,723	115.6	4,882,727	119.0	4,921,880	111.9
Allocated LAE	303,107	8.5	363,813	8.9	370,829	8.4
Unallocated LAE	203,816	5.7	247,117	6.0	249,502	5.7
<u>Total Losses</u>	<u>4,650,646</u>	<u>129.7</u>	<u>5,493,657</u>	<u>133.8</u>	<u>5,542,211</u>	<u>126.0</u>

<u>Expenses Incurred</u>						
Commission and Brokerage *	651,042	15.6	760,226	15.8	830,129	16.0
Other Acquisitions (2)	433,425	12.2	485,999	11.7	518,281	11.6
General Expenses (2)	127,309	3.6	141,605	3.4	149,782	3.3
Tax, License, and Fees *	128,461	3.1	149,277	3.1	162,016	3.1
<u>Reinsurance Expenses *</u>						
Total Expenses	1,340,238	34.5	1,537,107	34.0	1,660,208	34.0
Total Losses and Expenses	5,990,884	164.2	7,030,765	167.8	7,202,419	160.0
Gain from Underwriting	-2,405,090	-64.2	-2,926,127	-67.8	-2,805,113	-60.0

\* - Ratios Calculated to Written Premium (1)Uses Companywide Info (2)Uses AO Group Info # - Uses Combined Coverage Info

+ - FIGA Excluded @ - Guaranty Fund Expenses Excluded Earthquake Excluded

Auto-Owners Insurance Group  
Arkansas Dwelling Fire  
Explanatory Memorandum

1. Introduce Protection Class relativities for Manufactured Construction at a rate 10% above Frame rates. Please see manual page AOARZ029.
  - This is being done on a companywide basis. The companywide 5 year actual loss ratio for Manufactured Construction is 121%, compared to the 5 year companywide actual loss ratio of 89% for the period ending 12/2011.
2. Introduce a Claim Free Discount of 5%. Please see manual pages AOARZ033 and AOARZ277.
3. Introduce an Experience Discount of 2%. Please see manual pages AOARZ035 and AOARZ279.
4. Modify the Paid Loss Surcharge as shown on manual pages AOARZ282 and AOARZ037.
  - Please see the following chart for support. We are moving Paid Loss Surcharge relativities toward the Homeowners targets developed through Generalized Linear Modeling.

Paid Loss Surcharge			Present	Proposed	Homeowners GLM Target	% Chg
Continuously insured for 3+ years with Auto-Owners Group and sum of all paid claims exceeds \$2500	Multi-Policy and 65 or over	2	1.20	<b>1.40</b>	1.65	16.7%
		3	1.45	<b>1.90</b>	1.97	31.0%
		4 or more	1.65	<b>2.15</b>	2.31	30.3%
	If Not Both	2	1.30	<b>1.50</b>	1.65	15.4%
		3	1.65	<b>1.95</b>	1.97	18.2%
		4 or more	2.00	<b>2.30</b>	2.31	15.0%
Continuously insured for less than 3 years with Auto-Owners Group and sum of all paid claims exceeds \$1000	Multi-Policy and 65 or over	2	1.30	<b>1.50</b>	1.65	15.4%
		3	1.65	<b>1.95</b>	1.97	18.2%
		4 or more	2.00	<b>2.30</b>	2.31	15.0%
	If Not Both	2	1.45	<b>1.65</b>	1.65	13.8%

5. Decrease the Age of Construction Discount. Please see manual pages AOARZ275 and AOARZ031.
  - This is being done on a companywide basis.
6. Increase the Location Minimum Premium. Please see manual pages AOARZ273 and AOARZ028.
  - This is being done on companywide basis. The total annual policy minimum premium in State Farm's Rental Dwelling Program is \$300.

	Present	Proposed
Building, Other Structures, Condo	120	<b>135</b>
Liability or Contents Only	80	<b>95</b>

7. Modify deductible relativities and introduce \$1,500 Flat, \$1,500 AOP/\$2,000 Wind/Hail, and \$5,000 Wind/Hail options. Please see manual pages AOARZ278 and AOARZ034.

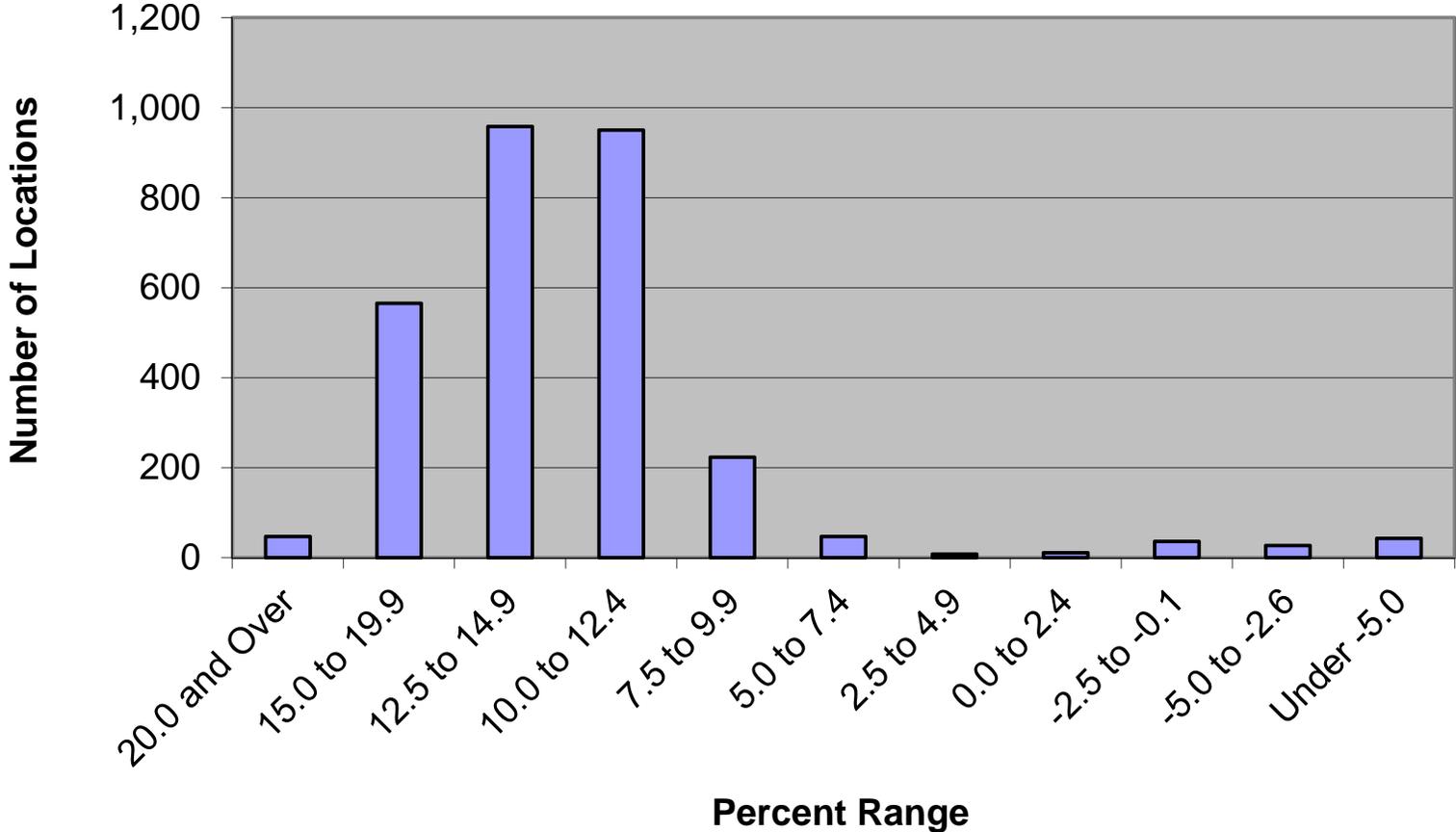
- The proposed wind/hail options were developed from the proposed flat options and weighted by wind/hail paid count percent. Please see the following competitor relativities for support:

Shelter		State Farm		
Deductible Option	Relativity	Deductible Option	Relativity	Rebased to \$500
100	1.27	500	1.16	1.00
250	1.12	500/1%	1.13	0.97
500	1.00	1000	1.00	0.86
750	0.92	1000/1%	0.98	0.84
1000	0.85	2000	0.87	0.75
1500	0.82	2000/1%	0.82	0.71
2000	0.79	3000	0.80	0.69
2500	0.75	4000	0.77	0.66
5000	0.70	5000	0.75	0.65

- Decrease the Premier deviation and increase building and contents base rates for an overall 12.3% increase. Please see manual page AOARZ027.
  - The 5 year statewide loss ratio for Premier policies is 139%, compared to 92% for Standard policies for the period ending 12/2011.
- Update the Rating Procedure page to include the Claim Free Discount, Experience Discount and Age of Insured name change. Please see manual page AOARZ030.
- Increase the Minimum Amount of Insurance Eligibility for Special Form Primary, Secondary, and Seasonal, and Basic Form Seasonal and Mobile. Please see manual page AOARZ269.
- Revise the construction eligibility to no longer allow homes of non-standard construction and dwellings constructed with materials containing asbestos, and make an editorial change to the construction eligibility of garages and other structures. Please see manual page AOARZ269.
- Revise the occupancy eligibility to no longer allow unoccupied dwellings in the Premier program and add a binding restriction for the Standard program. No longer allow more than 5 boarders in the Premier program and specify when a contents only policy can be written in the Standard program. Please see manual page AOARZ269.
- Modify the prior insurance history eligibility. Please see manual page AOARZ269.
- Revise eligibility to add a binding restriction for homes with a PC 9 or 10 with Coverage A \$1 million or greater and for all other PCs with Coverage A \$1.5 million or greater. Please see manual page AOARZ269.
- No longer allow mobile homes to be written on Standard Special Form. Please see manual page AOARZ269.
- Remove the Adjusted Actual Cash Value Endorsement from the Mandatory Forms General Rules page. Create a new Adjusted Actual Cash Value Endorsement page. Please see manual pages AOARZ272 and AOARZ274.
- Revise the Maximum Coverage A limit to \$1,500,000 for Increased Cost Endorsement. Please see manual pages AOARZ285 and AOARZ039.
- Rename the Mature Discount to Age of Insured Discount. The relativities will not change. Please see manual pages AOARZ276 and AOARZ032.
- Update Applications General Rule page to remove reference to an ACORD application. Please see manual page AOARZ271.

20. Update the Additional Living Expenses rule page to remove reference to contents only policies and rating procedure. Update the Condominium Owners Coverage Property Additional Coverage page to remove reference to minimum limits and rating procedure. Create a new page for Additional Living Expenses and Condo Owners Coverage rating procedures. Please see manual pages AOURZ283, AOURZ284, and AOARZ038.
21. Update the Definitions General Rules page for Manufactured, Modular and Asbestos, Approved Park, and Fire Division. Please see manual page AOURZ270.
22. Revise the Dwelling/Life Multi-Policy Discount rule page to include disability income. Please see manual pages AOURZ281 and AOARZ036.
23. Revise the Maximum Discount page to include Claim Free Discount, Experience Discount, and Age of Insured Discount. Please see manual page AOURZ280.
24. Obsolete the following manual pages:
  - Premium Adjustments – Quick Reference: AOURZ251
  - Adjusted Value Endorsement: AOURZ245
  - Limitation – Fungi Remediation Cost: AOURZ102
  - Approved Park: AOURZ107
  - Fire Division: AOURZ109
  - Binding Authority: AOURZ025

### Arkansas Dwelling Fire Program



**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Superceded 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)
09/28/2012	Rate	Base Rates	10/22/2012	AOARZ027.pdf (Superceded)
09/28/2012	Rate	Protection Class Relativities	10/22/2012	AOARZ029.pdf (Superceded)
09/28/2012	Rate	Paid Loss Surcharge Relativities	10/22/2012	AOARZ037.pdf (Superceded)
09/25/2012	Supporting Document	HPCS-Homeowners Premium Comparison Survey	10/22/2012	HO Survey FORM HPCS 11.15.12.xls (Superceded) HO Survey FORM HPCS 11.15.12.pdf (Superceded)
09/25/2012	Supporting Document	P&C Actuarial Justification	10/08/2012	AR DWF Indication.pdf AR DWF Explanatory Memorandum 11.15.12.pdf

Auto-Owners

DWELLING FIRE  
ARKANSAS  
BASE RATES**STANDARD PROGRAM**

Occupancy	Base		Coverage	Rel
Bldg.-Owner	960.59		Basic	0.950
Bldg.-Tenant	914.85		Special	1.000
Contents	153.29			

**PREMIER PROGRAM**

Occupancy	Base		Coverage	Rel
Bldg.-Tenant	777.62		Special	1.000

Edition Date: 11/15/12

Auto-Owners

DWELLING FIRE  
ARKANSAS  
PROTECTION CLASS RELATIVITIES

PROTECTION CLASS	FRAME	MASONRY	CEMENT FIBER	MANUFACTURED
1	1.120	1.000	1.060	1.230
2	1.120	1.000	1.060	1.230
3	1.120	1.000	1.060	1.230
4	1.120	1.000	1.060	1.230
5	1.120	1.000	1.060	1.230
6	1.120	1.000	1.060	1.230
7	1.200	1.050	1.140	1.320
8	1.270	1.120	1.210	1.400
9	1.790	1.490	1.700	1.970
10	2.030	1.760	1.930	2.230
8B	1.790	1.490	1.700	1.970

Edition Date: 11/15/12

Auto-Owners

DWELLING FIRE  
ARKANSAS  
PAID LOSS SURCHARGE RELATIVITIES

Number of paid losses within 3 years	Continuously** insured for 3 or more years with an Auto-Owners Group company and the sum of all paid claims exceeds \$2,500.		Continuously** insured less than 3 years with an Auto-Owners Group company and the sum of all paid claims exceeds \$1000	
	If Multi-Policy*** and 65 or over	If Not Both	If Multi-Policy*** and 65 or over	If Not Both
2	1.400	1.500	1.500	1.650
3	1.900	1.950	1.950	2.000
4 or more	2.150	2.300	2.300	2.750

\*For the application of this rule, weather losses will not be considered. Weather losses shall include only direct damage caused by wind, hail or lightning, or the weight of ice and snow. Losses directly attributable to an event identified as catastrophic by the Property Claim Service (PCS) will not be considered.

\*\*Continuously insured means either this policy or this policy in combination with a previous policy rewritten to this policy has been in effect for 3 years.

\*\*\*Multi-Policy includes: Auto, Homeowners, and Life

The surcharge will be applied to the premiums of all locations on the policy. Please see table below for the applicable location factors.

Number of Locations	Factor
2	0.50
3+	0.33

Edition Date: 11/15/12

**State:** Arkansas **Filing Company:** Auto-Owners Insurance Company  
**TOI/Sub-TOI:** 01.0 Property/01.0002 Personal Property (Fire and Allied Lines)  
**Product Name:** Arkansas Dwelling Fire  
**Project Name/Number:** Arkansas Dwelling Fire Rate and Rule Change/DWF-AR-01-11/15/2012-01

## Superseded Schedule Items

NAIC Number:	18988
Company Name:	Auto-Owners Insurance Company
Contact Person:	Joel Schultz
Telephone No.:	(517) 323-1200
Email Address:	Schultz.Joel@aoins.com
Effective Date:	11/15/2012

**Homeowners Premium Comparison Survey Form  
FORM HP3S - last modified August, 2005**

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

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

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

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$708.00	\$793.00	\$730.00	\$818.00	\$857.00	\$960.00	\$857.00	\$960.00	\$857.00	\$960.00	\$857.00	\$960.00	\$857.00	\$960.00	\$708.00	\$793.00	\$745.00	\$834.00
	\$120,000	\$956.00	\$1,070.00	\$985.00	\$1,104.00	\$1,157.00	\$1,296.00	\$1,157.00	\$1,296.00	\$1,157.00	\$1,296.00	\$1,157.00	\$1,296.00	\$1,157.00	\$1,296.00	\$956.00	\$1,070.00	\$1,006.00	\$1,126.00
	\$160,000	\$1,215.00	\$1,361.00	\$1,253.00	\$1,404.00	\$1,471.00	\$1,647.00	\$1,471.00	\$1,647.00	\$1,471.00	\$1,647.00	\$1,471.00	\$1,647.00	\$1,471.00	\$1,647.00	\$1,215.00	\$1,361.00	\$1,278.00	\$1,432.00
6	\$80,000	\$708.00	\$793.00	\$730.00	\$818.00	\$857.00	\$960.00	\$857.00	\$960.00	\$857.00	\$960.00	\$857.00	\$960.00	\$857.00	\$960.00	\$708.00	\$793.00	\$745.00	\$834.00
	\$120,000	\$956.00	\$1,070.00	\$985.00	\$1,104.00	\$1,157.00	\$1,296.00	\$1,157.00	\$1,296.00	\$1,157.00	\$1,296.00	\$1,157.00	\$1,296.00	\$1,157.00	\$1,296.00	\$956.00	\$1,070.00	\$1,006.00	\$1,126.00
	\$160,000	\$1,215.00	\$1,361.00	\$1,253.00	\$1,404.00	\$1,471.00	\$1,647.00	\$1,471.00	\$1,647.00	\$1,471.00	\$1,647.00	\$1,471.00	\$1,647.00	\$1,471.00	\$1,647.00	\$1,215.00	\$1,361.00	\$1,278.00	\$1,432.00
9	\$80,000	\$1,055.00	\$1,267.00	\$1,087.00	\$1,306.00	\$1,276.00	\$1,534.00	\$1,276.00	\$1,534.00	\$1,276.00	\$1,534.00	\$1,276.00	\$1,534.00	\$1,276.00	\$1,534.00	\$1,055.00	\$1,267.00	\$1,110.00	\$1,334.00
	\$120,000	\$1,424.00	\$1,711.00	\$1,468.00	\$1,763.00	\$1,723.00	\$2,070.00	\$1,723.00	\$2,070.00	\$1,723.00	\$2,070.00	\$1,723.00	\$2,070.00	\$1,723.00	\$2,070.00	\$1,424.00	\$1,711.00	\$1,499.00	\$1,800.00
	\$160,000	\$1,810.00	\$2,175.00	\$1,867.00	\$2,242.00	\$2,191.00	\$2,632.00	\$2,191.00	\$2,632.00	\$2,191.00	\$2,632.00	\$2,191.00	\$2,632.00	\$2,191.00	\$2,632.00	\$1,810.00	\$2,175.00	\$1,906.00	\$2,289.00

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

**HO3 and HO4 only**

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

**EARTHQUAKE INSURANCE**

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	<input type="text"/>	Yes	(yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	<input type="text"/>	5,10,15	%
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?		Zone	
		Brick	Frame
		Highest Risk	\$ 2.88
		Lowest Risk	\$ 0.5
			\$ 2.04
			\$ 0.39

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas  
Dwelling Less Liability

## Determination of Rate Level Indications for Accident Year Data

	<u>Dec-07</u>	<u>Dec-08</u>	<u>Dec-09</u>	<u>Dec-10</u>	<u>Dec-11</u>
(1) <i>Current Level Trended Premiums</i>	384,897	676,402	1,011,452	1,421,728	1,858,384
(2) <i>Trended Incurred Losses and ALAE</i>	143,580	656,451	1,195,203	1,426,434	1,959,190
(3) <i>Projected Loss Ratio</i> <i>(2)/(1)</i>	37.3%	97.1%	118.2%	100.3%	105.4%
(4) <i>Weights</i>	10.0%	15.0%	20.0%	25.0%	30.0%
(5) <i>Weighted Projected Loss Ratio</i>					98.6%
(6) <i>Net Projected Loss Ratio</i>					98.6%
(7) <i>Permissible Loss Ratio</i>					67.0%
(8) <i>Indicated Rate Level Change</i> <i>(6)/(7)</i>					47.2%

### Past Rate Changes

<u>New Business</u>	<u>Renewal Business</u>	<u>Percent Change</u>
11/15/2007	12/21/2007	1.8 %
04/20/2009	05/26/2009	4.6 %
04/20/2010	05/26/2010	9.8 %
11/15/2011	12/21/2011	15.0 %

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas

## Calculation of Current Level Trended Premiums

Part	Year	Earned Premiums	Current Level Factor	Premium Trend Factor	Current Level Trended Premiums
		(1)	(2)	(3)	(4)
Dwelling less Liabili	2007	\$292,668	1.3450	0.978	\$384,897
	2008	\$518,844	1.3323	0.979	\$676,402
	2009	\$776,226	1.3101	0.995	\$1,011,452
	2010	\$1,162,496	1.2454	0.982	\$1,421,728
	2011	\$1,647,072	1.1585	0.974	\$1,858,384

### Notes

- (1) Actual Earned Premiums
- (2) Per Parallelogram Method
- (3) See Calculation of Premium Trend Factor
- (4) (1) \* (2) \* (3)

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas

## Calculation of Premium Trend Factors

	Experience Period	Dwelling less Liability	
		<i>Developed</i>	<i>Selected</i>
(1) <i>Current Premium Trend Factor</i>	2007	0.979	<b>0.979</b>
<i>Latest Avg. Written Premium ÷</i>	2008	0.980	<b>0.980</b>
<i>Historic Avg. Earned Premium at</i>	2009	0.996	<b>0.996</b>
<i>current level</i>	2010	0.983	<b>0.983</b>
	2011	0.975	<b>0.975</b>
(2) <i>Calculated Proj Premium Trend</i>		-0.07%	<b>-0.07%</b>
(3) <i>Trend Start Date</i>	2007	01/01/2007	
	2008	01/01/2008	
	2009	01/01/2009	
	2010	01/01/2010	
	2011	01/01/2011	
(4) <i>Trend End Date</i>	2007	06/21/2013	
<i>6 months past renewal date of</i>	2008	06/21/2013	
<i>12/21/2012</i>	2009	06/21/2013	
	2010	06/21/2013	
	2011	06/21/2013	
(6) <i>Years of Trend Extension Proj</i>	2007	1.971	
<i># of Years between the Premium</i>	2008	1.971	
<i>Trends midpoint and (4)</i>	2009	1.971	
<i>07/01/2011</i>	2010	1.971	
	2011	1.971	
(7) <i>Premium Trend Factor</i>	2007	0.978	
<i>(1)*[1+(2)]^(6)</i>	2008	0.979	
	2009	0.995	
	2010	0.982	
	2011	0.974	

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas  
Dwelling Less Liability

## Ultimate Losses

### Dwelling less Liability

Experience Period	Losses Less Large and Cats	Cat Losses  Smoothed	Large Less Large Cats  Smoothed	Final Ultimate Loss	ULAE Acc Year	Final Ultimate Loss With Factor
2007	16,316	110,947	7,464	134,727	1.0700	144,158
2008	405,438	196,687	13,233	615,358	1.0700	658,433
2009	806,324	294,257	19,797	1,120,378	1.0700	1,198,804
2010	865,457	440,687	29,648	1,335,792	1.0700	1,429,297
2011	1,166,465	624,383	42,007	1,832,855	1.0700	1,961,155

Arkansas  
Dwelling Fire  
Auto-Owners Insurance Group  
Dwelling less Liability  
Period Ending 12/2011  
All Reviewable Coverages  
Loss Development Exhibit

09/26/2012

**LOSSES - Losses Less Large and Cats : Incurred Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	66,343	28,794	28,794	28,794	28,794	28,794				
1/1/07 - 12/31/07	14,424	16,305	16,305	16,305	16,305					
1/1/08 - 12/31/08	425,212	405,438	405,438	405,438						
1/1/09 - 12/31/09	810,762	812,921	806,413							
1/1/10 - 12/31/10	880,435	864,601								
1/1/11 - 12/31/11	1,295,073									

**RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06	0.4340	1.0000	1.0000	1.0000	1.0000				
1/1/07 - 12/31/07	1.1304	1.0000	1.0000	1.0000					
1/1/08 - 12/31/08	0.9535	1.0000	1.0000						
1/1/09 - 12/31/09	1.0027	0.9920							
1/1/10 - 12/31/10	0.9820								

**AVERAGE RATIOS - Standard Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	0.9820	0.9920	1.0000	1.0000	1.0000				
2 Year Average	0.9924	0.9960	1.0000	1.0000	1.0000				
3 Year Average	0.9794	0.9973	1.0000	1.0000	1.0000				
4 Year Average	1.0172	0.9980	1.0000	1.0000	1.0000				
5 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
6 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
7 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
8 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
9 Year Average	0.9005	0.9980	1.0000	1.0000	1.0000				
Middle 3 of 5	0.9794	0.9973	1.0000	1.0000					
Middle 5 of 7	0.8431	0.9973	1.0000	1.0000					
3 Year Volume Weighted	0.9842	0.9947	1.0000	1.0000	1.0000				
5 Year Volume Weighted	0.9686	0.9949	1.0000	1.0000	1.0000				
7 Year Volume Weighted	0.9686	0.9949	1.0000	1.0000	1.0000				
9 Year Volume Weighted	0.9686	0.9949	1.0000	1.0000	1.0000				

**SELECTED AND CUSTOM RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 1.0239	< 0.9951	< 0.9980	< 0.9995	< 1.0000	< 0.9999	< 1.0000	< 1.0000	< 1.0000
Cumulative	1.0162	0.9925	0.9974	0.9994	0.9999	0.9999	1.0000	1.0000	1.0000
Ratio to Ultimate	0.9840	1.0075	1.0026	1.0006	1.0001	1.0001	1.0000	1.0000	1.0000

Arkansas  
Dwelling Fire  
Auto-Owners Insurance Group  
Dwelling less Liability  
Period Ending 12/2011  
All Reviewable Coverages  
Loss Development Exhibit

09/26/2012

**LOSSES - Losses Less Large and Cats : Incurred Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	66,343	28,794	28,794	28,794	28,794	28,794				
1/1/07 - 12/31/07	14,424	16,305	16,305	16,305	16,305					
1/1/08 - 12/31/08	425,212	405,438	405,438	405,438						
1/1/09 - 12/31/09	810,762	812,921	806,413							
1/1/10 - 12/31/10	880,435	864,601								
1/1/11 - 12/31/11	1,295,073									

**RATIOS - Percent Premium Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06	-0.2808	0.0000	0.0000	0.0000	0.0000				
1/1/07 - 12/31/07	0.0064	0.0000	0.0000	0.0000					
1/1/08 - 12/31/08	-0.0381	0.0000	0.0000						
1/1/09 - 12/31/09	0.0028	-0.0084							
1/1/10 - 12/31/10	-0.0136								

**AVERAGE RATIOS - Percent Premium Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	-0.0136	-0.0084	0.0000	0.0000	0.0000				
2 Year Average	-0.0054	-0.0042	0.0000	0.0000	0.0000				
3 Year Average	-0.0163	-0.0028	0.0000	0.0000	0.0000				
4 Year Average	-0.0106	-0.0021	0.0000	0.0000	0.0000				
5 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
6 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
7 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
8 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
9 Year Average	-0.0647	-0.0021	0.0000	0.0000	0.0000				
Middle 3 of 5	-0.0163	-0.0028	0.0000	0.0000					
Middle 5 of 7	-0.0824	-0.0028	0.0000	0.0000					
3 Year Volume Weighted	-0.0122	-0.0055	0.0000	0.0000	0.0000				
5 Year Volume Weighted	-0.0202	-0.0054	0.0000	0.0000	0.0000				
7 Year Volume Weighted	-0.0202	-0.0054	0.0000	0.0000	0.0000				
9 Year Volume Weighted	-0.0202	-0.0054	0.0000	0.0000	0.0000				

**SELECTED AND CUSTOM RATIOS - Percent Premium Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 0.0129	< -0.0025	< -0.0007	< -0.0002	< 0.0000	< -0.0001	< 0.0000	< 0.0000	< 0.0000
Cumulative	0.0094	-0.0035	-0.0010	-0.0003	-0.0001	-0.0001	0.0000	0.0000	0.0000

Arkansas  
Dwelling Fire  
Auto-Owners Insurance Group  
Dwelling less Liability  
Period Ending 12/2011  
All Reviewable Coverages  
Loss Development Exhibit

09/26/2012

**LOSSES - Losses Less Large and Cats : Paid Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	23,668	28,794	28,794	28,794	28,794	28,794				
1/1/07 - 12/31/07	14,424	16,305	16,305	16,305	16,305					
1/1/08 - 12/31/08	369,277	405,438	405,438	405,438						
1/1/09 - 12/31/09	705,359	797,238	806,413							
1/1/10 - 12/31/10	680,258	864,601								
1/1/11 - 12/31/11	813,814									

**RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06	1.2166	1.0000	1.0000	1.0000	1.0000				
1/1/07 - 12/31/07	1.1304	1.0000	1.0000	1.0000					
1/1/08 - 12/31/08	1.0979	1.0000	1.0000						
1/1/09 - 12/31/09	1.1303	1.0115							
1/1/10 - 12/31/10	1.2710								

**AVERAGE RATIOS - Standard Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	1.2710	1.0115	1.0000	1.0000	1.0000				
2 Year Average	1.2006	1.0058	1.0000	1.0000	1.0000				
3 Year Average	1.1664	1.0038	1.0000	1.0000	1.0000				
4 Year Average	1.1574	1.0029	1.0000	1.0000	1.0000				
5 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
6 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
7 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
8 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
9 Year Average	1.1692	1.0029	1.0000	1.0000	1.0000				
Middle 3 of 5	1.1591	1.0000	1.0000	1.0000					
Middle 5 of 7	1.1438	1.0000	1.0000	1.0000					
3 Year Volume Weighted	1.1780	1.0075	1.0000	1.0000	1.0000				
5 Year Volume Weighted	1.1781	1.0073	1.0000	1.0000	1.0000				
7 Year Volume Weighted	1.1781	1.0073	1.0000	1.0000	1.0000				
9 Year Volume Weighted	1.1781	1.0073	1.0000	1.0000	1.0000				

**SELECTED AND CUSTOM RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 1.2469	< 1.0074	< 1.0016	< 1.0003	< 1.0003	< 1.0000	< 1.0000	< 1.0000	< 1.0000
Cumulative	1.2589	1.0096	1.0022	1.0006	1.0003	1.0000	1.0000	1.0000	1.0000
Ratio to Ultimate	0.7943	0.9905	0.9978	0.9994	0.9997	1.0000	1.0000	1.0000	1.0000

Arkansas  
 Dwelling Fire  
 Auto-Owners Insurance Group  
 Dwelling less Liability  
 Period Ending 12/2011  
 All Reviewable Coverages  
 Loss Development Exhibit

09/26/2012

**LOSSES - Losses Less Large and Cats : Paid Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	23,668	28,794	28,794	28,794	28,794	28,794				
1/1/07 - 12/31/07	14,424	16,305	16,305	16,305	16,305					
1/1/08 - 12/31/08	369,277	405,438	405,438	405,438						
1/1/09 - 12/31/09	705,359	797,238	806,413							
1/1/10 - 12/31/10	680,258	864,601								
1/1/11 - 12/31/11	813,814									

**RATIOS - Percent Premium Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06	0.0383	0.0000	0.0000	0.0000	0.0000				
1/1/07 - 12/31/07	0.0064	0.0000	0.0000	0.0000					
1/1/08 - 12/31/08	0.0697	0.0000	0.0000						
1/1/09 - 12/31/09	0.1184	0.0118							
1/1/10 - 12/31/10	0.1586								

**AVERAGE RATIOS - Percent Premium Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	0.1586	0.0118	0.0000	0.0000	0.0000				
2 Year Average	0.1385	0.0059	0.0000	0.0000	0.0000				
3 Year Average	0.1156	0.0039	0.0000	0.0000	0.0000				
4 Year Average	0.0883	0.0030	0.0000	0.0000	0.0000				
5 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
6 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
7 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
8 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
9 Year Average	0.0783	0.0030	0.0000	0.0000	0.0000				
Middle 3 of 5	0.0755	0.0000	0.0000	0.0000					
Middle 5 of 7	0.0582	0.0000	0.0000	0.0000					
3 Year Volume Weighted	0.1237	0.0077	0.0000	0.0000	0.0000				
5 Year Volume Weighted	0.1217	0.0075	0.0000	0.0000	0.0000				
7 Year Volume Weighted	0.1217	0.0075	0.0000	0.0000	0.0000				
9 Year Volume Weighted	0.1217	0.0075	0.0000	0.0000	0.0000				

**SELECTED AND CUSTOM RATIOS - Percent Premium Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 0.1045	< 0.0040	< 0.0007	< 0.0001	< 0.0002	< 0.0000	< 0.0000	< 0.0000	< 0.0000
Cumulative	0.1095	0.0050	0.0010	0.0003	0.0002	0.0000	0.0000	0.0000	0.0000

Arkansas  
Dwelling Fire  
Auto-Owners Insurance Group  
Dwelling less Liability  
Period Ending 12/2011  
All Reviewable Coverages  
Loss Development Exhibit

09/26/2012

**LOSSES - Large Less Large Cats : Incurred Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	0	0	0	0	0	0				
1/1/07 - 12/31/07	0	0	0	0	0					
1/1/08 - 12/31/08	0	0	0	0						
1/1/09 - 12/31/09	37,144	37,144	37,144							
1/1/10 - 12/31/10	26,099	28,903								
1/1/11 - 12/31/11	43,000									

**RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06									
1/1/07 - 12/31/07									
1/1/08 - 12/31/08									
1/1/09 - 12/31/09	1.0000	1.0000							
1/1/10 - 12/31/10	1.1074								

**AVERAGE RATIOS - Standard Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	1.1074	1.0000							
2 Year Average	1.0537	1.0000							
3 Year Average	1.0537	1.0000							
4 Year Average	1.0537	1.0000							
5 Year Average	1.0537	1.0000							
6 Year Average	1.0537	1.0000							
7 Year Average	1.0537	1.0000							
8 Year Average	1.0537	1.0000							
9 Year Average	1.0537	1.0000							
Middle 3 of 5	1.0000								
Middle 5 of 7	1.0000								
3 Year Volume Weighted	1.0443	1.0000							
5 Year Volume Weighted	1.0443	1.0000							
7 Year Volume Weighted	1.0443	1.0000							
9 Year Volume Weighted	1.0443	1.0000							

**SELECTED AND CUSTOM RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 1.0840	< 0.9097	< 1.1044	< 0.9893	< 1.0005	< 1.0000	< 1.0000	< 1.0000	< 1.0000
Cumulative	1.0780	0.9944	1.0931	0.9898	1.0005	1.0000	1.0000	1.0000	1.0000
Ratio to Ultimate	0.9277	1.0056	0.9148	1.0103	0.9995	1.0000	1.0000	1.0000	1.0000

Arkansas  
Dwelling Fire  
Auto-Owners Insurance Group  
Dwelling less Liability  
Period Ending 12/2011  
All Reviewable Coverages  
Loss Development Exhibit

09/26/2012

**LOSSES - Cat Losses : Incurred Amount**

Accident Year	12	24	36	48	60	72	84	96	108	120
1/1/02 - 12/31/02										
1/1/03 - 12/31/03										
1/1/04 - 12/31/04										
1/1/05 - 12/31/05										
1/1/06 - 12/31/06	0	0	0	0	0	0				
1/1/07 - 12/31/07	62,454	48,454	48,454	48,454	48,454					
1/1/08 - 12/31/08	360,169	356,288	356,288	356,288						
1/1/09 - 12/31/09	256,468	258,950	259,432							
1/1/10 - 12/31/10	54,163	50,377								
1/1/11 - 12/31/11	956,406									

**RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1/1/02 - 12/31/02									
1/1/03 - 12/31/03									
1/1/04 - 12/31/04									
1/1/05 - 12/31/05									
1/1/06 - 12/31/06									
1/1/07 - 12/31/07	0.7758	1.0000	1.0000	1.0000					
1/1/08 - 12/31/08	0.9892	1.0000	1.0000						
1/1/09 - 12/31/09	1.0097	1.0019							
1/1/10 - 12/31/10	0.9301								

**AVERAGE RATIOS - Standard Method**

Average Type	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
1 Year Average	0.9301	1.0019	1.0000	1.0000					
2 Year Average	0.9699	1.0010	1.0000	1.0000					
3 Year Average	0.9763	1.0006	1.0000	1.0000					
4 Year Average	0.9262	1.0006	1.0000	1.0000					
5 Year Average	0.9262	1.0006	1.0000	1.0000					
6 Year Average	0.9262	1.0006	1.0000	1.0000					
7 Year Average	0.9262	1.0006	1.0000	1.0000					
8 Year Average	0.9262	1.0006	1.0000	1.0000					
9 Year Average	0.9262	1.0006	1.0000	1.0000					
Middle 3 of 5	0.8984	1.0000	1.0000						
Middle 5 of 7	0.8984	1.0000	1.0000						
3 Year Volume Weighted	0.9923	1.0007	1.0000	1.0000					
5 Year Volume Weighted	0.9738	1.0007	1.0000	1.0000					
7 Year Volume Weighted	0.9738	1.0007	1.0000	1.0000					
9 Year Volume Weighted	0.9738	1.0007	1.0000	1.0000					

**SELECTED AND CUSTOM RATIOS - Standard Method**

Accident Year	1st-2nd	2nd-3rd	3rd-4th	4th-5th	5th-6th	6th-7th	7th-8th	8th-9th	9th-10th
Selected Custom	< 1.0475	< 1.0014	< 1.0005	< 1.0006	< 1.0001	< 1.0000	< 1.0000	< 1.0000	< 1.0000
Cumulative	1.0502	1.0026	1.0012	1.0007	1.0001	1.0000	1.0000	1.0000	1.0000
Ratio to Ultimate	0.9522	0.9974	0.9988	0.9993	0.9999	1.0000	1.0000	1.0000	1.0000

# ***Auto-Owners Insurance***

Dwelling Fire  
Arkansas

## Calculation of Loss Trends

### Average Paid

	Experience Period	Dwelling less Liability	
		CL	Proj
(1) <i>Calculated Loss Trend</i>		0.03%	0.03%
(2) <i>Selected Loss Trend</i>		0.03%	0.03%
(3) <i>Trend Start Date</i>	2007	07/01/2007	
	2008	07/01/2008	
	2009	07/01/2009	
	2010	07/01/2010	
	2011	07/01/2011	
(4) <i>Trend End Date</i>	2007	12/21/2013	
<i>12 months past renewal date of 12/21/2012</i>	2008	12/21/2013	
	2009	12/21/2013	
	2010	12/21/2013	
	2011	12/21/2013	
(5) <i>Years of Trend Extension CL</i>	2007	4.250	
<i># of Years between (3) and the midpoint of Loss Trends</i>	2008	3.250	
<i>10/01/2011</i>	2009	2.250	
	2010	1.250	
	2011	0.250	
(6) <i>Years of Trend Extension Proj</i>	2007	2.221	
<i># of Years between (4) and the midpoint of Loss Trends</i>	2008	2.221	
<i>10/01/2011</i>	2009	2.221	
	2010	2.221	
	2011	2.221	
(7) <i>Loss Trend Factor</i>	2007	1.002	
$((1+(2)_{CL})^{(5)}) * ((1+(2)_{Proj})^{(6)})$	2008	1.002	
	2009	1.001	
	2010	1.001	
	2011	1.001	

# *Auto-Owners Insurance*

Dwelling Fire  
Arkansas

## Calculation of Loss Trends

### Frequency

	Experience Period	Dwelling less Liability	
		CL	Proj
(1) <i>Calculated Loss Trend</i>		-0.10%	-0.10%
(2) <i>Selected Loss Trend</i>		-0.10%	-0.10%
(3) <i>Trend Start Date</i>	2007	07/01/2007	
	2008	07/01/2008	
	2009	07/01/2009	
	2010	07/01/2010	
	2011	07/01/2011	
(4) <i>Trend End Date</i>	2007	12/21/2013	
<i>12 months past renewal date of 12/21/2012</i>	2008	12/21/2013	
	2009	12/21/2013	
	2010	12/21/2013	
	2011	12/21/2013	
(5) <i>Years of Trend Extension CL</i>	2007	4.250	
<i># of Years between (3) and the midpoint of Loss Trends 10/01/2011</i>	2008	3.250	
	2009	2.250	
	2010	1.250	
	2011	0.250	
(6) <i>Years of Trend Extension Proj</i>	2007	2.221	
<i># of Years between (4) and the midpoint of Loss Trends 10/01/2011</i>	2008	2.221	
	2009	2.221	
	2010	2.221	
	2011	2.221	
(7) <i>Loss Trend Factor</i>	2007	0.994	
$((1+(2)_{CL})^{(5)}) * ((1+(2)_{Proj})^{(6)})$	2008	0.995	
	2009	0.996	
	2010	0.997	
	2011	0.998	

Arkansas  
Loss Trends Exhibit  
Auto-Owners Insurance Group  
Dwelling Fire - Dwelling less Liability

All Reviewable Coverages

Qtr/Yr	Statewide						Companywide					
	Written Units	Paid Count	Paid Amount	Freq	Average Paid	Pure Premium	Written Units	Paid Count	Paid Amount	Freq	Average Paid	Pure Premium
03/2007	596	7	26,225	11.74	3,746.41	43.97	498,210	10,598	91,823,265	21.27	8,664.21	184.31
06/2007	676	6	22,868	8.87	3,811.35	33.81	502,304	10,835	94,064,575	21.57	8,681.55	187.27
09/2007	798	8	28,308	10.02	3,538.48	35.46	502,611	11,372	101,160,663	22.63	8,895.59	201.27
12/2007	948	8	19,550	8.44	2,443.76	20.62	505,549	11,737	104,544,523	23.22	8,907.26	206.79
03/2008	1,091	7	179,515	6.42	25,644.98	164.57	509,488	12,208	106,337,858	23.96	8,710.51	208.71
06/2008	1,255	14	214,976	11.15	15,355.44	171.24	514,109	12,489	108,546,769	24.29	8,691.39	211.14
09/2008	1,401	26	240,636	18.56	9,255.22	171.81	521,261	12,605	106,204,261	24.18	8,425.57	203.74
12/2008	1,539	28	371,158	18.20	13,255.66	241.22	528,312	12,498	106,635,546	23.66	8,532.21	201.84
03/2009	1,688	39	269,562	23.10	6,911.85	159.66	535,328	13,101	115,079,578	24.47	8,784.03	214.97
06/2009	1,826	50	508,340	27.38	10,166.80	278.41	543,540	13,359	117,785,334	24.58	8,816.93	216.70
09/2009	2,035	62	642,280	30.47	10,359.36	315.66	553,105	13,585	122,513,477	24.56	9,018.29	221.50
12/2009	2,285	83	778,663	36.32	9,381.49	340.71	560,530	13,955	123,496,074	24.90	8,849.59	220.32
03/2010	2,544	84	895,910	33.02	10,665.60	352.14	567,545	13,314	117,542,211	23.46	8,828.47	207.11
06/2010	2,724	100	872,611	36.72	8,726.11	320.40	574,134	12,916	112,973,409	22.50	8,746.78	196.77
09/2010	2,863	114	995,367	39.82	8,731.29	347.70	581,643	12,877	110,198,030	22.14	8,557.74	189.46
12/2010	3,050	105	772,137	34.43	7,353.69	253.20	589,543	12,896	110,899,226	21.87	8,599.51	188.11
03/2011	3,229	106	870,362	32.83	8,210.96	269.55	594,921	12,587	107,767,062	21.16	8,561.77	181.15
06/2011	3,484	99	920,831	28.42	9,301.32	264.31	603,456	12,812	112,045,309	21.23	8,745.34	185.67
09/2011	3,721	91	802,521	24.46	8,818.92	215.69	608,530	12,979	115,003,674	21.33	8,860.75	188.99
12/2011	3,831	117	1,036,236	30.54	8,856.71	270.49	611,763	13,376	113,944,547	21.86	8,518.58	186.26
03/2012	3,892	130	1,223,453	33.40	9,411.17	314.37	613,813	13,761	115,155,196	22.42	8,368.23	187.61

# ***Auto-Owners Insurance***

Dwelling Fire  
Arkansas  
Dwelling Less Liability

## **Development of the Permissible Loss Ratio**

(1)	<i>Commission and Brokerage Expense</i>	15.1%
(2)	<i>Other Acquisitions</i>	5.7%
(3)	<i>General Expenses</i>	1.6%
(4)	<i>Tax, License, and Fees</i>	3.1%
(5)	<i>Reinsurance Expense</i>	0.1%
(6)	<i>Total Expenses</i> <i>(1)+(2)+(3)+(4)+(5)</i>	25.6%
(7)	<i>Profit and Contingency</i>	7.4%
(8)	<i>Permissible Loss Ratio</i> <i>1 - ((6) + (7))</i>	67.0%

**Expense Exhibit - Dwelling Fire  
Auto-Owners Insurance Group  
Arkansas**

**All Reviewable Coverages - Dwelling less Liability**

	12 MTD Ending 12 / 2007		12 MTD Ending 12 / 2008		12 MTD Ending 12 / 2009		12 MTD Ending 12 / 2010		12 MTD Ending 12 / 2011	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>Loss Experience</u>										
Written Premium	392,979		635,054		952,445		1,392,229		1,822,240	
Earned Premium	292,668	100.0	518,844	100.0	776,226	100.0	1,162,496	100.0	1,647,072	100.0
Incurred Amount	39,153	13.4	739,004	142.4	1,034,577	133.3	940,194	80.9	2,168,952	131.7
Allocated LAE	7,016	2.4	60,706	11.7	66,186	8.5	83,929	7.2	152,992	9.3
Unallocated LAE	2,385	0.8	43,301	8.3	52,662	6.8	53,026	4.6	98,128	6.0
<u>Total Losses</u>	<u>48,554</u>	<u>16.6</u>	<u>843,011</u>	<u>162.4</u>	<u>1,153,425</u>	<u>148.6</u>	<u>1,077,149</u>	<u>92.7</u>	<u>2,420,072</u>	<u>147.0</u>
<u>Expenses Incurred</u>										
Commission and Brokerage *	69,903	17.8	109,185	17.2	160,188	16.8	215,663	15.5	275,191	15.1
Other Acquisitions (2)	32,282	11.0	52,573	10.1	96,396	12.4	148,523	12.8	188,506	11.4
General Expenses (2)	8,176	2.8	14,296	2.8	26,383	3.4	44,550	3.8	56,376	3.4
Tax, License, and Fees *	12,739	3.2	20,816	3.3	29,382	3.1	41,636	3.0	57,443	3.2
<u>Total Expenses</u>	<u>123,100</u>	<u>34.8</u>	<u>196,870</u>	<u>33.4</u>	<u>312,349</u>	<u>35.7</u>	<u>450,373</u>	<u>35.1</u>	<u>577,515</u>	<u>33.1</u>
Total Losses and Expenses	171,654	51.4	1,039,881	195.8	1,465,774	184.3	1,527,522	127.8	2,997,587	180.1
Gain from Underwriting	121,014	48.6	-521,037	-95.8	-689,548	-84.3	-365,026	-27.8	-1,350,515	-80.1

<u>Loss Experience</u>	3 Year Total		4 Year Total		5 Year Total	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Written Premium	4,166,914		4,801,968		5,194,948	
Earned Premium	3,585,794	100.0	4,104,638	100.0	4,397,306	100.0
Incurred Amount	4,143,723	115.6	4,882,727	119.0	4,921,880	111.9
Allocated LAE	303,107	8.5	363,813	8.9	370,829	8.4
Unallocated LAE	203,816	5.7	247,117	6.0	249,502	5.7
<u>Total Losses</u>	<u>4,650,646</u>	<u>129.7</u>	<u>5,493,657</u>	<u>133.8</u>	<u>5,542,211</u>	<u>126.0</u>

<u>Expenses Incurred</u>						
Commission and Brokerage *	651,042	15.6	760,226	15.8	830,129	16.0
Other Acquisitions (2)	433,425	12.2	485,999	11.7	518,281	11.6
General Expenses (2)	127,309	3.6	141,605	3.4	149,782	3.3
Tax, License, and Fees *	128,461	3.1	149,277	3.1	162,016	3.1
<u>Reinsurance Expenses *</u>						
Total Expenses	1,340,238	34.5	1,537,107	34.0	1,660,208	34.0
Total Losses and Expenses	5,990,884	164.2	7,030,765	167.8	7,202,419	160.0
Gain from Underwriting	-2,405,090	-64.2	-2,926,127	-67.8	-2,805,113	-60.0

\* - Ratios Calculated to Written Premium (1)Uses Companywide Info (2)Uses AO Group Info # - Uses Combined Coverage Info

+ - FIGA Excluded @ - Guaranty Fund Expenses Excluded Earthquake Excluded

Auto-Owners Insurance Group  
Arkansas Dwelling Fire  
Explanatory Memorandum

1. Introduce Protection Class relativities for Manufactured Construction at a rate 10% above Frame rates. Please see manual page AOARZ029.
  - This is being done on a companywide basis. The companywide 5 year actual loss ratio for Manufactured Construction is 121%, compared to the 5 year companywide actual loss ratio of 89% for the period ending 12/2011.
2. Introduce a Claim Free Discount of 5%. Please see manual pages AOARZ033 and AOARZ277.
3. Introduce an Experience Discount of 2%. Please see manual pages AOARZ035 and AOARZ279.
4. Modify the Paid Loss Surcharge as shown on manual pages AOARZ282 and AOARZ037.
  - Please see the following chart for support. We are moving Paid Loss Surcharge relativities toward the Homeowners targets developed through Generalized Linear Modeling.

Paid Loss Surcharge			Present	Proposed	Homeowners GLM Target	% Chg
Continuously insured for 3+ years with Auto-Owners Group and sum of all paid claims exceeds \$2500	Multi-Policy and 65 or over	2	1.20	<b>1.40</b>	1.65	16.7%
		3	1.45	<b>1.90</b>	1.97	31.0%
		4 or more	1.65	<b>2.15</b>	2.31	30.3%
	If Not Both	2	1.30	<b>1.50</b>	1.65	15.4%
		3	1.65	<b>1.95</b>	1.97	18.2%
		4 or more	2.00	<b>2.30</b>	2.31	15.0%
Continuously insured for less than 3 years with Auto-Owners Group and sum of all paid claims exceeds \$1000	Multi-Policy and 65 or over	2	1.30	<b>1.50</b>	1.65	15.4%
		3	1.65	<b>1.95</b>	1.97	18.2%
		4 or more	2.00	<b>2.30</b>	2.31	15.0%
	If Not Both	2	1.45	<b>1.65</b>	1.65	13.8%

5. Decrease the Age of Construction Discount. Please see manual pages AOARZ275 and AOARZ031.
  - This is being done on a companywide basis.
6. Increase the Location Minimum Premium. Please see manual pages AOARZ273 and AOARZ028.
  - This is being done on companywide basis. The total annual policy minimum premium in State Farm's Rental Dwelling Program is \$300.

	Present	Proposed
Building, Other Structures, Condo	120	<b>135</b>
Liability or Contents Only	80	<b>95</b>

7. Modify deductible relativities and introduce \$1,500 Flat, \$1,500 AOP/\$2,000 Wind/Hail, and \$5,000 Wind/Hail options. Please see manual pages AOARZ278 and AOARZ034.

- The proposed wind/hail options were developed from the proposed flat options and weighted by wind/hail paid count percent. Please see the following competitor relativities for support:

Shelter		State Farm		
Deductible Option	Relativity	Deductible Option	Relativity	Rebased to \$500
100	1.27	500	1.16	1.00
250	1.12	500/1%	1.13	0.97
500	1.00	1000	1.00	0.86
750	0.92	1000/1%	0.98	0.84
1000	0.85	2000	0.87	0.75
1500	0.82	2000/1%	0.82	0.71
2000	0.79	3000	0.80	0.69
2500	0.75	4000	0.77	0.66
5000	0.70	5000	0.75	0.65

- Decrease the Premier deviation and increase building and contents base rates for an overall 12.3% increase. Please see manual page AOARZ027.
  - The 5 year statewide loss ratio for Premier policies is 139%, compared to 92% for Standard policies for the period ending 12/2011.
- Update the Rating Procedure page to include the Claim Free Discount, Experience Discount and Age of Insured name change. Please see manual page AOARZ030.
- Increase the Minimum Amount of Insurance Eligibility for Special Form Primary, Secondary, and Seasonal, and Basic Form Seasonal and Mobile. Please see manual page AOARZ269.
- Revise the construction eligibility to no longer allow homes of non-standard construction and dwellings constructed with materials containing asbestos, and make an editorial change to the construction eligibility of garages and other structures. Please see manual page AOARZ269.
- Revise the occupancy eligibility to no longer allow unoccupied dwellings in the Premier program and add a binding restriction for the Standard program. No longer allow more than 5 boarders in the Premier program and specify when a contents only policy can be written in the Standard program. Please see manual page AOARZ269.
- Modify the prior insurance history eligibility. Please see manual page AOARZ269.
- Revise eligibility to add a binding restriction for homes with a PC 9 or 10 with Coverage A \$1 million or greater and for all other PCs with Coverage A \$1.5 million or greater. Please see manual page AOARZ269.
- No longer allow mobile homes to be written on Standard Special Form. Please see manual page AOARZ269.
- Remove the Adjusted Actual Cash Value Endorsement from the Mandatory Forms General Rules page. Create a new Adjusted Actual Cash Value Endorsement page. Please see manual pages AOARZ272 and AOARZ274.
- Revise the Maximum Coverage A limit to \$1,500,000 for Increased Cost Endorsement. Please see manual pages AOARZ285 and AOARZ039.
- Rename the Mature Discount to Age of Insured Discount. The relativities will not change. Please see manual pages AOARZ276 and AOARZ032.
- Update Applications General Rule page to remove reference to an ACORD application. Please see manual page AOARZ271.

20. Update the Additional Living Expenses rule page to remove reference to contents only policies and rating procedure. Update the Condominium Owners Coverage Property Additional Coverage page to remove reference to minimum limits and rating procedure. Create a new page for Additional Living Expenses and Condo Owners Coverage rating procedures. Please see manual pages AOURZ283, AOURZ284, and AOARZ038.
21. Update the Definitions General Rules page for Manufactured, Modular and Asbestos, Approved Park, and Fire Division. Please see manual page AOURZ270.
22. Revise the Dwelling/Life Multi-Policy Discount rule page to include disability income. Please see manual pages AOURZ281 and AOARZ036.
23. Revise the Maximum Discount page to include Claim Free Discount, Experience Discount, and Age of Insured Discount. Please see manual page AOURZ280.
24. Obsolete the following manual pages:
  - Premium Adjustments – Quick Reference: AOURZ251
  - Adjusted Value Endorsement: AOURZ245
  - Limitation – Fungi Remediation Cost: AOURZ102
  - Approved Park: AOURZ107
  - Fire Division: AOURZ109
  - Binding Authority: AOURZ025