

State: Arkansas **Filing Company:** Merastar Insurance Company
TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)
Product Name: Personal Auto
Project Name/Number: /

Filing at a Glance

Company: Merastar Insurance Company
Product Name: Personal Auto
State: Arkansas
TOI: 19.0 Personal Auto
Sub-TOI: 19.0001 Private Passenger Auto (PPA)
Filing Type: Rate
Date Submitted: 10/30/2012
SERFF Tr Num: UNTR-128744138
SERFF Status: Closed-Filed
State Tr Num:
State Status:
Co Tr Num: AR112012JG

Effective Date: 11/20/2012
Requested (New):
Effective Date: 01/15/2013
Requested (Renewal):
Author(s): Jennifer Graham
Reviewer(s): Alexa Grissom (primary)
Disposition Date: 11/26/2012
Disposition Status: Filed
Effective Date (New): 12/15/2012
Effective Date (Renewal): 03/01/2013

State Filing Description:

State: Arkansas **Filing Company:** Merastar Insurance Company
TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)
Product Name: Personal Auto
Project Name/Number: /

General Information

Project Name: Status of Filing in Domicile: Not Filed
 Project Number: Domicile Status Comments:
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 11/26/2012
 State Status Changed: Deemer Date:
 Created By: Jennifer Graham Submitted By: Jennifer Graham
 Corresponding Filing Tracking Number:

Filing Description:

Enclosed on behalf of Merastar Insurance Company is a private passenger automobile rate filing. We respectfully request approval of this filing for new business effective November 20, 2012 and for renewal policies effective January 1, 2011. This filing is being submitted under File and Use law.

The projected statewide impact of this filing is 17.4%. Merastar currently has 59 auto policies with an in-force premium of \$41,370.

In this filing we are increasing base rates by coverage to align with our indicated changes. Base rates for Bodily Injury, PIP, Uninsured Motorists, and Underinsured Motorists will be adjusted. These changes will be made uniformly across all territories.

Company and Contact

Filing Contact Information

Jennifer Graham, Product Manager jgraham@kemper.com
 5600 Brainerd Road 423-296-7866 [Phone]
 Chattanooga, TN 37411

Filing Company Information

Merastar Insurance Company CoCode: 31968 State of Domicile: Illinois
 5600 Brainerd Rd Ste 1A Group Code: 215 Company Type:
 Chattanooga, TN 37411 Group Name: State ID Number:
 (800) 637-2782 ext. [Phone] FEIN Number: 62-0928337

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: Fee of \$100 for independent rate filing.
 Per Company: No

| Company | Amount | Date Processed | Transaction # |
|----------------------------|----------|----------------|---------------|
| Merastar Insurance Company | \$100.00 | 10/30/2012 | 64405240 |

SERFF Tracking #:

UNTR-128744138

State Tracking #:**Company Tracking #:**

AR112012JG

State: Arkansas**Filing Company:**

Merastar Insurance Company

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)**Product Name:** Personal Auto**Project Name/Number:** /

Correspondence Summary

Dispositions

| Status | Created By | Created On | Date Submitted |
|--------|---------------|------------|----------------|
| Filed | Alexa Grissom | 11/26/2012 | 11/26/2012 |

Objection Letters and Response Letters

Objection Letters

| Status | Created By | Created On | Date Submitted |
|---------------------------|---------------|------------|----------------|
| Pending Industry Response | Alexa Grissom | 11/06/2012 | 11/06/2012 |
| Pending Industry Response | Alexa Grissom | 11/01/2012 | 11/01/2012 |

Response Letters

| Responded By | Created On | Date Submitted |
|-----------------|------------|----------------|
| Jennifer Graham | 11/08/2012 | 11/08/2012 |
| Jennifer Graham | 11/05/2012 | 11/05/2012 |

Filing Notes

| Subject | Note Type | Created By | Created On | Date Submitted |
|-------------------------|------------------|-----------------|------------|----------------|
| Effective Date Revision | Note To Reviewer | Jennifer Graham | 11/26/2012 | 11/26/2012 |

State: Arkansas

Filing Company:

Merastar Insurance Company

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name: Personal Auto

Project Name/Number: /

Disposition

Disposition Date: 11/26/2012

Effective Date (New): 12/15/2012

Effective Date (Renewal): 03/01/2013

- Effective Date (New) changed from 11/20/2012 to 12/15/2012 and Effective Date (Renewal) changed from 01/15/2013 to 03/01/2013 by Grissom, Alexa on 11/26/2012.

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): |
|----------------------------|-----------------------------|------------------------|--|--|-----------------------------------|---------------------------------|---------------------------------|
| Merastar Insurance Company | 24.100% | 17.400% | \$16,861 | 59 | \$96,901 | 34.100% | 7.280% |

| Schedule | Schedule Item | Schedule Item Status | Public Access |
|---------------------|---|----------------------|---------------|
| Supporting Document | A-1 Private Passenger Auto Abstract | Filed | Yes |
| Supporting Document | APCS-Auto Premium Comparison Survey | Filed | Yes |
| Supporting Document | NAIC loss cost data entry document | Filed | Yes |
| Supporting Document | NAIC Loss Cost Filing Document for OTHER than Workers' Comp | Filed | Yes |
| Supporting Document | Filing Memo | Filed | Yes |
| Supporting Document | Indication | Filed | Yes |
| Supporting Document | Base Rate Comparison | Filed | Yes |
| Supporting Document | APCS Form - Revised | Filed | Yes |
| Supporting Document | Revision - 15% Change | Filed | Yes |
| Rate (revised) | Revised Base Rate Page | Filed | Yes |

SERFF Tracking #:

UNTR-128744138

State Tracking #:

Company Tracking #:

AR112012JG

State:

Arkansas

Filing Company:

Merastar Insurance Company

TOI/Sub-TOI:

19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name:

Personal Auto

Project Name/Number:

/

| Schedule | Schedule Item | Schedule Item Status | Public Access |
|----------|------------------------|----------------------|---------------|
| Rate | Revised Base Rate Page | Filed | Yes |

State: Arkansas **Filing Company:** Merastar Insurance Company
TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)
Product Name: Personal Auto
Project Name/Number: /

Objection Letter

| | |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date | 11/06/2012 |
| Submitted Date | 11/06/2012 |
| Respond By Date | |

Dear Jennifer Graham,

Introduction:

This will acknowledge receipt of the captioned filing. The Commissioner will allow a 15 percent increase. Please revise the filing and abstracts accordingly.

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."

Sincerely,

Alexa Grissom

State: Arkansas **Filing Company:** Merastar Insurance Company
TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)
Product Name: Personal Auto
Project Name/Number: /

Objection Letter

| | |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date | 11/01/2012 |
| Submitted Date | 11/01/2012 |
| Respond By Date | |

Dear Jennifer Graham,

Introduction:

This will acknowledge receipt of the captioned filing. Due to the magnitude of the rate increase request, the filing must be reviewed with the Commissioner. Therefore, the filing may not be implemented until you receive further instruction.

The APCS has text in the discount section; please remove such.

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.

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."

Sincerely,

Alexa Grissom

SERFF Tracking #:

UNTR-128744138

State Tracking #:

Company Tracking #:

AR112012JG

State: Arkansas

Filing Company:

Merastar Insurance Company

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name: Personal Auto

Project Name/Number: /

Response Letter

| | |
|------------------------|--------------------|
| Response Letter Status | Submitted to State |
| Response Letter Date | 11/08/2012 |
| Submitted Date | 11/08/2012 |

Dear Alexa Grissom,

Introduction:

Response 1

Comments:

Attached are the base rates and abstracts for the revised impact of 15% per your objection letter from 11/06. Please let me know if you have any additional questions.

Changed Items:

| Supporting Document Schedule Item Changes | |
|---|--|
| Satisfied - Item: | Revision - 15% Change |
| Comments: | Attached are all exhibits for the revision to the proposed rates. The new overall impact is 15%. |
| Attachment(s): | |
| PPA Survey Form 2012 - Revised 2.0.pdf PPA Survey Form 2012 - Revised 2.0.xls FORM RF-1 Rate Filing Abstract - Revised.pdf Indication - Revised.pdf AR Base Rate Comparison 2012 - Revised.pdf Policy Analysis by Coverage - Revised.pdf | |

No Form Schedule items changed.

SERFF Tracking #:

UNTR-128744138

State Tracking #:

Company Tracking #:

AR112012JG

State: Arkansas

Filing Company:

Merastar Insurance Company

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name: Personal Auto

Project Name/Number: /

Rate/Rule Schedule Item Changes

| Item No. | Exhibit Name | Rule # or Page # | Rate Action | Previous State Filing # | Date Submitted |
|----------|------------------------|------------------|-------------|-------------------------|-----------------------------------|
| 1 | Revised Base Rate Page | Manual Page # R2 | Replacement | | 11/08/2012 By: Jennifer Graham |

Previous Version

| | | | | | |
|----------|-------------------------------|-------------------------|--------------------|--|---|
| <i>1</i> | <i>Revised Base Rate Page</i> | <i>Manual Page # R2</i> | <i>Replacement</i> | | <i>10/30/2012</i> <i>By: Jennifer Graham</i> |
|----------|-------------------------------|-------------------------|--------------------|--|---|

Conclusion:

Sincerely,
Jennifer Graham

SERFF Tracking #:

UNTR-128744138

State Tracking #:

Company Tracking #:

AR112012JG

State: Arkansas

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name: Personal Auto

Project Name/Number: /

Filing Company:

Merastar Insurance Company

Response Letter

Response Letter Status Submitted to State
Response Letter Date 11/05/2012
Submitted Date 11/05/2012

Dear Alexa Grissom,

Introduction:

Response 1

Comments:

Please see our revised APCS form.

Changed Items:

Supporting Document Schedule Item Changes

| | |
|-------------------|--|
| Satisfied - Item: | APCS Form - Revised |
| Comments: | Attached are revised PDF and Excel versions of the PPA Survey Form. The text has been removed from the discount section per your 11/1 objection. |
| Attachment(s): | PPA Survey Form 2012 - Revised.pdf PPA Survey Form 2012 - Revised.xls |

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,

Jennifer Graham

State: Arkansas **Filing Company:** Merastar Insurance Company
TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)
Product Name: Personal Auto
Project Name/Number: /

Note To Reviewer

Created By:

Jennifer Graham on 11/26/2012 09:58 AM

Last Edited By:

Jennifer Graham

Submitted On:

11/26/2012 09:58 AM

Subject:

Effective Date Revision

Comments:

To allow for proper implementation of this filing, we ask to postpone the effective dates to December 15, 2012 for new business and March 1, 2013 for renewals.

SERFF Tracking #:

UNTR-128744138

State Tracking #:

Company Tracking #:

AR112012JG

State: Arkansas

Filing Company: Merastar Insurance Company

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name: Personal Auto

Project Name/Number: /

Rate Information

Rate data applies to filing.

Filing Method: File & Use

Rate Change Type: Increase

Overall Percentage of Last Rate Revision: 8.780%

Effective Date of Last Rate Revision: 06/01/2011

Filing Method of Last Filing: File & Use

Company Rate Information

| Company Name: | Overall % Indicated Change: | Overall % Rate Impact: | Written Premium Change for this Program: | # of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where req'd): | Minimum % Change (where req'd): |
|----------------------------|-----------------------------|------------------------|--|--|-----------------------------------|---------------------------------|---------------------------------|
| Merastar Insurance Company | 24.100% | 17.400% | \$16,861 | 59 | \$96,901 | 34.100% | 7.280% |

SERFF Tracking #:

UNTR-128744138

State Tracking #:**Company Tracking #:**

AR112012JG

State:

Arkansas

Filing Company:

Merastar Insurance Company

TOI/Sub-TOI:

19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name:

Personal Auto

Project Name/Number:

/

Rate/Rule Schedule

| Item No. | Schedule Item Status | Exhibit Name | Rule # or Page # | Rate Action | Previous State Filing Number | Attachments |
|----------|----------------------|------------------------|------------------|-------------|------------------------------|------------------------------|
| 1 | Filed 11/26/2012 | Revised Base Rate Page | Manual Page # R2 | Replacement | | Base Rate Page - Revised.pdf |

PERSONAL AUTO MANUAL – ARKANSAS

R2. SEMI-ANNUAL BASE RATES BY TERRITORY

| Terr | 25/50 BI | 25 PD | 5 MP | PIP | 25/50 UMBI | 25 UMPD | 25/50 UIM | \$500 Ded. Comp | \$500 Ded. Coll | Tow | Trans. Expense Basic | Additional Coverage |
|-------------|---------------------|------------------|-----------------|------------|-----------------------|--------------------|----------------------|--------------------------------|--------------------------------|------------|-------------------------------------|--------------------------------|
| 2 | 166 | 110 | 16 | 82 | 17 | 7 | 20 | 26 | 144 | 1 | 12 | 18 |
| 3 | 144 | 94 | 13 | 71 | 17 | 7 | 20 | 24 | 160 | 1 | 12 | 18 |
| 5 | 156 | 105 | 15 | 78 | 17 | 7 | 20 | 30 | 160 | 1 | 12 | 18 |
| 6 | 176 | 113 | 17 | 91 | 17 | 7 | 20 | 41 | 180 | 1 | 12 | 18 |
| 7 | 158 | 102 | 17 | 93 | 17 | 7 | 20 | 51 | 166 | 1 | 12 | 18 |
| 8 | 129 | 83 | 14 | 74 | 17 | 7 | 20 | 28 | 148 | 1 | 12 | 18 |
| 9 | 161 | 102 | 19 | 99 | 17 | 7 | 20 | 28 | 165 | 1 | 12 | 18 |
| 10 | 161 | 104 | 16 | 82 | 17 | 7 | 20 | 49 | 177 | 1 | 12 | 18 |
| 11 | 148 | 97 | 16 | 87 | 17 | 7 | 20 | 43 | 171 | 1 | 12 | 18 |
| 12 | 201 | 129 | 21 | 110 | 17 | 7 | 20 | 35 | 175 | 1 | 12 | 18 |
| 13 | 168 | 108 | 17 | 91 | 17 | 7 | 20 | 54 | 191 | 1 | 12 | 18 |
| 14 | 141 | 89 | 15 | 78 | 17 | 7 | 20 | 41 | 160 | 1 | 12 | 18 |
| 15 | 119 | 77 | 14 | 76 | 17 | 7 | 20 | 41 | 160 | 1 | 12 | 18 |
| 16 | 137 | 86 | 17 | 88 | 17 | 7 | 20 | 44 | 164 | 1 | 12 | 18 |

State: Arkansas

Filing Company:

Merastar Insurance Company

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name: Personal Auto

Project Name/Number: /

Supporting Document Schedules

| | | Item Status: | Status Date: |
|--------------------|---|--------------|--------------|
| Satisfied - Item: | A-1 Private Passenger Auto Abstract | Filed | 11/26/2012 |
| Comments: | Attached is the Form A-1 and Manual Page 50 | | |
| Attachment(s): | | | |
| Form A-1.pdf | | | |
| Manual Page 50.pdf | | | |

| | | Item Status: | Status Date: |
|--------------------------|---|--------------|--------------|
| Satisfied - Item: | APCS-Auto Premium Comparison Survey | Filed | 11/26/2012 |
| Comments: | Attached are the PDF and Excel versions of the completed PPA Survey Form for this filing. | | |
| Attachment(s): | | | |
| PPA Survey Form 2012.pdf | | | |
| PPA Survey Form 2012.xls | | | |

| | | Item Status: | Status Date: |
|-------------------|---|--------------|--------------|
| Satisfied - Item: | NAIC loss cost data entry document | Filed | 11/26/2012 |
| Comments: | Attached is Form RF-1. Item E. Other under the Expense Constants is ULAE. | | |
| Attachment(s): | | | |
| Form RF-1.pdf | | | |

| | | Item Status: | Status Date: |
|------------------|---|--------------|--------------|
| Bypassed - Item: | NAIC Loss Cost Filing Document for OTHER than Workers' Comp | Filed | 11/26/2012 |
| Bypass Reason: | N/A | | |

| | | Item Status: | Status Date: |
|-------------------|---|--------------|--------------|
| Satisfied - Item: | Filing Memo | Filed | 11/26/2012 |
| Comments: | Attached is the memorandum for this filing. | | |
| Attachment(s): | | | |

SERFF Tracking #:

UNTR-128744138

State Tracking #:

Company Tracking #:

AR112012JG

State: Arkansas

Filing Company: Merastar Insurance Company

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name: Personal Auto

Project Name/Number: /

AR Filing Memo.pdf

| | | Item Status: | Status Date: |
|-------------------|---|--------------|--------------|
| Satisfied - Item: | Indication | Filed | 11/26/2012 |
| Comments: | Attached is the indication in support of this filing. | | |
| Attachment(s): | Indication.pdf | | |

| | | Item Status: | Status Date: |
|-------------------|---|--------------|--------------|
| Satisfied - Item: | Base Rate Comparison | Filed | 11/26/2012 |
| Comments: | Attached is a comparison showing our existing rates, effective 06/01/11 for new business and 08/01/11 for renewals, and our proposed rates. It also shows the proposed increase by coverage that we used to obtain the 17.4% increase. Also attached is an analysis by coverage based on our current book of policies. This exhibit illustrates the impacts by coverage. | | |
| Attachment(s): | AR Base Rate Comparison 2012.pdf Policy Analysis by Coverage.pdf | | |

| | | Item Status: | Status Date: |
|-------------------|--|--------------|--------------|
| Satisfied - Item: | APCS Form - Revised | Filed | 11/26/2012 |
| Comments: | Attached are revised PDF and Excel versions of the PPA Survey Form. The text has been removed from the discount section per your 11/1 objection. | | |
| Attachment(s): | PPA Survey Form 2012 - Revised.pdf PPA Survey Form 2012 - Revised.xls | | |

| | | Item Status: | Status Date: |
|-------------------|--|--------------|--------------|
| Satisfied - Item: | Revision - 15% Change | Filed | 11/26/2012 |
| Comments: | Attached are all exhibits for the revision to the proposed rates. The new overall impact is 15%. | | |
| Attachment(s): | | | |

SERFF Tracking #:

UNTR-128744138

State Tracking #:

Company Tracking #:

AR112012JG

State:

Arkansas

Filing Company:

Merastar Insurance Company

TOI/Sub-TOI:

19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name:

Personal Auto

Project Name/Number:

/

PPA Survey Form 2012 - Revised 2.0.pdf

PPA Survey Form 2012 - Revised 2.0.xls

FORM RF-1 Rate Filing Abstract - Revised.pdf

Indication - Revised.pdf

AR Base Rate Comparison 2012 - Revised.pdf

Policy Analysis by Coverage - Revised.pdf

SERFF Tracking #:

UNTR-128744138

State Tracking #:

Company Tracking #:

AR112012JG

State:

Arkansas

Filing Company:

Merastar Insurance Company

TOI/Sub-TOI:

19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name:

Personal Auto

Project Name/Number:

/

Attachment PPA Survey Form 2012.xls is not a PDF document and cannot be reproduced here.

Attachment PPA Survey Form 2012 - Revised.xls is not a PDF document and cannot be reproduced here.

Attachment PPA Survey Form 2012 - Revised 2.0.xls is not a PDF document and cannot be reproduced here.

ARKANSAS INSURANCE DEPARTMENT

FORM A-1 PRIVATE PASSENGER AUTOMOBILE ABSTRACT

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

Company Name Merastar Insurance Co.
 NAIC # (including group #) 31968

1. Are there any areas in the State of Arkansas in which your company will not write automobile insurance? Yes No
 If yes, list the areas: _____

2. Do you furnish a market for young drivers? Yes No

3. Do require collateral business to support a youthful driver? Yes No

4. Do you insure drivers with an international or foreign driver's license? Yes No

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

- | | |
|----------------------------|----------|
| a. Driver over 55 | 5 % |
| b. Good Student Discount | 2 - 25 % |
| c. Multi-car Discount | 20 % |
| d. Accident Free Discount* | 5 % |

Please Specify Qualification for Discount:
Please see manual rule on page 50

- | | |
|---------------------------|------------|
| e. Anti-Theft Discount | 5 or 15 % |
| f. Other (specify) | |
| <u>Safe and Sound</u> | 6 % |
| <u>Passive Restraint</u> | 20 or 30 % |
| <u>Anti-Lock Brakes</u> | 2 % |
| <u>Auto-Home Discount</u> | 5 % |
| <u>Account Discount</u> | 1 - 17 % |
| <u>Payroll Discount</u> | 5 % |

6. Do you have an installment payment plan for automobile insurance? Yes No

If so, what is the fee for installment payments?

\$2.00 per installment

7. Does your company utilize a tiered rating plan? Yes No

If so, list the programs and percentage difference and current volume for each plan:

| Program | Percentage Difference | Volume |
|---------|-----------------------|--------|
| Tier 1 | - 44 % | 0.0% |
| Tier 2 | - 39 % | 5.1 % |
| Tier 3 | - 34 % | 11.9 % |
| Tier 4 | - 28 % | 15.2 % |
| Tier 5 | - 22 % | 13.5 % |
| Tier 6 | - 15 % | 13.5 % |
| Tier 7 | - 8 % | 10.2 % |
| Tier 8 | 0 % | 15.3 % |
| Tier 9 | + 7 % | 3.4 % |
| Tier 10 | + 14 % | 0.0 % |
| Tier 11 | + 22 % | 0.0 % |
| Tier 12 | + 30 % | 1.7 % |
| Tier 13 | + 40 % | 5.1 % |
| Tier 14 | + 50 % | 0.0 % |
| Tier 15 | + 60 % | 5.1 % |

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

Jennifer Graham

Digitally signed by Jennifer Graham
DN: CN = Jennifer Graham, C = US, O = Merastar
Insurance, OU = Product
Date: 2012.10.26.09:40:05 -04'00'

Signature

Jennifer Graham

Printed Name

Senior Product Analyst

Title

423-296-7866

Telephone Number

JGraham@kemper.com

Email address

PERSONAL AUTO MANUAL – ARKANSAS

28. ADVANCE RENEWAL DISCOUNT

A Merastar policy that has been in force for less than 3 consecutive years with no accidents or violations during the most recent experience period (multi-car policies will be allowed one minor violation) will receive this discount. For a policy that has been in force for less than 3 consecutive years which is receiving this discount, the advance renewal discount will be deleted on the effective date of the next renewal if during the most recent experience period any operator has had an at-fault accident or received any moving violation (multi-car policies will be allowed one minor violation).

The discount applies to the following coverages: Bodily Injury Liability, Property Damage Liability, No Fault, Medical Payments, Comprehensive, and Collision. Please see the Rating Information Page for the discount percentage.

Private Passenger Auto Premium Comparison Survey Form

FORM APCS - last modified May 2012

| | |
|-----------------|----------------------------|
| NAIC Number: | 31968 |
| Company Name: | Merastar Insurance Company |
| Contact Person: | Jennifer Graham |
| Telephone No.: | 423-296-7866 |
| Email Address: | jgraham@kemper.com |
| Effective Date: | 11/20/2012 |

Assumptions to Use:

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

Submit to: Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201-1904

Telephone: 501-371-2800

Email as an attachment to insurance.pnc@arkansas.gov
You may also attach to a SERFF filing or submit on a compact disk

DISCOUNTS OFFERED:

| | | |
|------------------------------------|------------|---|
| PASSIVE RESTRAINT/AIRBAG | 20 to 30 | % |
| AUTO/HOMEOWNERS | 5 | % |
| GOOD STUDENT | 2 to 25 | % |
| ANTI-THEFT DEVICE | 5 to 15 | % |
| Over 55 Defensive Driver Discount | 5 | % |
| \$250/\$500 Deductible Comp./Coll. | manual p.9 | % |

| Vehicle | Coverages | Gender | Age | Fayetteville | | | | Trumann | | | | Little Rock | | | | Lake Village | | | | Pine Bluff | | | |
|---|---|--------|-----|--------------|------|----------------|----------------|---------|------|----------------|----------------|-------------|------|----------------|----------------|--------------|------|----------------|----------------|------------|------|----------------|----------------|
| | | | | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female |
| | | | | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 |
| 2008 4.8L Chevrolet Silverado 1500 "LS" regular cab 119" WB | Minimum Liability | | | \$0 | \$0 | \$321 | \$321 | \$0 | \$0 | \$346 | \$346 | \$0 | \$0 | \$398 | \$398 | \$0 | \$0 | \$344 | \$344 | \$0 | \$0 | \$474 | \$474 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$658 | \$658 | \$0 | \$0 | \$736 | \$736 | \$0 | \$0 | \$723 | \$723 | \$0 | \$0 | \$750 | \$750 | \$0 | \$0 | \$874 | \$874 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$778 | \$778 | \$0 | \$0 | \$861 | \$861 | \$0 | \$0 | \$856 | \$856 | \$0 | \$0 | \$873 | \$873 | \$0 | \$0 | \$1,020 | \$1,020 |
| 2009Ford Explorer "XLT" 2WD, 4 door | Minimum Liability | | | \$0 | \$0 | \$364 | \$364 | \$0 | \$0 | \$391 | \$391 | \$0 | \$0 | \$448 | \$448 | \$0 | \$0 | \$392 | \$392 | \$0 | \$0 | \$537 | \$537 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$697 | \$697 | \$0 | \$0 | \$775 | \$775 | \$0 | \$0 | \$769 | \$769 | \$0 | \$0 | \$791 | \$791 | \$0 | \$0 | \$931 | \$931 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$823 | \$823 | \$0 | \$0 | \$905 | \$905 | \$0 | \$0 | \$909 | \$909 | \$0 | \$0 | \$919 | \$919 | \$0 | \$0 | \$1,087 | \$1,087 |
| 2010 Honda Odyssey "EX" | Minimum Liability | | | \$0 | \$0 | \$287 | \$287 | \$0 | \$0 | \$304 | \$304 | \$0 | \$0 | \$349 | \$349 | \$0 | \$0 | \$306 | \$306 | \$0 | \$0 | \$415 | \$415 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$657 | \$657 | \$0 | \$0 | \$734 | \$734 | \$0 | \$0 | \$707 | \$707 | \$0 | \$0 | \$753 | \$753 | \$0 | \$0 | \$856 | \$856 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$768 | \$768 | \$0 | \$0 | \$850 | \$850 | \$0 | \$0 | \$828 | \$828 | \$0 | \$0 | \$867 | \$867 | \$0 | \$0 | \$990 | \$990 |
| 2011 Toyota Camry 2.5L 4 door Sedan | Minimum Liability | | | \$0 | \$0 | \$356 | \$356 | \$0 | \$0 | \$384 | \$384 | \$0 | \$0 | \$438 | \$438 | \$0 | \$0 | \$386 | \$386 | \$0 | \$0 | \$525 | \$525 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$850 | \$850 | \$0 | \$0 | \$958 | \$958 | \$0 | \$0 | \$915 | \$915 | \$0 | \$0 | \$985 | \$985 | \$0 | \$0 | \$1,115 | \$1,115 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$972 | \$972 | \$0 | \$0 | \$1,085 | \$1,085 | \$0 | \$0 | \$1,052 | \$1,052 | \$0 | \$0 | \$1,111 | \$1,111 | \$0 | \$0 | \$1,266 | \$1,266 |
| 2011 Cadillac Seville "CTS" AWD WAG 4 door 3.0L | Minimum Liability | | | \$0 | \$0 | \$328 | \$328 | \$0 | \$0 | \$349 | \$349 | \$0 | \$0 | \$399 | \$399 | \$0 | \$0 | \$351 | \$351 | \$0 | \$0 | \$478 | \$478 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$924 | \$924 | \$0 | \$0 | \$1,039 | \$1,039 | \$0 | \$0 | \$972 | \$972 | \$0 | \$0 | \$1,070 | \$1,070 | \$0 | \$0 | \$1,185 | \$1,185 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$1,040 | \$1,040 | \$0 | \$0 | \$1,160 | \$1,160 | \$0 | \$0 | \$1,102 | \$1,102 | \$0 | \$0 | \$1,190 | \$1,190 | \$0 | \$0 | \$1,328 | \$1,328 |
| 2010 Hyundai Santa Fe SE 4X2 | Minimum Liability | | | \$0 | \$0 | \$317 | \$317 | \$0 | \$0 | \$336 | \$336 | \$0 | \$0 | \$388 | \$388 | \$0 | \$0 | \$336 | \$336 | \$0 | \$0 | \$462 | \$462 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$770 | \$770 | \$0 | \$0 | \$866 | \$866 | \$0 | \$0 | \$822 | \$822 | \$0 | \$0 | \$890 | \$890 | \$0 | \$0 | \$1,001 | \$1,001 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$884 | \$884 | \$0 | \$0 | \$989 | \$989 | \$0 | \$0 | \$950 | \$950 | \$0 | \$0 | \$1,008 | \$1,008 | \$0 | \$0 | \$1,142 | \$1,142 |



P.O. Box 181101
5600 Brainerd Road, Suite 1A
Chattanooga, TN 37414-6101
800-523-3796

October 30, 2013

Honorable Jay Bradford
Insurance Commissioner
Arkansas Insurance Department
1200 West 3rd St.
Little Rock, Arkansas 72201

RE: Private Passenger Automobile Rate Filing

Dear Commissioner:

Enclosed on behalf of Merastar Insurance Company is a private passenger automobile rate filing. We respectfully request approval of this filing for new business effective November 20, 2012 and for renewal policies effective January 15, 2013. This filing is being submitted under File and Use law.

The projected statewide impact of this filing is 17.4%. Merastar currently has 59 auto policies with an in-force premium of \$41,370.

In this filing we are increasing base rates by coverage to align with our indicated changes. Base rates for Bodily Injury, PIP, Uninsured Motorists, and Underinsured Motorists will be adjusted. These changes will be made uniformly across all territories. Below is a list of how individual coverages will be impacted:

| Coverage | Indicated Change | Proposed Change |
|---------------|------------------|-----------------|
| Bodily Injury | 72.2% | 40.0% |
| PIP | 60.0% | 53.8% |
| UM/UIM | 82.4% | 62.8% |
| Total | 24.1% | 17.4% |

Please find the following exhibits enclosed:

1. Form A-1 and Manual Page 50
2. PPA Survey Form
3. RF-1 Rate Filing Abstract
4. Filing Memo
5. Indication
6. Base Rate Comparison
7. Policy Analysis by Coverage
8. Revised Manual Page R2

If you have questions or need further information, please contact me at 1-800-523-3796 ext.7866, directly at (423) 296-7866, or via e-mail at jgraham@kemper.com. Thank you for your attention to our submission.

Sincerely,

Jennifer Graham

Digitally signed by Jennifer Graham
DN: CN = Jennifer Graham, C = US,
O = Merastar Insurance, OU =
Product
Date: 2012.10.30 14:07:22 -04'00'

Jennifer Graham
Senior Product Analyst
Merastar Insurance/Unitrin Direct *preferred insurance*
Office: 423.296.7866
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Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas

The following pages provide actuarial justification for rate changes to the Merastar Insurance Company Private Passenger Automobile Program in Arkansas.

| <u>Table of Contents</u> | |
|---------------------------------------|-----------------------|
| <u>Item</u> | <u>Exhibit Number</u> |
| Proposed Rate Changes | 1 |
| Indicated Rate Changes | 2 |
| Expenses and Target Loss & ALAE Ratio | 3 |
| Loss Trend | 4 |
| Premium Trend | 5 |
| Current Rate Level | 6 |
| Loss Development | 7 |
| Profit and Return on Equity | 8 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 1

Summary of Proposed Changes

| Coverage | Indicated Change | Proposed Change | Trailing Quarter Earned Premium | In-Force Premium |
|----------------------------|------------------|-----------------|---------------------------------|------------------|
| Bodily Injury | 72.2% | 40.0% | 5,211 | 9,321 |
| Property Damage | -1.1% | 0.0% | 4,077 | 7,320 |
| UM / UIM | 82.4% | 62.8% | 2,126 | 3,084 |
| UMPD | 0.0% | 0.0% | 47 | 899 |
| Medical Payments | 0.0% | 0.0% | 43 | 77 |
| Personal Injury Protection | 60.0% | 53.8% | 1,536 | 2,856 |
| Comprehensive | -6.6% | 0.0% | 2,836 | 4,817 |
| Collision | -9.3% | 0.0% | 6,726 | 11,962 |
| Rental Reimbursement | -0.2% | 0.0% | 469 | 834 |
| Towing and Labor | N/A | 0.0% | N/A | 128 |
| Trip Interruption | N/A | 0.0% | N/A | 23 |
| Other Coverage | N/A | 0.0% | N/A | 49 |
| Total Coverages | 24.1% | 17.4% | 23,070 | 41,370 |

Notes:

1. Trailing Quarter Earned Premium is used to calculate the Indicated Change for Total Coverages.
2. For our indications, we allocate Acquisition Charge premium to all coverages in proportion to each coverage's percent of overall premium. Please see Exhibit 2.2 for a description of the Acquisition Charges.
3. In-force premium is used to calculate the Proposed Change for Total Coverages.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.1

Calculation of Indications

This exhibit contains 3 sections:

- I. An explanation of our indication methodology
- II. The Indication Summary Table
- III. The calculation of the indications by coverage

I. Explanation of Indication Methodology

* Formulaic Indications

Our indications are entirely formulaic; that is, they use formulas to select loss development factors, loss trends, premium trends, and so forth. The benefits to this approach, as compared to judgmental selections, are as follows:

- * accuracy - our backtesting guides us to use and refine the best available statistical and actuarial methods.
- * consistency - our methods are consistent from state to state and program to program.
- * objectivity - our methods do not depend on human subjectivity (i.e. whether the analyst is in a particularly optimistic or pessimistic mood that day).
- * efficiency - formulaic indications allow us to run approximately 400 indications a year with a small staff.

* Backtesting of Methods

Most industry-standard indication models are static and use traditional, but untested methodologies. For our indication model, we have extensively backtested several competing methods to select those that perform best on actual data. Our test results and selected actuarial methodologies are described in the introduction to each filing exhibit. We backtested methods according to statistical principles as described in "The Elements of Statistical Learning - Data Mining, Inference and Prediction", Hastie, Tibshirani and Friedman, 2nd edition (2009).

* Indication Formula

- Our indication formula accounts separately for fixed and variable expenses, which moderates the indication as compared to an indication that assumes all expenses are premium variable. The formula is described in "Foundations of Casualty Actuarial Science", 4th edition, Chapter 3 ("Ratemaking"), p.89.
- Our indication formula is as follows:

$$\text{Indication} = (L + F) / (1 - V - P) - 1$$

where: L = loss ratio
F = fixed expense ratio
V = variable expense ratio
P = profit ratio

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.2

* Accident Year Indication Weights

To calculate the total indication for each coverage, we calculate a weighted average of the indications by accident year using one of the two methods discussed below. The two methods were derived from extensive backtesting on historical data for each coverage.

1. For Property Damage, PIP, Comprehensive, Collision and Rental

We weight each accident year by its share of total claim count, and in addition, we apply a second set of progressively declining weights to each accident year as it gets older, to reflect its relative recency and predictiveness. Lastly, we apply a credibility criterion so that, if the first two years are fully credible, we ignore the third (oldest) year. If the first year is fully credible, we apply a maximum weight of 70% to that year, and 30% to the middle year.

2. For Bodily Injury, UM/UIM, UMPD and Medical Payments

We weight each accident year simply according to its share of total earned premium.

- For the long-tailed coverages of BI and UM/UIM, our backtesting showed that the most recent year is not necessarily the most predictive of future loss experience, because the value of its recency is approximately offset by the higher chance variation created by the larger percentage of claims that are reserved (not paid).
- Though UMPD and Medical Payments are short-tailed and not subject to significant development the claim counts are typically so low as to introduce excessive instability to a method that relies on them.

* Earned Premium at Current Rate Level

We calculate premiums at current rate level using a three dimensional parallelogram method that accounts for exposure growth during the experience period as described in "A Refined Model for Premium Adjustment", David Miller and George Davis, PCAS 1976.

* Acquisition Charges

- Acquisition Charges are intended to defray the costs associated with acquiring policies; these costs include direct mail, fees paid to Web partners such as Google and Yahoo, the costs of MVR, CLUE and credit reports, and policy processing costs. These costs are assumed to be fixed per policy, rather than premium variable. Consequently, we charge our customers a fixed premium amount per policy, which we refer to as Fixed Acquisition Expense (FAE) in our older-generation programs, and Direct Acquisition Expense (DAE) and Flat Acquisition Charge (FAC) in our newer-generation programs.
- In our indications, we allocate FAE or DAE & FAC premium to all coverages in proportion to each coverage's percent of overall premium.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.3

* **Credibility**

We apply credibility-weighting in order to ensure that our indications do not fluctuate excessively due to chance variation of the loss experience. We use a form of credibility theory called "limited fluctuation credibility" (also known as "classical credibility"), as described in "Foundations of Casualty Actuarial Science", 4th edition, chapter 8, pp 488-516.

The application of credibility uses 4 steps:

1. Select an error tolerance k and Probability level P.
2. Calculate coefficients of variation for each coverage.
3. Calculate Standards of Full Credibility (SFCs) using the results of steps (1) and (2) above.
4. Select a complement of credibility.

1. Select an error tolerance k and Probability level P

We have selected standards of full credibility corresponding to:

| |
|---|
| error tolerance k = 0.11, Probability level P = 90% |
|---|

Our selection of these standards is based on the results of a series of backtests of our previous indications. These backtests were extensive - covering 3 years, 7 coverages, 25 states and several companies in our Direct, Merastar and Response businesses - approximately 1,260 tests in total. The tests indicated that the selected parameters produce standards of full credibility that most accurately balance the twin requirements of responsiveness to loss experience and stability of the indication.

2. Calculate coefficients of variation for each coverage

We calculated coefficients of variation for each coverage using our size of loss data for the 3 accident year period from 1/1/2004 through 12/31/2006, evaluated at 4/30/2009. We used older experience periods to allow time for most losses to be paid, since we are interested in the variability of the ultimate paid amounts, not of the case-incurred losses that would include a significant percentage of case reserves. The table on the following page displays the calculated coefficients of variation.

3. Calculate Standards of Full Credibility (SFCs) using the results of steps (1) and (2) above

For each coverage, we calculate the standard of full credibility using the following formula:

$$SFC = a * (1 + cv^2)$$

where:

- SFC = standard of full credibility based on variability of total loss cost
- a = standard of full credibility based on variability of claim count only
- cv = coefficient of variation for claim size distribution

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.4

The following table displays the calculated coefficients of variation and standards of full credibility for our selected error tolerance $k=0.11$ and probability level $P=90\%$:

| Coverage / State | CV | SFC |
|-------------------|------|-------|
| BI - Med States | 1.79 | 942 |
| BI - PIP States | 1.53 | 748 |
| PD | 1.15 | 520 |
| UM/UIM | 1.60 | 797 |
| UM/UIM - capped | 1.15 | 520 |
| UMPD | 1.27 | 585 |
| Med Pay | 1.08 | 485 |
| PIP - Low Limit | 1.03 | 462 |
| PIP - MN | 1.54 | 755 |
| PIP - NY | 1.54 | 755 |
| PIP - NJ | 2.16 | 1,269 |
| PIP - NJ - capped | 1.62 | 812 |
| PIP - MI | 2.84 | 2,031 |
| PIP - MI - capped | 2.03 | 1,147 |
| Comp | 2.11 | 1,221 |
| Collision | 1.31 | 608 |
| Rental | 0.61 | 307 |

Note:

For UM in all states, and PIP in Michigan and New Jersey, we cap losses and apply an excess loss factor as described in Exhibit 2.5. Loss capping reduces the variability of loss size and the coefficients of variation, and consequently reduces the standards of full credibility, as shown in the table above.

A note on the definition of claim count

1. We define 'claim' to be 'coverage-claimant'. This means that if an accident injures two individuals and damages two vehicles, we count this as two BI claims and two PD claims.
2. We use incurred claim count, which is defined as follows:

$$\text{incurred claim count} = \# \text{ closed claims} + \# \text{ open claims with payment} + \# \text{ open claims without payment}$$
Incurred claim count does not include # closed without payment; this is consistent with the way we define claims for the calculation of the mean, standard deviation and coefficient of variation of our claim size distribution.

4. Select a complement of credibility

The alternate data source is the Countrywide Indication. This complement is discussed in Joseph A Boor's paper on complements of credibility, where it is called "Rate Change from a Larger Group Applied to Present Rates". Mr. Boor's paper is entitled "The Complement of Credibility", and appeared in the Proceedings of the Casualty Actuarial Society, 1996. This complement is referenced again in "Basic Ratemaking" by Geoff Werner and Claudine Modlin (2009). Werner and Modlin cite the following advantages of this complement:

1. It is largely unbiased.
2. As long as the size of the subject group is small relative to the larger group, it is largely independent of the smaller group.
3. It is likely to be accurate over the long term.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.5

* **Loss Capping**

For UM/UIM coverage in all states and PIP coverage in Michigan and New Jersey, we cap losses and apply an excess loss factor (ELF) to the capped losses. The purpose of loss capping is to increase the accuracy and decrease the variability of our estimate of ultimate loss that is caused by the presence (or absence) of large losses.

We cap losses at the levels shown below, on a per-claimant basis:

- UM/UIM in all states: \$50,000
- PIP in Michigan and New Jersey: \$100,000

Loss capping is generally recognized to be beneficial for coverages whose distribution of losses is heavy-tailed, particularly if that coverage also has low claim frequency. In these cases, the law of large numbers does not sufficiently take effect, and the uncapped estimate of ultimate losses is quite variable and may lead to inaccurate and volatile rate indications.

Loss capping is commonly used in indications for insurance lines with large liability limits, such as Commercial Auto and Med Mal. For Private Passenger Auto insurance, loss capping appears beneficial in the two specific instances described below:

1. For UM/UIM coverage because of its heavy-tailed severity distribution, and its low claim frequency.
2. For PIP coverage, which has very heavy-tailed distributions in the two states that provide generous benefit levels - Michigan (unlimited insured benefits with the insurer subject to maximum loss of \$480,000 per injured person) and New Jersey (\$250,000 maximum medical benefit, plus limited wage loss benefit).

Although loss capping decreases the variability of the estimate of ultimate loss, it comes at a price (there is no free lunch!), which is that it introduces bias in the estimate, because the excess loss factor (ELF) is not known a priori and must be estimated using older historical data. (This is akin to the procedure in Comprehensive coverage of eliminating Catastrophe losses and applying a Catastrophe factor that is based on a longer experience period.)

To determine whether loss capping creates a beneficial variance-bias tradeoff, we employed monte carlo simulation to test whether capped losses with an ELF produced a better estimate of ultimate loss than the standard uncapped estimate. We simulated thousands of samples from the empirical distribution of historic losses, with three sample sizes for UM/UIM, and one sample size for PIP. For UM/UIM, the sample sizes were 25, 75 and 225 claims, reflecting typical claim counts from a 3-year experience period for our small, medium and large programs. For PIP, the sample size was 600 claims, reflecting the approximate size of our Michigan and New Jersey programs.

We also introduced random error into our estimate of the ELF, to reflect the fact that the ELF is not known a priori and consequently must be estimated.

Our tests showed that the capped loss + ELF method reduced prediction error as follows:

- for UM, 33%, 26% and 21% for small, medium and large programs
- for MI PIP, approximately 12%
- for NJ PIP, approximately 25%

We also tested various cap levels, and found that the selected cap levels (\$50,000 for UM/UIM in all states, and \$100,000 for Michigan and New Jersey PIP) best balance the variance-bias tradeoff and produces the lowest prediction error.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.6

Calculation of Excess Loss Factors

We used data from the four accident year period of 2004-07 through 2008-06, evaluated at 2010-08. (We did not use newer accident years in order to restrict ourselves to losses that have been paid, and avoid losses that are reserved.)

Losses were trended at approximately 5% per year, to an estimated future payment date of 2011-12.

For UM, we grouped states into one of four categories regarding state law (Tort v. No-Fault, UM Stacking v. No Stacking), which our data suggests materially affects the likelihood of large loss:

- Tort, UM stacking = no; lowest risk
- Tort, UM stacking = yes; low risk
- No Fault, UM stacking = no; medium risk
- No Fault, UM stacking = yes; higher risk

The table below displays our calculated ELFs from the data described above.

| | (\$50k cap) | (\$100k cap) |
|----------------|---------------|--------------|
| | <u>UM/UIM</u> | <u>PIP</u> |
| Alabama | 1.27 | N/A |
| Arizona | 1.21 | N/A |
| Arkansas | 1.40 | N/A |
| California | 1.21 | N/A |
| Colorado | 1.27 | N/A |
| Connecticut | 1.21 | N/A |
| Delaware | 1.21 | N/A |
| Florida | 1.40 | N/A |
| Georgia | 1.21 | N/A |
| Illinois | 1.21 | N/A |
| Indiana | 1.27 | N/A |
| Iowa | 1.21 | N/A |
| Kentucky | 1.40 | N/A |
| Maryland | 1.21 | N/A |
| Michigan | 1.33 | 1.76 |
| Minnesota | 1.33 | N/A |
| Missouri | 1.21 | N/A |
| Nevada | 1.27 | N/A |
| New Jersey | 1.33 | 1.15 |
| New York | 1.33 | N/A |
| North Carolina | 1.21 | N/A |
| Ohio | 1.27 | N/A |
| Oregon | 1.21 | N/A |
| Pennsylvania | 1.40 | N/A |
| South Carolina | 1.27 | N/A |
| Tennessee | 1.21 | N/A |
| Texas | 1.21 | N/A |
| Virginia | 1.21 | N/A |
| Washington | 1.21 | N/A |
| Wisconsin | 1.27 | N/A |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.7

II. Indication Summary Table

| Coverage | Indication Before Cred. Weighting | Incurred Claimant Count | Standard Of Full Credibility | Credibility CW | Complement of Credibility Indication | Credibility Weighted Indication | Trailing 3 Month Earned Premium Distribution |
|------------------------|---|-------------------------------|------------------------------------|-------------------|--|---------------------------------------|--|
| Bodily Injury | 350.3% | 10 | 748 | 0.12 | 35.8% | 72.2% | 22.6% |
| Prop. Damage | -17.1% | 13 | 520 | 0.16 | 1.8% | -1.1% | 17.7% |
| UM/UIIM | 569.3% | 6 | 520 | 0.11 | 23.8% | 82.4% | 9.2% |
| UMPD | 0.0% | 2 | 585 | 0.06 | 157.9% | 0.0% | 0.2% |
| Med Pay | 0.0% | 0 | 485 | 0.00 | 38.4% | 0.0% | 0.2% |
| PIP | 285.1% | 12 | 462 | 0.16 | 16.7% | 60.0% | 6.7% |
| Comprehensive | 6.6% | 22 | 1,221 | 0.13 | -8.6% | -6.6% | 12.3% |
| Collision | 67.2% | 22 | 608 | 0.19 | -27.3% | -9.3% | 29.2% |
| Rental | 56.4% | 10 | 307 | 0.18 | -12.6% | -0.2% | 2.0% |
| Total Coverages | 169.1% | | | | | 24.1% | 100.0% |

A Note on Experience Periods

Our indication experience period consists of three accident years evaluated as of the last day of the last month of the most recent accident year. The three accident years are shown below:

| <u>Accident Year</u> | <u>12 Months Ending</u> |
|----------------------|-------------------------|
| 25-36 | 30-Sep-10 |
| 13-24 | 30-Sep-11 |
| 1-12 | 30-Sep-12 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.8

III. Indications by Coverage

(Before Credibility Weighting)

| | <----- Accident Years -----> | | | |
|--|------------------------------|--------------|-------------|---------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | <u>Total</u> |
| <u>Bodily Injury</u> | | | | |
| (1) Earned Premium | 26,736 | 24,893 | 21,567 | 73,196 |
| (2) Current Rate Level Factor | 1.05 | 1.05 | 1.00 | 1.03 |
| (3) Premium Trend Factor | 1.05 | 1.04 | 1.02 | 1.04 |
| (4) EP @ CRL (including premium trend) | 29,412 | 26,943 | 22,103 | 78,458 |
| (5) Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| (6) EP @ CRL (including FAE premium) | 29,412 | 26,943 | 22,103 | 78,458 |
| (7) Developed Incurred Loss+ALAE | 38,968 | 26,223 | 177,052 | 242,243 |
| (8) Loss Trend Factor | 1.04 | 1.01 | 0.98 | |
| (9) Developed & Trended Loss+ALAE | 40,547 | 26,387 | 173,901 | 240,836 |
| (10) Dev. & Trended Loss+ALAE Ratio @CRL | 137.9% | 97.9% | 786.8% | 307.0% |
| (11) Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| (12) Indication by Year | 110.2% | 56.2% | 987.4% | |
| (13) Accident Year Weights | 0.37 | 0.34 | 0.29 | 1.00 |
| (14) Total Indication | | | | 350.3% |

| | <----- Accident Years -----> | | | |
|-------------------------------------|------------------------------|--------------|-------------|---------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | <u>Total</u> |
| <u>Property Damage</u> | | | | |
| Earned Premium | 19,399 | 17,913 | 16,721 | 54,032 |
| Current Rate Level Factor | 1.15 | 1.14 | 1.01 | 1.10 |
| Premium Trend Factor | 1.05 | 1.04 | 1.02 | 1.04 |
| EP @ CRL (including premium trend) | 23,408 | 21,133 | 17,236 | 61,777 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 23,408 | 21,133 | 17,236 | 61,777 |
| Developed Incurred Loss+ALAE | 9,618 | 8,682 | 7,636 | 25,936 |
| Loss Trend Factor | 1.05 | 1.04 | 1.03 | |
| Developed & Trended Loss+ALAE | 10,127 | 9,023 | 7,828 | 26,978 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 43.3% | 42.7% | 45.4% | 43.7% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | -17.7% | -18.4% | -14.8% | |
| Accident Year Weights | 0.41 | 0.30 | 0.29 | 1.00 |
| Total Indication | | | | -17.1% |

Explanatory Notes

(4) = (1) * (2) * (3)

(6) = (4) + (5)

(9) = (7) * (8)

(10) = (9) / (6)

(12) = ((10) + G) / (1 - V - Q)

where: G = fixed expense ratio

V = variable expense ratio

Q = profit load

(14) = weighted average of (12) using (13) as weights

Merastar Insurance Company
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Exhibit 2.9

| UM / UIM | <----- Accident Years -----> | | | Total |
|------------------------------------|------------------------------|--------------|-------------|---------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 8,268 | 8,384 | 8,719 | 25,371 |
| Current Rate Level Factor | 1.33 | 1.30 | 1.02 | 1.21 |
| Premium Trend Factor | 1.05 | 1.04 | 1.02 | 1.04 |
| EP @ CRL (including premium trend) | 11,533 | 11,308 | 9,061 | 31,903 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 11,533 | 11,308 | 9,061 | 31,903 |
| Developed Incurred Loss+ALAE | 43,306 | 6,551 | 45,711 | 95,568 |
| Excess Loss Factor | 1.40 | 1.40 | 1.40 | |
| Loss Trend Factor | 1.16 | 1.09 | 1.03 | |
| Developed & Trended Loss+ALAE | 70,133 | 9,971 | 65,970 | 146,074 |
| Devel. & Trended Loss+ALAE Ratio | 608.1% | 88.2% | 728.0% | 457.9% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | 745.8% | 43.0% | 908.0% | |
| Accident Year Weights | 0.33 | 0.33 | 0.34 | 1.00 |
| Total Indication | | | | 569.3% |

| UMPD | <----- Accident Years -----> | | | Total |
|-------------------------------------|------------------------------|--------------|-------------|--------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 78 | 152 | 128 | 358 |
| Current Rate Level Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| Premium Trend Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| EP @ CRL (including premium trend) | 78 | 152 | 128 | 358 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 78 | 152 | 128 | 358 |
| Developed Incurred Loss+ALAE | 600 | 8 | 24 | 632 |
| Loss Trend Factor | 1.17 | 1.12 | 1.07 | |
| Developed & Trended Loss+ALAE | 703 | 9 | 26 | 737 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 0.0% | 0.0% | 0.0% | 0.0% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | 0.0% | 0.0% | 0.0% | |
| Accident Year Weights | 0.22 | 0.42 | 0.36 | 1.00 |
| Total Indication | | | | 0.0% |

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Exhibit 2.10

| | <----- Accident Years -----> | | | <u>Total</u> |
|-------------------------------------|------------------------------|--------------|-------------|--------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| <u>Medical Payments</u> | | | | |
| Earned Premium | 197 | 146 | 166 | 509 |
| Current Rate Level Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| Premium Trend Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| EP @ CRL (including premium trend) | 197 | 146 | 166 | 509 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 197 | 146 | 166 | 509 |
| Developed Incurred Loss+ALAE | 0 | 0 | 0 | 0 |
| Loss Trend Factor | 1.04 | 1.01 | 0.98 | |
| Developed & Trended Loss+ALAE | 0 | 0 | 0 | 0 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 0.0% | 0.0% | 0.0% | 0.0% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | 0.0% | 0.0% | 0.0% | |
| Accident Year Weights | 0.39 | 0.29 | 0.33 | 1.00 |
| Total Indication | | | | 0.0% |

| | <----- Accident Years -----> | | | <u>Total</u> |
|--|------------------------------|--------------|-------------|---------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| <u>Personal Injury Protection</u> | | | | |
| Earned Premium | 6,280 | 5,711 | 6,211 | 18,202 |
| Current Rate Level Factor | 1.38 | 1.35 | 1.02 | 1.25 |
| Premium Trend Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| EP @ CRL (including premium trend) | 8,694 | 7,722 | 6,332 | 22,748 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 8,694 | 7,722 | 6,332 | 22,748 |
| Developed Incurred Loss+ALAE | 12,802 | 4,090 | 22,054 | 38,946 |
| Excess Loss Factor | 1.00 | 1.00 | 1.00 | |
| Loss Trend Factor | 1.00 | 1.00 | 1.00 | |
| Developed & Trended Loss+ALAE | 12,802 | 4,090 | 22,054 | 38,946 |
| Devel. & Trended Loss+ALAE Ratio | 147.2% | 53.0% | 348.3% | 171.2% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | 122.9% | -4.6% | 394.7% | |
| Accident Year Weights | 0.29 | 0.08 | 0.63 | 1.00 |
| Total Indication | | | | 285.1% |

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Exhibit 2.11

| <u>Comprehensive</u> | <----- Accident Years -----> | | | <u>Total</u> |
|------------------------------------|------------------------------|--------------|-------------|---------------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 12,736 | 11,915 | 11,230 | 35,882 |
| Current Rate Level Factor | 1.04 | 1.04 | 1.00 | 1.03 |
| Premium Trend Factor | 1.05 | 1.04 | 1.02 | 1.04 |
| EP @ CRL (including premium trend) | 14,003 | 12,880 | 11,524 | 38,408 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 14,003 | 12,880 | 11,524 | 38,408 |
| Developed Incurred Loss+ALAE | 11,077 | 5,411 | 2,387 | 18,875 |
| Catastrophe Factor | 1.21 | 1.21 | 1.21 | |
| Loss Trend Factor | 1.12 | 1.08 | 1.04 | |
| Developed & Trended Loss+ALAE | 14,995 | 7,039 | 2,995 | 25,030 |
| Devel. & Trended Loss+ALAE Ratio | 107.1% | 54.7% | 26.0% | 65.2% |
| Target Loss+ALAE Ratio | 55.7% | 55.7% | 55.7% | 55.7% |
| Indication by Year | 70.1% | -1.4% | -40.5% | |
| Accident Year Weights | 0.32 | 0.30 | 0.38 | 1.00 |
| Total Indication | | | | 6.6% |

| <u>Collision</u> | <----- Accident Years -----> | | | <u>Total</u> |
|-------------------------------------|------------------------------|--------------|-------------|---------------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 33,016 | 30,450 | 26,410 | 89,875 |
| Current Rate Level Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| Premium Trend Factor | 1.18 | 1.13 | 1.08 | 1.13 |
| EP @ CRL (including premium trend) | 39,090 | 34,409 | 28,480 | 101,980 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 39,090 | 34,409 | 28,480 | 101,980 |
| Developed Incurred Loss+ALAE | 15,435 | 14,163 | 60,555 | 90,153 |
| Loss Trend Factor | 1.01 | 1.00 | 0.99 | |
| Developed & Trended Loss+ALAE | 15,533 | 14,150 | 60,196 | 89,878 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 39.7% | 41.1% | 211.4% | 88.1% |
| Target Loss+ALAE Ratio | 55.7% | 55.7% | 55.7% | 55.7% |
| Indication by Year | -21.8% | -19.9% | 212.3% | |
| Accident Year Weights | 0.32 | 0.30 | 0.38 | 1.00 |
| Total Indication | | | | 67.2% |

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Exhibit 2.12

| <u>Rental Reimbursement</u> | <----- Accident Years -----> | | | <u>Total</u> |
|-------------------------------------|------------------------------|--------------|-------------|--------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 1,670 | 1,670 | 1,778 | 5,117 |
| Current Rate Level Factor | 1.13 | 1.12 | 1.01 | 1.08 |
| Premium Trend Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| EP @ CRL (including premium trend) | 1,878 | 1,864 | 1,791 | 5,534 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 1,878 | 1,864 | 1,791 | 5,534 |
| Developed Incurred Loss+ALAE | 2,017 | 1,285 | 1,441 | 4,743 |
| Loss Trend Factor | 1.11 | 1.08 | 1.05 | |
| Developed & Trended Loss+ALAE | 2,245 | 1,388 | 1,512 | 5,145 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 119.5% | 74.5% | 84.4% | 0.0% |
| Target Loss+ALAE Ratio | 55.7% | 55.7% | 55.7% | 55.7% |
| Indication by Year | 87.0% | 25.6% | 39.1% | |
| Accident Year Weights | 0.45 | 0.30 | 0.25 | 1.00 |
| Total Indication | | | | 56.4% |

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Exhibit 3

Expenses, ULAE, Profit and Target Loss & ALAE Ratio

- Our selection for General Expense is approximately 15% lower than the 3-year average, reflecting the anticipated benefit of efficiency improvements and expense control.
- Our selections for all other expense categories (and ULAE) equal the 3-year average.
- Our selected underwriting profit provision produces a 12.0% ROE. (Please see Exhibit 8.)

| <u>Expense Category</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>3-Year Avg.</u> | <u>Selected</u> | |
|----------------------------|-------------|-------------|-------------|--------------------|------------------|-----------------|
| | | | | | <u>Liability</u> | <u>Phys Dam</u> |
| Marketing & Distribution | 5.0% | 5.9% | 6.4% | 5.8% | 5.8% | 5.8% |
| Other Acquisition | 6.9% | 7.3% | 8.2% | 7.5% | 7.5% | 7.5% |
| General Expense | 16.8% | 16.8% | 17.9% | 17.2% | 14.3% | 14.3% |
| <u>Premium Tax</u> | <u>2.5%</u> | <u>2.5%</u> | <u>2.5%</u> | <u>2.5%</u> | <u>2.5%</u> | <u>2.5%</u> |
| Underwriting Expense Ratio | 31.1% | 32.6% | 35.0% | 32.9% | 30.0% | 30.0% |
| ULAE | 7.3% | 9.0% | 10.8% | 9.0% | 9.0% | 9.0% |
| Underwriting Profit | | | | | 4.6% | 5.3% |
| Target Loss+ALAE Ratio | | | | | 56.3% | 55.7% |

Data source: Kemper Direct Income Statements for 2009, 2010, 2011.

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Exhibit 4.1

Loss Trend

Fast Track Data

We use the most recent NAII Fast Track year-end frequency and severity data to determine historical and prospective annual loss trend for our indications. We base our selections on a formula that weights together the results of a 16-point exponential regression and trends from more recent periods. These selections are shown on the following pages.

We use Fast Track data, rather than internal loss cost data, because we believe the latter are often substantially affected by factors entirely unrelated to true underlying loss trends, and thus may lead to inaccurate indications and excessive rate gyrations to customers. We far prefer the relative stability and meaningfulness of Fast Track data. Here is our reasoning:

1. Because of their significantly smaller size, internal loss trend data are far more vulnerable to the vagaries of chance variation than industry-wide data.
2. Internal loss cost data can be substantially affected by business growth rate. If policy growth rate is strong, calendar period paid data are immature, and average payments may be low (reflecting the relatively cheap and easy claims that are paid first), leading to apparently declining loss severity. Conversely, shrinking policy growth may lead to rising calendar quarter average payments (driven by payments of the more mature and expensive claims), leading to apparently increasing loss severity. Yet both of these changes to average payments may be deceptive, as they may not reflect true changes to underlying claim severity.
3. Internal loss cost data can also be materially affected by a change in claim closure rate. If closure rate slows (due, for example, to temporary understaffing in the claims department), then payment of difficult or expensive claims may be delayed, and loss severity may temporarily drop. The reverse can also happen. In either case, the apparent change to loss cost trend does not reflect true changes to underlying claim severity.

Blending of State and Countrywide Data

To estimate historical trends, we use state data only. But to estimate prospective trends, we use a blended average of state and countrywide data, with weights as follows:

- * For all coverages except Comprehensive, we use a 50% / 50% weight for state and countrywide data.
- * For Comprehensive, we use 100% countrywide data.

We have performed a series of backtests of historical Fast Track data, and have consistently found that the inclusion of countrywide data with the state data improves the predictive accuracy of subsequent periods of state data. Our backtests were extensive - covering 27 states, 5 coverages and 6 years, for both frequency and severity - a total of 1,440 tests - and the inclusion of countrywide data was helpful in a significant majority of these tests.

Although this result may initially appear counterintuitive, we believe it is a classic example of the statistical principle of "mean reversion", which is evident in many physical, economic and financial realms. An example of this principle in the physical realm is heights of children; tall parents tend to have children who are taller than average, but not as tall as the parents. An example in the financial realm is stock market returns; abnormally high stock returns in any 5-year period tend to be followed by abnormally low returns in the subsequent 5-year period, and vice versa.

The principle of mean reversion as applied to loss trends implies that periods of abnormal state trends (whether high or low) will not continue indefinitely. Instead, they revert back to a mean, which in this case is best represented by countrywide trend.

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Exhibit 4.2

Bodily Injury

| <u>12 Months</u> <u>Ending</u> | <u>Claim</u> <u>Frequency</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | <u>Claim</u> <u>Severity</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | |
|-----------------------------------|----------------------------------|--|---------------------------------|--|---------------------|
| 2008q2 | 0.85% | | 10,438 | | |
| 2008q3 | 0.84% | | 10,533 | | |
| 2008q4 | 0.83% | | 10,499 | | |
| 2009q1 | 0.81% | | 10,370 | | |
| 2009q2 | 0.80% | -6% | 10,314 | -1% | |
| 2009q3 | 0.80% | -5% | 10,280 | -2% | |
| 2009q4 | 0.80% | -4% | 10,241 | -2% | |
| 2010q1 | 0.80% | -2% | 10,260 | -1% | |
| 2010q2 | 0.81% | 2% | 10,150 | -2% | |
| 2010q3 | 0.82% | 2% | 10,317 | 0% | |
| 2010q4 | 0.80% | 0% | 10,529 | 3% | |
| 2011q1 | 0.79% | -1% | 12,481 | 22% | |
| 2011q2 | 0.77% | -5% | 12,721 | 25% | |
| 2011q3 | 0.76% | -7% | 12,734 | 23% | |
| 2011q4 | 0.76% | -5% | 12,760 | 21% | |
| 2012q1 | 0.77% | -3% | 10,801 | -13% | |
| 16 Point Exp. Regression | | -2.4% | | 5.1% | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | | -0.7% | | 2.9% | <u>Annual % Chg</u> |
| Historical Select | | -1.6% | | 5.1% | 3.4% |
| Prospective Select | | -0.1% | | -1.6% | -1.7% |

Property Damage

| <u>12 Months</u> <u>Ending</u> | <u>Claim</u> <u>Frequency</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | <u>Claim</u> <u>Severity</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | |
|-----------------------------------|----------------------------------|--|---------------------------------|--|---------------------|
| 2008q2 | 3.04% | | 2,840 | | |
| 2008q3 | 2.99% | | 2,844 | | |
| 2008q4 | 2.93% | | 2,848 | | |
| 2009q1 | 2.92% | | 2,862 | | |
| 2009q2 | 2.94% | -3% | 2,866 | 1% | |
| 2009q3 | 2.96% | -1% | 2,908 | 2% | |
| 2009q4 | 3.01% | 3% | 2,943 | 3% | |
| 2010q1 | 3.02% | 4% | 2,960 | 3% | |
| 2010q2 | 3.03% | 3% | 2,969 | 4% | |
| 2010q3 | 3.02% | 2% | 2,966 | 2% | |
| 2010q4 | 2.99% | -1% | 2,966 | 1% | |
| 2011q1 | 2.94% | -2% | 2,977 | 1% | |
| 2011q2 | 2.87% | -5% | 2,989 | 1% | |
| 2011q3 | 2.90% | -4% | 2,994 | 1% | |
| 2011q4 | 2.89% | -3% | 3,022 | 2% | |
| 2012q1 | 2.95% | 0% | 3,012 | 1% | |
| 16 Point Exp. Regression | | -0.7% | | 1.8% | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | | -0.1% | | 0.8% | <u>Annual % Chg</u> |
| Historical Select | | -0.5% | | 1.8% | 1.3% |
| Prospective Select | | 0.5% | | 1.1% | 1.6% |

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Exhibit 4.3

Comprehensive

| <u>12 Months</u> <u>Ending</u> | <u>Claim</u> <u>Frequency</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | <u>Claim</u> <u>Severity</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | |
|-----------------------------------|----------------------------------|--|---------------------------------|--|---------------------|
| 2008q2 | 9.23% | | 1,551 | | |
| 2008q3 | 9.29% | | 1,598 | | |
| 2008q4 | 9.22% | | 1,646 | | |
| 2009q1 | 9.18% | | 1,649 | | |
| 2009q2 | 7.36% | -20% | 1,310 | -16% | |
| 2009q3 | 7.90% | -15% | 1,409 | -12% | |
| 2009q4 | 8.14% | -12% | 1,403 | -15% | |
| 2010q1 | 8.25% | -10% | 1,381 | -16% | |
| 2010q2 | 8.33% | 13% | 1,312 | 0% | |
| 2010q3 | 7.83% | -1% | 1,149 | -18% | |
| 2010q4 | 7.82% | -4% | 1,135 | -19% | |
| 2011q1 | 7.54% | -9% | 1,092 | -21% | |
| 2011q2 | 8.84% | 6% | 1,474 | 12% | |
| 2011q3 | 9.22% | 18% | 1,543 | 34% | |
| 2011q4 | 9.14% | 17% | 1,571 | 38% | |
| 2012q1 | 9.14% | 21% | 1,597 | 46% | |
| 16 Point Exp. Regression | | -0.4% | | -2.6% | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | | 4.2% | | -0.2% | <u>Annual % Chg</u> |
| Historical Select | | 4.2% | | -0.2% | 4.1% |
| Prospective Select | | 2.1% | | -0.1% | 2.0% |

Collision

| <u>12 Months</u> <u>Ending</u> | <u>Claim</u> <u>Frequency</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | <u>Claim</u> <u>Severity</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | |
|-----------------------------------|----------------------------------|--|---------------------------------|--|---------------------|
| 2008q2 | 5.55% | | 3,138 | | |
| 2008q3 | 5.53% | | 3,135 | | |
| 2008q4 | 5.48% | | 3,144 | | |
| 2009q1 | 5.49% | | 3,103 | | |
| 2009q2 | 5.53% | 0% | 3,084 | -2% | |
| 2009q3 | 5.56% | 1% | 3,081 | -2% | |
| 2009q4 | 5.64% | 3% | 3,069 | -2% | |
| 2010q1 | 5.67% | 3% | 3,084 | -1% | |
| 2010q2 | 5.67% | 3% | 3,067 | -1% | |
| 2010q3 | 5.66% | 2% | 3,084 | 0% | |
| 2010q4 | 5.60% | -1% | 3,099 | 1% | |
| 2011q1 | 5.51% | -3% | 3,166 | 3% | |
| 2011q2 | 5.40% | -5% | 3,228 | 5% | |
| 2011q3 | 5.30% | -6% | 3,279 | 6% | |
| 2011q4 | 5.26% | -6% | 3,355 | 8% | |
| 2012q1 | 5.25% | -5% | 3,280 | 4% | |
| 16 Point Exp. Regression | | -1.2% | | 1.5% | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | | -0.7% | | 0.0% | <u>Annual % Chg</u> |
| Historical Select | | -0.8% | | 1.5% | 0.7% |
| Prospective Select | | -1.1% | | 0.6% | -0.5% |

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Exhibit 4.4

Personal Injury Protection

| <u>12 Months</u> | <u>Claim</u> | <u>Annual</u> | <u>Claim</u> | <u>Annual</u> |
|---------------------------|------------------|----------------|-----------------|---------------------|
| <u>Ending</u> | <u>Frequency</u> | <u>Percent</u> | <u>Severity</u> | <u>Percent</u> |
| | | <u>Change</u> | | <u>Change</u> |
| 2008q2 | 0.00% | | 0 | |
| 2008q3 | 0.00% | | 0 | |
| 2008q4 | 0.00% | | 0 | |
| 2009q1 | 0.00% | | 0 | |
| 2009q2 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2009q3 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2009q4 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2010q1 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2010q2 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2010q3 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2010q4 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2011q1 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2011q2 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2011q3 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2011q4 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2012q1 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 16 Point Exp. Regression | #NUM! | | #NUM! | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | 2.3% | | 5.6% | <u>Annual % Chg</u> |
| Historical Select | #NUM! | | #NUM! | 0.0% |
| Prospective Select | #NUM! | | #NUM! | 0.0% |

Uninsured Motorists

- We believe the troubled U.S. economy is increasing the number of uninsured motorists, as some financially strapped motorists drop auto insurance coverage to save money. Researchers at the Insurance Research Council looked back at over 20 years of data and found that a 1% increase in the unemployment rate correlates to a 0.75% point increase to the percentage of uninsured motorists.
- The IRC thus anticipates that the percentage of uninsured motorists will increase from 13.8% in 2007, to 16.2% percent in 2010.
- This rate of increase - 13.8% to 16.2% over 3 years - equates to 5.5% annually.
 - Consequently, we have selected UM frequency for calendar years 2008-2011 to equal BI frequency + 4.0% (somewhat less than suggested by the IRC).
 - Similarly, we have selected UMPD frequency to equal PD frequency +4.0%.
- Article describing the analysis resides at: http://www.ircweb.org/news/IRC_UM_012109.pdf

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Exhibit 4.5

Explanation of Calculation of Loss Trend Factors

Here are the calculations of the loss trend factors used in Exhibit 2.6 - 2.10.

The 'Accident Year Loss Trend Span' below indicates the calendar periods through which each accident year's losses are trended.

| <u>Accident Year Loss Trend Spans (in years)</u> | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| <u>Calendar Year</u> | | | | | |
| <u>Accident Year Ending</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| 30-Sep-10 | 0.75 | 1.00 | 1.00 | 0.87 | 0.00 |
| 30-Sep-11 | | 0.75 | 1.00 | 0.87 | 0.00 |
| 30-Sep-12 | | | 0.75 | 0.87 | 0.00 |

| <u>Loss Cost Trend</u> | | | | | | | | |
|------------------------|----------------|-----------|-----------|-------------|------------|-------------|-------------|---------------|
| <u>Calendar Year</u> | <u>BI / MP</u> | <u>UM</u> | <u>PD</u> | <u>UMPD</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> |
| 2010 | 3.4% | 6.4% | 1.3% | 4.3% | 0.0% | 4.1% | 0.7% | 3.0% |
| 2011 | 3.4% | 6.4% | 1.3% | 4.3% | 0.0% | 4.1% | 0.7% | 3.0% |
| 2012 | -0.4% | 2.6% | 1.5% | 4.5% | 0.0% | 2.5% | -0.2% | 3.0% |
| 2013 | -1.7% | 1.3% | 1.6% | 4.6% | 0.0% | 2.0% | -0.5% | 3.0% |
| 2014 | -1.7% | 1.3% | 1.6% | 4.6% | 0.0% | 2.0% | -0.5% | 3.0% |

| <u>Trend Factors</u> | | | | | | | | |
|-----------------------------|----------------|-----------|-----------|-------------|------------|-------------|-------------|---------------|
| <u>Accident Year Ending</u> | <u>BI / MP</u> | <u>UM</u> | <u>PD</u> | <u>UMPD</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> |
| 30-Sep-10 | 1.04 | 1.16 | 1.05 | 1.17 | 1.00 | 1.12 | 1.01 | 1.11 |
| 30-Sep-11 | 1.01 | 1.09 | 1.04 | 1.12 | 1.00 | 1.08 | 1.00 | 1.08 |
| 30-Sep-12 | 0.98 | 1.03 | 1.03 | 1.07 | 1.00 | 1.04 | 0.99 | 1.05 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 5.1

Premium Trend

I. How We Define Premium Trend

- * Premium trend refers to changes in average premium per exposure that are caused by two factors:
1. Rating variables. For auto insurance, the model year rating variable creates premium trend, because the distribution of vehicle model years continuously shifts towards newer model years for which we apply higher relativities.
 2. Distribution shifts, such as towards different tiers, average number of points, territories, etc. for which average premiums may vary significantly.
- In our indication model, we calculate premium trend caused by rating variables (#1 above), but not distribution shifts (#2 above). The reason is that distribution shifts also create concomitant loss trend, and our data are insufficient to accurately calculate this internal loss trend. (Consequently, we use ISO Fast Track loss trend, which does not account for our company's distribution shift.) In this way, we maintain a proper pairing of premium and loss trend, neither of which is affected by distribution shift.

II. How We Calculate Average Annual Model Year Trend

- * We calculate annual premium trend as follows:
- a. We calculate the current year average model year factor using the model year factors weighted by the current model year earned car year distribution.
 - b. We calculate the following year average model year factor using the model year factors weighted by the following year model year earned car year distribution.
 - c. The resulting percent difference between average model year factors equals annual premium trend.
 - d. We then calculate a premium trend factor for each coverage and accident year (as shown in Exhibit 5.2), and then apply these factors to earned premium at current rate level.

| Model Year | <u>Proposed Model Year Factors</u> | | | | | | | <u>Current ECY Dist.</u> | | <u>Projected ECY Dist.</u> | |
|-----------------------------|------------------------------------|-------------|-------------|-------------|----------------|-------------|-------------|--------------------------|-------------|----------------------------|-------------|
| | <u>BI</u> | <u>PD</u> | <u>UM</u> | <u>UMPD</u> | <u>Med/PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Liability</u> | <u>Phys</u> | <u>Liability</u> | <u>Phys</u> |
| <= 1994 | 0.99 | 0.99 | 0.99 | 1.00 | 1.00 | 0.97 | 0.71 | 8.0% | 1.4% | 6.2% | 1.0% |
| 1995 | 0.99 | 0.99 | 0.99 | 1.00 | 1.00 | 0.98 | 0.71 | 1.7% | 0.4% | 1.8% | 0.5% |
| 1996 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.98 | 0.71 | 2.2% | 0.6% | 1.7% | 0.4% |
| 1997 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.71 | 2.7% | 1.0% | 2.2% | 0.6% |
| 1998 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.97 | 0.71 | 3.3% | 1.3% | 2.7% | 1.0% |
| 1999 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.03 | 0.71 | 3.3% | 1.7% | 3.3% | 1.3% |
| 2000 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.03 | 0.71 | 4.3% | 2.7% | 3.3% | 1.7% |
| 2001 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.02 | 0.75 | 4.8% | 3.5% | 4.3% | 2.7% |
| 2002 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.01 | 0.78 | 5.6% | 5.1% | 4.8% | 3.5% |
| 2003 | 1.02 | 1.02 | 1.02 | 1.00 | 1.00 | 1.01 | 0.82 | 6.8% | 6.9% | 5.6% | 5.1% |
| 2004 | 1.04 | 1.04 | 1.04 | 1.00 | 1.00 | 1.01 | 0.86 | 6.7% | 7.6% | 6.8% | 6.9% |
| 2005 | 1.06 | 1.06 | 1.06 | 1.00 | 1.00 | 1.03 | 0.91 | 7.6% | 9.4% | 6.7% | 7.6% |
| 2006 | 1.08 | 1.08 | 1.08 | 1.00 | 1.00 | 1.05 | 0.95 | 8.1% | 10.6% | 7.6% | 9.4% |
| 2007 | 1.10 | 1.10 | 1.10 | 1.00 | 1.00 | 1.07 | 1.00 | 8.6% | 11.6% | 8.1% | 10.6% |
| 2008 | 1.12 | 1.12 | 1.12 | 1.00 | 1.00 | 1.09 | 1.05 | 9.0% | 12.2% | 8.6% | 11.6% |
| 2009 | 1.14 | 1.14 | 1.14 | 1.00 | 1.00 | 1.11 | 1.10 | 8.1% | 11.2% | 9.0% | 12.2% |
| 2010 | 1.16 | 1.16 | 1.16 | 1.00 | 1.00 | 1.13 | 1.16 | 6.9% | 9.6% | 8.1% | 11.2% |
| 2011 | 1.18 | 1.18 | 1.18 | 1.00 | 1.00 | 1.15 | 1.22 | 2.3% | 3.2% | 6.9% | 9.6% |
| 2012 | 1.20 | 1.20 | 1.20 | 1.00 | 1.00 | 1.17 | 1.28 | 0.1% | 0.1% | 2.4% | 3.3% |
| Avg factor for current year | 1.06 | 1.06 | 1.06 | 1.00 | 1.00 | 1.06 | 0.96 | 100.0% | 100.0% | 100.0% | 100.0% |
| Avg factor one year ahead | 1.07 | 1.07 | 1.07 | 1.00 | 1.00 | 1.07 | 1.00 | | | | |
| Annual Change | 1.3% | 1.3% | 1.3% | 0.0% | 0.0% | 1.4% | 4.8% | | | | |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 5.2

III. Premium Trend Factors for the Indication

Premium trend factors are calculated using the annual premium trend factors shown in section II, with a trend period that begins on the average earning date for each accident year and ends on the average earning date for our proposed rate revision. The resulting premium trend factors are shown below.

| <u>Accident Year</u> | <u>BI</u> | <u>PD</u> | <u>UM</u> | <u>UMPD</u> | <u>Med/PIP</u> | <u>Comp</u> | <u>Coll</u> |
|----------------------|-----------|-----------|-----------|-------------|----------------|-------------|-------------|
| 25-36 | 1.05 | 1.05 | 1.05 | 1.00 | 1.00 | 1.05 | 1.18 |
| 13-24 | 1.04 | 1.04 | 1.04 | 1.00 | 1.00 | 1.04 | 1.13 |
| 1-12 | 1.02 | 1.02 | 1.02 | 1.00 | 1.00 | 1.02 | 1.08 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 6

Current Rate Level Factors

We calculate the current rate level factors as follows:

- I. The first box shows all rate changes which affected earned premium in the experience period used in the indication.
- II. The second box shows the compounded rate change factors, beginning with 1.00 for the base revision.
- III. The third box shows the distribution of EP by rate revision for each of the 3 accident periods.
- IV. The last box shows the current rate level factors by accident period, which equals the final compounded rate change factor (last row of box II), divided by the average compounded rate factor (weighted average of box II using box III as weights.)

| <u>I. Rate Changes By Coverage</u> | | | | | | | | | | | |
|---|-------------|--------------|----------------|-------------|----------------|--------------|-------------|-------------|---------------|------------|----------------|
| <u>NB Eff. Date</u> | <u>BI</u> | <u>PD</u> | <u>UM/UIIM</u> | <u>UMPD</u> | <u>Med Pay</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> | <u>FAE</u> | <u>Overall</u> |
| 06/01/2011 | 4.9% | 15.0% | 33.0% | | | 38.5% | 4.5% | | 12.5% | | 8.8% |

| <u>II. Compounded Rate Changes</u> | | | | | | | | | | | |
|---|-----------|-----------|----------------|-------------|----------------|------------|-------------|-------------|---------------|------------|----------------|
| <u>NB Eff. Date</u> | <u>BI</u> | <u>PD</u> | <u>UM/UIIM</u> | <u>UMPD</u> | <u>Med Pay</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> | <u>FAE</u> | <u>Overall</u> |
| Base | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 1-Jun-11 | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |

III. Percent of Accident Period Earned Exposures by Revision

| <u>Rate</u> <u>Revision</u> | <u>Accident Period</u> | | |
|--------------------------------|------------------------|--------------|-------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> |
| Base | 100.0% | 93.8% | 6.9% |
| 1-Jun-11 | 0.0% | 6.2% | 93.1% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | <u>0.0%</u> | <u>0.0%</u> | <u>0.0%</u> |
| Total | 100.0% | 100.0% | 100.0% |

| <u>IV. Current Rate Level Factors</u> | | | | | | | | | | | |
|--|-----------|-----------|----------------|-------------|----------------|------------|-------------|-------------|---------------|------------|--|
| <u>Accident Period</u> | <u>BI</u> | <u>PD</u> | <u>UM/UIIM</u> | <u>UMPD</u> | <u>Med Pay</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> | <u>FAE</u> | |
| 25-36 | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | |
| 13-24 | 1.05 | 1.14 | 1.30 | 1.00 | 1.00 | 1.35 | 1.04 | 1.00 | 1.12 | 1.00 | |
| 1-12 | 1.00 | 1.01 | 1.02 | 1.00 | 1.00 | 1.02 | 1.00 | 1.00 | 1.01 | 1.00 | |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.1

Loss Development

Explanation of Loss Development Methodology

- * We develop incurred loss and ALAE to ultimate using the Bornhuetter-Ferguson method (BF) as described in "The Actuary and IBNR", Bornhuetter, R.L. and Ferguson, R.E., PCAS 1972.
We use the BF because several papers in the actuarial literature suggest convincingly that it produces more accurate and stable estimates than the more commonly used Loss Development Factor (LDF) method. We cite two such papers:
 1. "A Simulation Test of Prediction Errors of Loss Reserving Techniques", James Stanard, PCAS 1985
 2. "Some Extensions of J. N. Stanard's Simulation Model for Loss Reserving", Richard Vaughan, CAS Forum 1998
- * The BF method blends two methods - the LDF method and the Expected Loss Ratio (ELR) method - to develop losses to ultimate. We describe our calculation of these two methods below.

1. LDF Method

We develop LDFs using a 3-step process:

1. We calculate LDFs using the indicated factors from a chain-ladder methodology. (Vaughan shows that this method is generally more accurate than a straight average or average x high-low of the individual age-to-age factors.) We use the most recent 16 quarters of data, assigning progressively lower weights to the oldest quarters, reflecting their decreasing relevance.
2. We separately develop LDFs using state-specific and countrywide data.
3. We select LDFs using a weighted average of the state-specific and countrywide LDFs, based on the credibility of the state-specific data.

2. Expected Loss Method

We calculate the Expected Losses using a method described in "Balancing Development and Trend in Loss Reserve Analysis", Spencer Gluck, PCAS 1997. The method has 3 steps:

1. For each of the 12 accident quarters used in the experience period, we calculate expected pure premium as the weighted average of all of the accident quarter developed pure premiums from the LDF method, double-weighted by the accident quarter earned exposures and by the set of accident quarter weights that reflect proximities to the accident quarter whose expected losses are being estimated.
2. Each quarter's expected pure premium is trended (or detrended) forward (or backward) to account for the difference between the average date of loss of the accident quarter and the average date of loss of the entire experience period used to estimate the expected pure premium.
3. For each accident quarter, the expected losses are the product of that quarter's earned exposures and its expected pure premium.

* Combining Data Across Companies for Loss Development

When business is written in multiple companies in a given state, we use the combined-company data to calculate loss development factors. We do this to increase credibility, because we believe that loss development patterns are similar between companies. (The loss development patterns are driven primarily by the system-set average reserve, claim reserving practices, state liability laws and policyholder limit profile, and these are typically the same or similar between companies in a given state.)

For each coverage's loss development exhibit, the combined-company incurred Loss + ALAE triangle is shown on page 1 and the company-specific incurred Loss + ALAE triangle is shown on page 2.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.2

Loss Development
Bodily Injury

Incurred Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|---------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 6,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 7,850 | 7,427 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 |
| Sep-09 | 7,850 | 7,850 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 |
| Dec-09 | 8,500 | 8,500 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 |
| Mar-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 28,149 | 29,600 | 28,950 | | | | | | | |
| Dec-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | |
| Mar-11 | 17,000 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | | | | | | | | | |
| Jun-11 | 17,000 | 17,000 | 11,750 | 11,750 | 11,750 | 11,750 | | | | | | | | | | |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | | |
| Dec-11 | 0 | 0 | 0 | 0 | | | | | | | | | | | | |
| Mar-12 | 100,500 | 100,500 | 100,500 | | | | | | | | | | | | | |
| Jun-12 | 34,100 | 12,461 | | | | | | | | | | | | | | |
| Sep-12 | 50,500 | | | | | | | | | | | | | | | |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | 0.23 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | #DIV/0! |
| Dec-07 | #DIV/0! |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | #DIV/0! |
| Jun-09 | 0.95 | 3.38 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 1.00 | 1.72 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | 1.00 | 0.57 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-10 | #DIV/0! |
| Jun-10 | #DIV/0! |
| Sep-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.10 | 1.05 | 0.98 | | | | | | | |
| Dec-10 | #DIV/0! | | | | | | | | |
| Mar-11 | 0.21 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | | | | | | | | | |
| Jun-11 | 1.00 | 0.69 | 1.00 | 1.00 | 1.00 | | | | | | | | | | |
| Sep-11 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | | | | | | | | | | | |
| Dec-11 | #DIV/0! | #DIV/0! | #DIV/0! | | | | | | | | | | | | |
| Mar-12 | 1.00 | 1.00 | | | | | | | | | | | | | |
| Jun-12 | 0.37 | | | | | | | | | | | | | | |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.05 | 1.00 | 1.01 | 1.02 | 1.02 | 1.02 | 1.03 | 1.02 | 1.02 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.02 |
| Arkansas | 0.83 | 1.04 | 1.00 | 1.00 | 1.00 | 1.04 | 1.02 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.05 | 1.00 | 1.01 | 1.02 | 1.02 | 1.02 | 1.03 | 1.02 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.02 |
| Cumulative Selected | 1.31 | 1.25 | 1.25 | 1.24 | 1.21 | 1.19 | 1.17 | 1.13 | 1.11 | 1.09 | 1.07 | 1.05 | 1.04 | 1.03 | 1.02 | 1.02 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 6,837 | 4,832 | 1.05 | 5,083 | 74% | 35 | 500 | 17,385 | 254% | 0.95 | 5,691 | 83% |
| 31-Mar-10 | 6,811 | 0 | 1.07 | 0 | 0% | 36 | 504 | 17,893 | 263% | 0.94 | 1,134 | 17% |
| 30-Jun-10 | 6,738 | 0 | 1.09 | 0 | 0% | 35 | 508 | 17,730 | 263% | 0.92 | 1,448 | 21% |
| 30-Sep-10 | 6,350 | 28,950 | 1.11 | 32,152 | 506% | 34 | 512 | 17,531 | 276% | 0.90 | 30,696 | 483% |
| 31-Dec-10 | 6,260 | 0 | 1.13 | 0 | 0% | 36 | 517 | 18,728 | 299% | 0.88 | 2,192 | 35% |
| 31-Mar-11 | 5,891 | 3,529 | 1.17 | 4,117 | 70% | 34 | 521 | 17,869 | 303% | 0.86 | 6,079 | 103% |
| 30-Jun-11 | 6,499 | 11,750 | 1.19 | 13,982 | 215% | 35 | 525 | 18,428 | 284% | 0.84 | 14,692 | 226% |
| 30-Sep-11 | 6,242 | 0 | 1.21 | 0 | 0% | 35 | 530 | 18,523 | 297% | 0.82 | 3,260 | 52% |
| 31-Dec-11 | 5,661 | 0 | 1.24 | 0 | 0% | 33 | 534 | 17,600 | 311% | 0.81 | 3,380 | 60% |
| 31-Mar-12 | 5,412 | 100,500 | 1.25 | 125,618 | 2321% | 31 | 539 | 16,481 | 305% | 0.80 | 103,795 | 1918% |
| 30-Jun-12 | 5,283 | 12,461 | 1.25 | 15,587 | 295% | 30 | 543 | 16,048 | 304% | 0.80 | 15,679 | 297% |
| 30-Sep-12 | 5,211 | 50,500 | 1.31 | 66,025 | 1267% | 29 | 548 | 15,726 | 302% | 0.76 | 54,198 | 1040% |
| Total | 73,196 | 212,522 | | 262,563 | | | | 209,943 | | | 242,243 | |

Annual Pure Premium Trend
(From Exhibit 4)
3.4%

Ultimate Paid Loss
(Using B-F Method)

| | |
|-----------|---------|
| Trl 25-36 | 38,968 |
| Trl 13-24 | 26,223 |
| Trl 1-12 | 177,052 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.4

Loss Development
Property Damage

Incurring Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 0 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 2,981 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 |
| Dec-07 | 2,500 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 4,907 | 9,117 | 11,901 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 |
| Sep-09 | 7,986 | 10,160 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 |
| Dec-09 | 6,280 | 6,189 | 6,189 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 |
| Mar-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-10 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 |
| Sep-10 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 |
| Dec-10 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 |
| Mar-11 | 5,051 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 |
| Jun-11 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-12 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 |
| Jun-12 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 |
| Sep-12 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | 0.62 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-07 | 0.36 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | #DIV/0! |
| Jun-09 | 1.86 | 1.31 | 1.02 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 1.27 | 1.92 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | 0.99 | 1.00 | 1.22 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-10 | #DIV/0! |
| Jun-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-11 | 1.05 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-11 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-11 | #DIV/0! |
| Dec-11 | #DIV/0! |
| Mar-12 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-12 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.09 | 1.04 | 1.03 | 1.02 | 1.01 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.12 | 1.25 | 1.03 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.09 | 1.04 | 1.03 | 1.02 | 1.01 | 1.01 | 1.01 | 1.00 |
| Cumulative Selected | 1.23 | 1.13 | 1.08 | 1.05 | 1.03 | 1.02 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 4,962 | 7,550 | 1.00 | 7,550 | 152% | 35 | 68 | 2,366 | 48% | 1.00 | 7,550 | 152% |
| 31-Mar-10 | 4,946 | 0 | 1.00 | 0 | 0% | 36 | 68 | 2,422 | 49% | 1.00 | 0 | 0% |
| 30-Jun-10 | 4,897 | 1,201 | 1.00 | 1,201 | 25% | 35 | 68 | 2,388 | 49% | 1.00 | 1,201 | 25% |
| 30-Sep-10 | 4,593 | 867 | 1.00 | 867 | 19% | 34 | 69 | 2,349 | 51% | 1.00 | 867 | 19% |
| 31-Dec-10 | 4,490 | 2,672 | 1.00 | 2,672 | 60% | 36 | 69 | 2,497 | 56% | 1.00 | 2,672 | 60% |
| 31-Mar-11 | 4,236 | 5,284 | 1.01 | 5,336 | 126% | 34 | 69 | 2,370 | 56% | 0.99 | 5,307 | 125% |
| 30-Jun-11 | 4,675 | 585 | 1.02 | 597 | 13% | 35 | 69 | 2,432 | 52% | 0.98 | 632 | 14% |
| 30-Sep-11 | 4,513 | 0 | 1.03 | 0 | 0% | 35 | 70 | 2,432 | 54% | 0.97 | 70 | 2% |
| 31-Dec-11 | 4,262 | 0 | 1.05 | 0 | 0% | 33 | 70 | 2,299 | 54% | 0.95 | 110 | 3% |
| 31-Mar-12 | 4,236 | 1,302 | 1.08 | 1,409 | 33% | 31 | 70 | 2,142 | 51% | 0.92 | 1,464 | 35% |
| 30-Jun-12 | 4,145 | 2,600 | 1.13 | 2,932 | 71% | 30 | 70 | 2,075 | 50% | 0.89 | 2,835 | 68% |
| 30-Sep-12 | 4,077 | 2,850 | 1.23 | 3,504 | 86% | 29 | 70 | 2,023 | 50% | 0.81 | 3,227 | 79% |
| Total | 54,032 | 24,912 | | 26,067 | | | | 27,794 | | | 25,936 | |

Annual Pure Premium Trend
(From Exhibit 4)
1.3%

| Ultimate Paid Loss (Using B-F Method) | |
|--|-------|
| Trl 25-36 | 9,618 |
| Trl 13-24 | 8,682 |
| Trl 1-12 | 7,636 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.6

Loss Development
UM/UIM - Capped at \$50,000 per claimant

Incurring Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 0 | 0 | 0 | 0 | 0 | 0 | 8,400 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 7,850 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 |
| Sep-09 | 7,850 | 25,500 | 25,000 | 25,000 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 34,000 | 34,000 | 34,000 | 34,350 | 34,350 | 35,346 | 38,271 | 38,271 | 46,786 | 48,286 | 40,286 | | | | | |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 0 | 8,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-12 | 34,000 | 34,000 | 34,000 | | | | | | | | | | | | | |
| Jun-12 | 0 | 0 | | | | | | | | | | | | | | |
| Sep-12 | 0 | | | | | | | | | | | | | | | |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | 0.42 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | #DIV/0! |
| Dec-07 | #DIV/0! |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | #DIV/0! |
| Jun-09 | 0.06 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 3.25 | 0.98 | 1.00 | 0.18 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | #DIV/0! |
| Mar-10 | 1.00 | 1.00 | 1.01 | 1.00 | 1.03 | 1.08 | 1.00 | 1.22 | 1.03 | 0.83 | | | | | |
| Jun-10 | #DIV/0! |
| Sep-10 | #DIV/0! |
| Dec-10 | #DIV/0! |
| Mar-11 | #DIV/0! |
| Jun-11 | #DIV/0! |
| Sep-11 | #DIV/0! |
| Dec-11 | #DIV/0! | 0.00 | #DIV/0! | | | | | | | | | | | | |
| Mar-12 | 1.00 | 1.00 | | | | | | | | | | | | | |
| Jun-12 | #DIV/0! | | | | | | | | | | | | | | |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.34 | 1.05 | 1.12 | 1.05 | 1.05 | 1.04 | 1.04 | 1.03 | 1.03 | 1.02 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.03 |
| Arkansas | 1.22 | 0.90 | 1.01 | 0.67 | 1.03 | 1.07 | 1.00 | 1.19 | 1.03 | 0.86 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.34 | 1.05 | 1.12 | 1.05 | 1.04 | 1.04 | 1.03 | 1.03 | 1.03 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.03 |
| Cumulative Selected | 2.18 | 1.63 | 1.55 | 1.39 | 1.32 | 1.27 | 1.22 | 1.18 | 1.14 | 1.11 | 1.09 | 1.07 | 1.06 | 1.04 | 1.03 | 1.03 |

| Accident Quarter | Earned Premium | LDF Method | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|------------------|---------------------|-----------------|----------------------|------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 2,137 | 0 | 1.07 | 0 | 0% | 69 | 117 | 8,096 | 379% | 0.93 | 543 | 25% |
| 31-Mar-10 | 2,078 | 40,286 | 1.09 | 43,958 | 2116% | 67 | 119 | 7,968 | 384% | 0.92 | 40,952 | 1971% |
| 30-Jun-10 | 2,066 | 0 | 1.11 | 0 | 0% | 68 | 121 | 8,297 | 402% | 0.90 | 843 | 41% |
| 30-Sep-10 | 1,988 | 0 | 1.14 | 0 | 0% | 64 | 123 | 7,844 | 395% | 0.88 | 969 | 49% |
| 31-Dec-10 | 2,169 | 0 | 1.18 | 0 | 0% | 69 | 125 | 8,618 | 397% | 0.85 | 1,289 | 59% |
| 31-Mar-11 | 2,033 | 0 | 1.22 | 0 | 0% | 64 | 127 | 8,108 | 399% | 0.82 | 1,445 | 71% |
| 30-Jun-11 | 2,101 | 0 | 1.27 | 0 | 0% | 66 | 129 | 8,535 | 406% | 0.79 | 1,792 | 85% |
| 30-Sep-11 | 2,081 | 0 | 1.32 | 0 | 0% | 63 | 131 | 8,300 | 399% | 0.76 | 2,025 | 97% |
| 31-Dec-11 | 2,176 | 0 | 1.39 | 0 | 0% | 63 | 133 | 8,312 | 382% | 0.72 | 2,314 | 106% |
| 31-Mar-12 | 2,200 | 34,000 | 1.55 | 52,737 | 2397% | 55 | 135 | 7,392 | 336% | 0.64 | 36,626 | 1665% |
| 30-Jun-12 | 2,217 | 0 | 1.63 | 0 | 0% | 54 | 137 | 7,368 | 332% | 0.61 | 2,838 | 128% |
| 30-Sep-12 | 2,126 | 0 | 2.18 | 0 | 0% | 52 | 139 | 7,272 | 342% | 0.46 | 3,933 | 185% |
| Total | 25,371 | 74,286 | | 96,696 | | | | 96,110 | | | 95,568 | |

Annual Pure Premium Trend
(From Exhibit 4)
6.4%

Ultimate Paid Loss
(Using B-F Method)

| | |
|-----------|--------|
| Trl 25-36 | 43,306 |
| Trl 13-24 | 6,551 |
| Trl 1-12 | 45,711 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.8

Loss Development
UMPD

Incurring Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 0 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 |
| Sep-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Dec-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Mar-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|
| | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | |
| Dec-06 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Mar-07 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Jun-07 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Sep-07 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Dec-07 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Mar-08 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Jun-08 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Sep-08 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Dec-08 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Mar-09 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Jun-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Sep-09 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Dec-09 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Mar-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Jun-10 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Sep-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Dec-10 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Mar-11 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Jun-11 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Sep-11 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Dec-11 | 1.00 | 0.00 | #DIV/0! | |
| Mar-12 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Jun-12 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.15 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.00 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.15 | 1.01 | 1.00 |
| Cumulative Selected | 1.24 | 1.08 | 1.07 | 1.06 | 1.05 | 1.04 | 1.03 | 1.02 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|----------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurring Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | (30) | 0 | 1.00 | 0 | 0% | 5 | 10 | 47 | -160% | 1.00 | 0 | 0% |
| 31-Mar-10 | 46 | 300 | 1.00 | 300 | 655% | 5 | 10 | 52 | 114% | 1.00 | 300 | 0% |
| 30-Jun-10 | 4 | 0 | 1.00 | 0 | 0% | 5 | 11 | 49 | 1313% | 1.00 | 0 | 0% |
| 30-Sep-10 | 58 | 300 | 1.01 | 303 | 522% | 4 | 11 | 46 | 79% | 0.99 | 300 | 0% |
| 31-Dec-10 | 9 | 0 | 1.02 | 0 | 0% | 5 | 11 | 53 | 612% | 0.98 | 1 | 0% |
| 31-Mar-11 | 56 | 0 | 1.03 | 0 | 0% | 5 | 11 | 54 | 96% | 0.97 | 2 | 0% |
| 30-Jun-11 | 17 | 0 | 1.04 | 0 | 0% | 5 | 11 | 56 | 340% | 0.96 | 2 | 0% |
| 30-Sep-11 | 70 | 0 | 1.05 | 0 | 0% | 5 | 11 | 58 | 82% | 0.95 | 3 | 0% |
| 31-Dec-11 | 32 | 0 | 1.06 | 0 | 0% | 5 | 11 | 61 | 190% | 0.94 | 4 | 0% |
| 31-Mar-12 | 44 | 0 | 1.07 | 0 | 0% | 5 | 11 | 55 | 126% | 0.93 | 4 | 0% |
| 30-Jun-12 | 5 | 0 | 1.08 | 0 | 0% | 5 | 12 | 61 | 1263% | 0.92 | 5 | 0% |
| 30-Sep-12 | 47 | 0 | 1.24 | 0 | 0% | 5 | 12 | 62 | 130% | 0.80 | 12 | 0% |
| Total | 358 | 600 | | 603 | | | | 654 | | | 632 | |

Annual Pure Premium Trend
(From Exhibit 4)
4.3%

| Ultimate Paid Loss (Using B-F Method) | |
|--|-----|
| Tr1 25-36 | 600 |
| Tr1 13-24 | 8 |
| Tr1 1-12 | 24 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.10

Loss Development
Medical Payments

Incurred Loss + ALAE (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 |
| Sep-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | #DIV/0! |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | #DIV/0! |
| Dec-07 | #DIV/0! |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | #DIV/0! |
| Jun-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | #DIV/0! |
| Dec-09 | #DIV/0! |
| Mar-10 | #DIV/0! |
| Jun-10 | #DIV/0! |
| Sep-10 | #DIV/0! |
| Dec-10 | #DIV/0! |
| Mar-11 | #DIV/0! |
| Jun-11 | #DIV/0! |
| Sep-11 | #DIV/0! |
| Dec-11 | #DIV/0! |
| Mar-12 | #DIV/0! |
| Jun-12 | #DIV/0! |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 0.95 | 0.99 | 1.05 | 1.03 | 1.02 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 0.95 | 0.99 | 1.05 | 1.03 | 1.02 | 1.01 | 1.01 | 1.00 |
| Cumulative Selected | 1.06 | 1.11 | 1.13 | 1.07 | 1.04 | 1.02 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 42 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 31-Mar-10 | 67 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 30-Jun-10 | 56 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 30-Sep-10 | 32 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 31-Dec-10 | 26 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 31-Mar-11 | 27 | 0 | 1.01 | 0 | 0% | 2 | 0 | 0 | 0% | 0.99 | 0 | 0% |
| 30-Jun-11 | 52 | 0 | 1.02 | 0 | 0% | 2 | 0 | 0 | 0% | 0.98 | 0 | 0% |
| 30-Sep-11 | 41 | 0 | 1.04 | 0 | 0% | 2 | 0 | 0 | 0% | 0.96 | 0 | 0% |
| 31-Dec-11 | 40 | 0 | 1.07 | 0 | 0% | 2 | 0 | 0 | 0% | 0.93 | 0 | 0% |
| 31-Mar-12 | 41 | 0 | 1.13 | 0 | 0% | 2 | 0 | 0 | 0% | 0.89 | 0 | 0% |
| 30-Jun-12 | 43 | 0 | 1.11 | 0 | 0% | 2 | 0 | 0 | 0% | 0.90 | 0 | 0% |
| 30-Sep-12 | 43 | 0 | 1.06 | 0 | 0% | 2 | 0 | 0 | 0% | 0.94 | 0 | 0% |
| Total | 509 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Annual Pure Premium Trend
(From Exhibit 4)
3.4%

| Ultimate Paid Loss (Using B-F Method) | |
|--|---|
| Tr1 25-36 | 0 |
| Tr1 13-24 | 0 |
| Tr1 1-12 | 0 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.12

Loss Development
PIP

Incurred Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 6,600 | 6,600 | 11,318 | 11,340 | 10,600 | 10,600 | 10,598 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 7,600 | 3,300 | 4,398 | 5,129 | 5,130 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 3,400 | 3,400 | 75 | 75 | 75 | 75 | 5,075 | 5,075 | 5,075 | 7,672 | 7,672 | 7,672 | 7,672 | 7,672 | 7,672 | 7,672 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 3,400 | 4,957 | 8,223 | 10,051 | 10,051 | 10,051 | 17,629 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 |
| Jun-09 | 0 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 |
| Sep-09 | 2,780 | 4,248 | 4,248 | 4,248 | 4,248 | 4,248 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 13,600 | 5,167 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 0 | 5,100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-10 | 3,400 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-11 | 0 | 0 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 3,981 | 8,981 | 8,981 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 |
| Mar-12 | 3,408 | 3,408 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 |
| Jun-12 | 5,100 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 |
| Sep-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | 1.00 | 1.71 | 1.00 | 0.93 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | #DIV/0! |
| Dec-07 | 0.43 | 1.33 | 1.17 | 1.00 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | #DIV/0! |
| Jun-08 | 1.00 | 0.02 | 1.00 | 1.00 | 1.00 | 67.67 | 1.00 | 1.00 | 1.51 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | 1.46 | 1.66 | 1.22 | 1.00 | 1.00 | 1.75 | 0.81 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-09 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 1.53 | 1.00 | 1.00 | 1.00 | 1.00 | 1.10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | #DIV/0! |
| Mar-10 | 0.38 | 2.44 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-10 | #DIV/0! |
| Sep-10 | #DIV/0! | 0.00 | #DIV/0! |
| Dec-10 | 0.00 | #DIV/0! |
| Mar-11 | #DIV/0! | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-11 | #DIV/0! |
| Sep-11 | #DIV/0! |
| Dec-11 | 2.26 | 1.00 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 |
| Mar-12 | 1.00 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 |
| Jun-12 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.05 | 1.00 | 1.01 | 1.04 | 1.03 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 0.96 | 1.24 | 1.19 | 1.00 | 1.00 | 1.29 | 0.93 | 1.00 | 1.04 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.05 | 1.00 | 1.01 | 1.04 | 1.03 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Cumulative Selected | 1.24 | 1.18 | 1.18 | 1.16 | 1.12 | 1.09 | 1.06 | 1.04 | 1.03 | 1.02 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 1,441 | 0 | 1.00 | 0 | 0% | 29 | 119 | 3,482 | 242% | 1.00 | 0 | 0% |
| 31-Mar-10 | 1,586 | 12,603 | 1.01 | 12,727 | 802% | 29 | 119 | 3,436 | 217% | 0.99 | 12,637 | 797% |
| 30-Jun-10 | 1,689 | 0 | 1.02 | 0 | 0% | 28 | 119 | 3,393 | 201% | 0.98 | 65 | 4% |
| 30-Sep-10 | 1,563 | 0 | 1.03 | 0 | 0% | 28 | 119 | 3,353 | 214% | 0.97 | 100 | 6% |
| 31-Dec-10 | 1,438 | 0 | 1.04 | 0 | 0% | 29 | 119 | 3,472 | 241% | 0.96 | 136 | 9% |
| 31-Mar-11 | 1,337 | 3,155 | 1.06 | 3,343 | 250% | 28 | 119 | 3,287 | 246% | 0.94 | 3,339 | 250% |
| 30-Jun-11 | 1,451 | 0 | 1.09 | 0 | 0% | 28 | 119 | 3,368 | 232% | 0.92 | 266 | 18% |
| 30-Sep-11 | 1,485 | 0 | 1.12 | 0 | 0% | 28 | 119 | 3,317 | 223% | 0.89 | 349 | 24% |
| 31-Dec-11 | 1,489 | 13,237 | 1.16 | 15,376 | 1032% | 26 | 119 | 3,064 | 206% | 0.86 | 13,664 | 917% |
| 31-Mar-12 | 1,626 | 5,149 | 1.18 | 6,062 | 373% | 24 | 119 | 2,863 | 176% | 0.85 | 5,580 | 343% |
| 30-Jun-12 | 1,560 | 1,890 | 1.18 | 2,234 | 143% | 23 | 119 | 2,700 | 173% | 0.85 | 2,306 | 148% |
| 30-Sep-12 | 1,536 | 0 | 1.24 | 0 | 0% | 22 | 119 | 2,612 | 170% | 0.81 | 504 | 33% |
| Total | 18,202 | 36,035 | | 39,742 | | | | 38,346 | | | 38,946 | |

Annual Pure Premium Trend
(From Exhibit 4)
0.0%

Ultimate Paid Loss
(Using B-F Method)

| | |
|-----------|--------|
| Trl 25-36 | 12,802 |
| Trl 13-24 | 4,090 |
| Trl 1-12 | 22,054 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.14

**Loss Development
Comprehensive**

Incurring Loss + ALAE (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 11,200 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 |
| Mar-07 | 1,380 | 15,646 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 |
| Jun-07 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 |
| Sep-07 | 1,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 2,091 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 |
| Mar-08 | 0 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 |
| Jun-08 | 2,446 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 |
| Sep-08 | 5,019 | 5,019 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 1,915 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 |
| Jun-09 | 0 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 |
| Sep-09 | 15,500 | 15,359 | 15,417 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 |
| Dec-09 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 |
| Mar-10 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 1,100 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 |
| Dec-10 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 |
| Mar-11 | 131 | 2,957 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 |
| Jun-11 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 |
| Sep-11 | 98 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 |
| Dec-11 | 467 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 |
| Mar-12 | 97 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 |
| Jun-12 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 |
| Sep-12 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | 11.34 | 0.88 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-07 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-07 | 0.00 | #DIV/0! |
| Dec-07 | 1.08 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-08 | 0.81 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-08 | 1.00 | 1.10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-08 | #DIV/0! |
| Mar-09 | 1.87 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-09 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 0.99 | 1.00 | 0.77 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-10 | #DIV/0! |
| Sep-10 | 1.27 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-11 | 22.64 | 1.03 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-11 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-11 | 1.98 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-11 | 1.21 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-12 | 2.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-12 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.14 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.17 | 1.01 | 0.92 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.14 | 1.01 | 1.00 |
| Cumulative Selected | 1.15 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|----------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurring Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 3,483 | 5,519 | 1.00 | 5,519 | 158% | 21 | 88 | 1,881 | 54% | 1.00 | 5,519 | 158% |
| 31-Mar-10 | 3,259 | 4,163 | 1.00 | 4,163 | 128% | 21 | 89 | 1,829 | 56% | 1.00 | 4,163 | 128% |
| 30-Jun-10 | 3,048 | 0 | 1.00 | 0 | 0% | 19 | 90 | 1,727 | 57% | 1.00 | 0 | 0% |
| 30-Sep-10 | 2,947 | 1,395 | 1.00 | 1,395 | 47% | 19 | 91 | 1,745 | 59% | 1.00 | 1,395 | 47% |
| 31-Dec-10 | 3,010 | 2,078 | 1.00 | 2,078 | 69% | 20 | 92 | 1,849 | 61% | 1.00 | 2,078 | 69% |
| 31-Mar-11 | 2,861 | 3,042 | 1.00 | 3,042 | 106% | 19 | 93 | 1,784 | 62% | 1.00 | 3,042 | 106% |
| 30-Jun-11 | 3,101 | 98 | 1.00 | 98 | 3% | 19 | 94 | 1,808 | 58% | 1.00 | 98 | 3% |
| 30-Sep-11 | 2,943 | 194 | 1.00 | 194 | 7% | 19 | 95 | 1,816 | 62% | 1.00 | 194 | 7% |
| 31-Dec-11 | 2,861 | 563 | 1.00 | 563 | 20% | 18 | 96 | 1,744 | 61% | 1.00 | 563 | 20% |
| 31-Mar-12 | 2,775 | 195 | 1.00 | 195 | 7% | 18 | 96 | 1,742 | 63% | 1.00 | 197 | 7% |
| 30-Jun-12 | 2,759 | 1,122 | 1.01 | 1,131 | 41% | 18 | 97 | 1,801 | 65% | 0.99 | 1,136 | 41% |
| 30-Sep-12 | 2,836 | 251 | 1.15 | 288 | 10% | 19 | 98 | 1,838 | 65% | 0.87 | 490 | 17% |
| Total | 35,882 | 18,618 | | 18,665 | | | | 21,563 | | | 18,875 | |

Annual Pure Premium Trend
(From Exhibit 4)
4.1%

Ultimate Paid Loss
(Using B-F Method)

| | |
|-----------|--------|
| Trl 25-36 | 11,077 |
| Trl 13-24 | 5,411 |
| Trl 1-12 | 2,387 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.16

Loss Development
Collision

Incurred Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 6,356 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 |
| Mar-07 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 3,072 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 |
| Dec-07 | 16,097 | 15,901 | 6,267 | 6,217 | 6,217 | 6,067 | 5,917 | 5,567 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 |
| Mar-08 | 2,675 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 |
| Jun-08 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 |
| Sep-08 | 2,283 | 2,283 | 2,283 | 2,283 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 7,510 | 10,058 | 10,900 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 |
| Jun-09 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 |
| Sep-09 | 7,378 | 7,540 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 |
| Dec-09 | 4,838 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 |
| Mar-10 | 6,233 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 4,878 | 9,373 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 |
| Dec-10 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 |
| Mar-11 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 7,876 | 7,326 | 7,326 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 |
| Dec-11 | 32,760 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 |
| Mar-12 | 27,254 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 |
| Jun-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-12 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | 2.73 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-07 | #DIV/0! |
| Sep-07 | 1.06 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-07 | 0.99 | 0.39 | 0.99 | 1.00 | 0.98 | 0.98 | 0.94 | 0.97 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | 0.84 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-08 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-08 | 1.00 | 1.00 | 1.00 | 0.49 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-08 | #DIV/0! |
| Mar-09 | 1.34 | 1.08 | 0.78 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 1.02 | 1.19 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | 1.03 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-10 | 0.88 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-10 | #DIV/0! |
| Sep-10 | 1.92 | 0.53 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-11 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-11 | #DIV/0! |
| Sep-11 | 0.93 | 1.00 | 1.05 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-11 | 1.08 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-12 | 0.94 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-12 | #DIV/0! |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.01 | 0.96 | 0.98 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.04 | 0.98 | 0.99 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.01 | 0.96 | 0.98 | 0.99 | 1.00 |
| Cumulative Selected | 0.94 | 0.93 | 0.97 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 8,921 | 4,987 | 1.00 | 4,987 | 56% | 21 | 308 | 6,493 | 73% | 1.00 | 4,987 | 56% |
| 31-Mar-10 | 8,445 | 5,494 | 1.00 | 5,494 | 65% | 20 | 309 | 6,261 | 74% | 1.00 | 5,494 | 65% |
| 30-Jun-10 | 7,960 | 0 | 1.00 | 0 | 0% | 19 | 309 | 5,859 | 74% | 1.00 | 0 | 0% |
| 30-Sep-10 | 7,690 | 4,954 | 1.00 | 4,954 | 64% | 19 | 310 | 5,871 | 76% | 1.00 | 4,954 | 64% |
| 31-Dec-10 | 7,805 | 2,791 | 1.00 | 2,790 | 36% | 20 | 310 | 6,176 | 79% | 1.00 | 2,791 | 36% |
| 31-Mar-11 | 7,510 | 3,678 | 1.00 | 3,678 | 49% | 19 | 311 | 5,909 | 79% | 1.00 | 3,678 | 49% |
| 30-Jun-11 | 7,816 | 0 | 1.00 | 0 | 0% | 18 | 312 | 5,689 | 73% | 1.00 | 0 | 0% |
| 30-Sep-11 | 7,319 | 7,696 | 1.00 | 7,694 | 105% | 18 | 312 | 5,662 | 77% | 1.00 | 7,694 | 105% |
| 31-Dec-11 | 6,790 | 35,483 | 0.99 | 35,122 | 517% | 17 | 313 | 5,394 | 79% | 0.99 | 34,820 | 513% |
| 31-Mar-12 | 6,441 | 25,602 | 0.97 | 24,850 | 386% | 17 | 313 | 5,343 | 83% | 0.97 | 24,277 | 377% |
| 30-Jun-12 | 6,454 | 0 | 0.93 | 0 | 0% | 17 | 314 | 5,488 | 85% | 0.93 | 369 | 6% |
| 30-Sep-12 | 6,726 | 873 | 0.94 | 823 | 12% | 18 | 314 | 5,555 | 83% | 0.94 | 1,090 | 16% |
| Total | 89,875 | 91,556 | | 90,392 | | | | 69,700 | | | 90,153 | |

Annual Pure Premium Trend
(From Exhibit 4)
0.7%

Ultimate Paid Loss
(Using B-F Method)

| | |
|-----------|--------|
| Trl 25-36 | 15,435 |
| Trl 13-24 | 14,163 |
| Trl 1-12 | 60,555 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.18

Loss Development
Rental Reimbursement

Incurred Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 0 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 |
| Mar-07 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 |
| Jun-07 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 322 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 1,584 | 1,236 | 1,236 | 1,236 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 900 | 900 | 900 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-09 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 900 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 900 | 838 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 |
| Dec-10 | 900 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 |
| Mar-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 |
| Dec-11 | 1,200 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 |
| Mar-12 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 |
| Jun-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-07 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-07 | #DIV/0! |
| Dec-07 | 2.49 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | 0.78 | 1.00 | 1.00 | 0.85 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-08 | #DIV/0! |
| Mar-09 | 1.00 | 1.00 | 0.00 | #DIV/0! |
| Jun-09 | #DIV/0! |
| Sep-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | #DIV/0! |
| Mar-10 | 1.37 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-10 | #DIV/0! |
| Sep-10 | 0.93 | 0.94 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-10 | 1.10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-11 | #DIV/0! |
| Jun-11 | #DIV/0! |
| Sep-11 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-11 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-12 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-12 | #DIV/0! |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.21 | 0.99 | 0.99 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.03 | 0.99 | 0.92 | 0.98 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.21 | 0.99 | 0.99 | 0.99 | 1.00 |
| Cumulative Selected | 1.17 | 0.97 | 0.98 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 446 | 0 | 1.00 | 0 | 0% | 14 | 33 | 461 | 103% | 1.00 | 0 | 0% |
| 31-Mar-10 | 416 | 1,230 | 1.00 | 1,230 | 296% | 13 | 33 | 430 | 103% | 1.00 | 1,230 | 296% |
| 30-Jun-10 | 399 | 0 | 1.00 | 0 | 0% | 12 | 34 | 417 | 105% | 1.00 | 0 | 0% |
| 30-Sep-10 | 409 | 787 | 1.00 | 787 | 192% | 13 | 34 | 435 | 106% | 1.00 | 787 | 192% |
| 31-Dec-10 | 429 | 990 | 1.00 | 990 | 231% | 13 | 34 | 459 | 107% | 1.00 | 990 | 231% |
| 31-Mar-11 | 405 | 0 | 1.00 | 0 | 0% | 13 | 34 | 432 | 107% | 1.00 | 0 | 0% |
| 30-Jun-11 | 416 | 0 | 1.00 | 0 | 0% | 13 | 35 | 453 | 109% | 1.00 | 0 | 0% |
| 30-Sep-11 | 421 | 295 | 1.00 | 295 | 70% | 13 | 35 | 459 | 109% | 1.00 | 295 | 70% |
| 31-Dec-11 | 415 | 900 | 0.99 | 891 | 214% | 12 | 35 | 434 | 104% | 0.99 | 886 | 213% |
| 31-Mar-12 | 429 | 480 | 0.98 | 470 | 110% | 12 | 35 | 432 | 101% | 0.98 | 470 | 109% |
| 30-Jun-12 | 464 | 0 | 0.97 | 0 | 0% | 13 | 36 | 471 | 102% | 0.97 | 14 | 3% |
| 30-Sep-12 | 469 | 0 | 1.17 | 0 | 0% | 13 | 36 | 481 | 103% | 0.85 | 71 | 15% |
| Total | 5,117 | 4,682 | | 4,663 | | | | 5,364 | | | 4,743 | |

Annual Pure Premium Trend
(From Exhibit 4)
3.0%

| Ultimate Paid Loss (Using B-F Method) | |
|--|-------|
| Trl 25-36 | 2,017 |
| Trl 13-24 | 1,285 |
| Trl 1-12 | 1,441 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.1

Underwriting Profit Provision Based on ROE Model

Liability

Financial Assumptions

| | |
|-----------------------------------|-------|
| After-Tax Target Return on Equity | 12.0% |
| After-Tax Interest Rate | 3.4% |
| Tax Rate on Underwriting Income | 35.0% |
| Target Ratio of Premium to Equity | 1.60 |

Resulting Financial Calculations

| | |
|--|-------------|
| After-Tax Inv Inc on Ins Oper (% of Prem) | 2.4% |
| After-Tax Investment Income on Equity | 3.4% |
| After-Tax Return - Ins Oper (% of Equity) | 8.6% |
| After-Tax Return - Ins Oper (% of Prem) | 5.4% |
| After-Tax Return - U/W Profit (% of Prem) | 3.0% |
| Before-Tax Return - U/W Profit (% of Prem) | 4.6% |

Expense Provisions

| | |
|----------------------------|-------|
| Loss & ALAE Ratio | 56.5% |
| Underwriting Expense Ratio | 30.0% |
| ULAE Ratio | 9.0% |
| Underwriting Profit | 4.5% |

| (1) <u>Quarter</u> <u>from</u> <u>Time 0</u> | (2) <u>Premium</u> <u>Collection</u> | (3) <u>Loss</u> <u>Payout</u> | (4) <u>Expense</u> <u>Payout</u> | (5) <u>ULAE</u> <u>Payout</u> | (6) <u>Net</u> <u>Flow</u> | (7) <u>Discount</u> <u>Factor</u> | (8) <u>Discount</u> <u>Flow</u> | (9) <u>Incremental</u> <u>Loss</u> <u>Pattern</u> | (10) <u>Incremental</u> <u>ULAE</u> <u>Pattern</u> |
|---|--|-------------------------------------|--|-------------------------------------|----------------------------------|---|---------------------------------------|--|---|
| 1 | 0.650 | 0.044 | 0.150 | 0.015 | 0.441 | 0.996 | 0.439 | 0.077 | 0.170 |
| 2 | 0.350 | 0.105 | 0.150 | 0.014 | 0.081 | 0.987 | 0.080 | 0.186 | 0.157 |
| 3 | 0.000 | 0.098 | 0.000 | 0.011 | (0.110) | 0.979 | (0.107) | 0.174 | 0.125 |
| 4 | 0.000 | 0.062 | 0.000 | 0.009 | (0.070) | 0.971 | (0.068) | 0.109 | 0.096 |
| 5 | 0.000 | 0.042 | 0.000 | 0.007 | (0.049) | 0.963 | (0.048) | 0.075 | 0.077 |
| 6 | 0.000 | 0.033 | 0.000 | 0.006 | (0.039) | 0.955 | (0.037) | 0.059 | 0.064 |
| 7 | 0.000 | 0.028 | 0.000 | 0.005 | (0.032) | 0.947 | (0.031) | 0.049 | 0.054 |
| 8 | 0.000 | 0.023 | 0.000 | 0.004 | (0.027) | 0.939 | (0.025) | 0.041 | 0.046 |
| 9 | 0.000 | 0.019 | 0.000 | 0.004 | (0.023) | 0.931 | (0.021) | 0.034 | 0.039 |
| 10 | 0.000 | 0.016 | 0.000 | 0.003 | (0.019) | 0.923 | (0.018) | 0.029 | 0.033 |
| 11 | 0.000 | 0.014 | 0.000 | 0.003 | (0.016) | 0.915 | (0.015) | 0.024 | 0.029 |
| 12 | 0.000 | 0.014 | 0.000 | 0.002 | (0.016) | 0.908 | (0.014) | 0.024 | 0.024 |
| 13 | 0.000 | 0.015 | 0.000 | 0.002 | (0.017) | 0.900 | (0.015) | 0.026 | 0.020 |
| 14 | 0.000 | 0.012 | 0.000 | 0.001 | (0.013) | 0.892 | (0.012) | 0.021 | 0.016 |
| 15 | 0.000 | 0.008 | 0.000 | 0.001 | (0.009) | 0.885 | (0.008) | 0.014 | 0.012 |
| 16 | 0.000 | 0.007 | 0.000 | 0.001 | (0.008) | 0.878 | (0.007) | 0.012 | 0.010 |
| 17 | 0.000 | 0.006 | 0.000 | 0.001 | (0.007) | 0.870 | (0.006) | 0.011 | 0.008 |
| 18 | 0.000 | 0.006 | 0.000 | 0.001 | (0.006) | 0.863 | (0.005) | 0.010 | 0.006 |
| 19 | 0.000 | 0.005 | 0.000 | 0.000 | (0.005) | 0.856 | (0.004) | 0.008 | 0.004 |
| 20 | 0.000 | 0.003 | 0.000 | 0.000 | (0.004) | 0.848 | (0.003) | 0.006 | 0.003 |
| 21 | 0.000 | 0.003 | 0.000 | 0.000 | (0.003) | 0.841 | (0.003) | 0.005 | 0.002 |
| 22 | 0.000 | 0.002 | 0.000 | 0.000 | (0.002) | 0.834 | (0.001) | 0.003 | 0.001 |
| 23 | 0.000 | 0.001 | 0.000 | 0.000 | (0.001) | 0.827 | (0.001) | 0.002 | 0.001 |
| 24 | 0.000 | 0.001 | 0.000 | 0.000 | (0.001) | 0.820 | (0.000) | 0.001 | 0.000 |
| 25 | 0.000 | 0.001 | 0.000 | 0.000 | (0.001) | 0.813 | (0.000) | 0.001 | 0.000 |
| 26 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.807 | 0.000 | 0.000 | 0.000 |
| 27 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.800 | 0.000 | 0.000 | 0.000 |
| 28 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.793 | 0.000 | 0.000 | 0.000 |
| 29 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.786 | 0.000 | 0.000 | 0.000 |
| 30 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.780 | 0.000 | 0.000 | 0.000 |
| 31 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.773 | 0.000 | 0.000 | 0.000 |
| 32 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.767 | 0.000 | 0.000 | 0.000 |
| Total | 1.000 | 0.565 | 0.300 | 0.090 | 0.045 | | 0.068 | 1.000 | 1.000 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.2

Underwriting Profit Provision Based on ROE Model

Physical Damage

Financial Assumptions

| | |
|-----------------------------------|-------|
| After-Tax Target Return on Equity | 12.0% |
| After-Tax Interest Rate | 3.4% |
| Tax Rate on Underwriting Income | 35.0% |
| Target Ratio of Premium to Equity | 2.40 |

Resulting Financial Calculations

| | |
|--|-------------|
| After-Tax Inv Inc on Ins Oper (% of Prem) | 0.1% |
| After-Tax Investment Income on Equity | 3.4% |
| After-Tax Return - Ins Oper (% of Equity) | 8.6% |
| After-Tax Return - Ins Oper (% of Prem) | 3.6% |
| After-Tax Return - U/W Profit (% of Prem) | 3.4% |
| Before-Tax Return - U/W Profit (% of Prem) | 5.3% |

Expense Provisions

| | |
|----------------------------|-------|
| Loss & ALAE Ratio | 55.7% |
| Underwriting Expense Ratio | 30.0% |
| ULAE Ratio | 9.0% |
| Underwriting Profit | 5.3% |

| (1) <u>Quarter</u> <u>from</u> <u>Time 0</u> | (2) <u>Premium</u> <u>Collection</u> | (3) <u>Loss</u> <u>Payout</u> | (4) <u>Expense</u> <u>Payout</u> | (5) <u>ULAE</u> <u>Payout</u> | (6) <u>Net</u> <u>Flow</u> | (7) <u>Discount</u> <u>Factor</u> | (8) <u>Discount</u> <u>Flow</u> | (9) <u>Incremental</u> <u>Loss</u> <u>Pattern</u> | (10) <u>Incremental</u> <u>ULAE</u> <u>Pattern</u> |
|---|--|-------------------------------------|--|-------------------------------------|----------------------------------|---|---------------------------------------|--|---|
| 1 | 0.650 | 0.216 | 0.150 | 0.049 | 0.234 | 0.996 | 0.233 | 0.388 | 0.548 |
| 2 | 0.350 | 0.288 | 0.150 | 0.030 | (0.118) | 0.987 | (0.116) | 0.518 | 0.330 |
| 3 | 0.000 | 0.070 | 0.000 | 0.005 | (0.075) | 0.979 | (0.074) | 0.127 | 0.055 |
| 4 | 0.000 | (0.004) | 0.000 | 0.002 | 0.002 | 0.971 | 0.002 | (0.007) | 0.020 |
| 5 | 0.000 | (0.005) | 0.000 | 0.001 | 0.003 | 0.963 | 0.003 | (0.008) | 0.016 |
| 6 | 0.000 | (0.003) | 0.000 | 0.001 | 0.003 | 0.955 | 0.002 | (0.006) | 0.010 |
| 7 | 0.000 | (0.002) | 0.000 | 0.001 | 0.001 | 0.947 | 0.001 | (0.004) | 0.006 |
| 8 | 0.000 | (0.001) | 0.000 | 0.000 | 0.001 | 0.939 | 0.001 | (0.002) | 0.004 |
| 9 | 0.000 | (0.001) | 0.000 | 0.000 | 0.001 | 0.931 | 0.000 | (0.001) | 0.003 |
| 10 | 0.000 | (0.001) | 0.000 | 0.000 | 0.000 | 0.923 | 0.000 | (0.001) | 0.002 |
| 11 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.915 | 0.000 | (0.000) | 0.001 |
| 12 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.908 | 0.000 | (0.000) | 0.001 |
| 13 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.900 | 0.000 | (0.000) | 0.001 |
| 14 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.892 | 0.000 | (0.000) | 0.001 |
| 15 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.885 | 0.000 | (0.000) | 0.001 |
| 16 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.878 | 0.000 | (0.000) | 0.001 |
| 17 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.870 | 0.000 | (0.000) | 0.000 |
| 18 | 0.000 | 0.000 | 0.000 | 0.000 | (0.000) | 0.863 | (0.000) | 0.000 | 0.000 |
| 19 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.856 | 0.000 | (0.000) | 0.000 |
| 20 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.848 | 0.000 | (0.000) | 0.000 |
| 21 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.841 | 0.000 | (0.000) | 0.000 |
| 22 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.834 | 0.000 | (0.000) | 0.000 |
| 23 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.827 | 0.000 | (0.000) | 0.000 |
| 24 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.820 | 0.000 | (0.000) | 0.000 |
| 25 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.813 | 0.000 | 0.000 | 0.000 |
| 26 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.807 | 0.000 | 0.000 | 0.000 |
| 27 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.800 | 0.000 | 0.000 | 0.000 |
| 28 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.793 | 0.000 | 0.000 | 0.000 |
| 29 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.786 | 0.000 | 0.000 | 0.000 |
| 30 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.780 | 0.000 | 0.000 | 0.000 |
| 31 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.773 | 0.000 | 0.000 | 0.000 |
| 32 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.767 | 0.000 | 0.000 | 0.000 |
| Total | 1.000 | 0.557 | 0.300 | 0.090 | 0.053 | | 0.054 | 1.000 | 1.000 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.3

Explanation of Methodology of ROE Model

Our ROE Model is based on the principles described by Howard Mahler in "An Introduction to Underwriting Profit Models", PCAS 1985.

Below are the data and rationale we use to make the four Financial Assumptions listed in Exhibit 8.1.

1. After-Tax Target Return on Equity

For the period 1926-2006, the arithmetic average stock market return has been 12.0%.

(From "Stocks for the Long Run", 4th Ed., Jeremy Siegel, Table 1.1, page 13.)

Although Property/Casualty Insurance company average stock returns have been very slightly lower, we believe this difference is most likely due to chance variation, as stock market returns by Global Industry Classification Standard (GICS) are highly volatile from period to period. In order to maintain stability in our selection across periods, we have selected a target after-tax target return on equity of **12.0%**.

2. Target Ratio of Premium to Equity

Data from A.M. Best show that P/C companies premium-to-surplus ratios have averaged approximately 1.50 for the period 1970-2007. We have selected ratios of **1.60 for liability** and **2.40 for physical damage**, reflecting the somewhat lower risk characteristics of private passenger auto insurance in general, and of PPA physical damage insurance in particular.

3. After-Tax Interest Rate

Please see calculations on the following two pages for Kemper Corporation's (Kemper) investment yield and federal income tax rate.

- Kemper's estimated weighted average yield is 3.56%. However, we have judgmentally increased this interest rate to **4.50%** based on our belief that interest rates will continue to rise in the coming year as the economy improves.
- Kemper's federal income tax rate is 23.8%.
- Kemper's calculated after-tax interest rate equals **3.43%**. This equals the 4.50% weighted average yield reduced by the 23.8% weighted average federal income tax rate.

4. Tax Rate on Underwriting Income

The tax rate on underwriting income of 35% reflects the income tax rate applicable to U.S. corporations.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.4

Kemper Corporation Investment Yield

The tables below show the calculation of the before-tax yield for Kemper's investment portfolio.

- * Table 1 shows Kemper's Fixed Maturities at December 31, 2011.
(Source: Kemper Corporation Annual Report for 2011, p. 76.)
- * Table 2 shows the contractual maturity for Kemper's Fixed Maturities at December, 31, 2011.
(Source: Kemper Corporation Annual Report for 2011, p. 76.)
- * Table 3 shows the estimated contractual maturity for Kemper's Fixed Maturities by class of maturity.
These are the product of the marginal distributions of the class and maturities listed in tables 1 and 2.
- * Table 4 shows the investment yields available on classes of maturities on December 31, 2011.
(Source: http://finance.yahoo.com/bonds/composite_bond_rates)
- * Finally, we have calculated a weighted average bond yield using the data from these tables.
- * In addition, we have calculated a weighted average Federal Income Tax rate, using the data from Table 1 and the federal income tax rate applied to interest earned for each class of fixed maturity.

Table 1 - Kemper Fixed Maturities at December 31, 2011

| <u>Class</u> | (\$ millions) | |
|-----------------------------------|-------------------|-------------------|
| | <u>Fair Value</u> | <u>% of Total</u> |
| U.S. Gov't and Gov't Agencies | 492 | 10.3% |
| States and Political Subdivisions | 1,853 | 38.8% |
| Corporate Securities | 2,429 | 50.9% |
| Total | 4,774 | 100.0% |

Table 2 - Contractual Maturity for Kemper Fixed Maturities at December 31, 2011

| <u>Class</u> | (\$ millions) | |
|-----------------------------------|-------------------|-------------------|
| | <u>Fair Value</u> | <u>% of Total</u> |
| Due in One Year or Less | 91 | 1.9% |
| Due after One Year to Five Years | 503 | 10.5% |
| Due after Five Years to Ten Years | 961 | 20.1% |
| Due after Ten Years | 2,929 | 61.4% |
| Not Due at a Single Maturity Date | 289 | 6.1% |
| Total | 4,773 | 100.0% |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.5

Table 3 - Estimated Class and Maturity at December 31, 2011

(Product of the marginal distributions of the Class and Maturities listed in tables 1 and 2, excepting maturities <=1 year, which are U.S. Gov't and Gov't Agencies.)

| | <u><= 1 Yr</u> | <u>1-5 Yrs</u> | <u>5-10 Yrs</u> | <u>> 10 Yrs</u> | <u>Total</u> |
|-------------------------------|-------------------|----------------|-----------------|--------------------|--------------|
| U.S. Gov't and Gov't Agencies | 1.9% | 1.1% | 2.7% | 6.3% | 12.0% |
| States and Municipalities | 0.0% | 4.1% | 10.2% | 23.8% | 38.1% |
| Corporate Securities | 0.0% | 5.4% | 13.3% | 31.2% | 49.9% |
| Total | 1.9% | 10.5% | 26.2% | 61.4% | 100.0% |

Notes:

1. All <=1 Year securities are assigned to U.S. Gov't and Gov't Agencies.
2. All securities classified as "Not Due at a Single Maturity Date" are assigned to "5-10 Yrs".

Table 4 - Investment yields available on classes of maturities on December 31, 2011

| <u>Class</u> | <u>6 Month</u> | <u>2 Year</u> | <u>5/10 Yr *</u> | <u>20 or 30 Yr **</u> |
|-------------------------------|----------------|---------------|------------------|-----------------------|
| U.S. Gov't and Gov't Agencies | 0.04% | 0.24% | 1.35% | 2.59% |
| States and Municipalities *** | N/A | 0.67% | 1.44% | 4.84% |
| Corporate Securities *** | N/A | 0.82% | 2.80% | 5.15% |

* Average of 5 and 10 Year

** 20 Year yield listed for States and Munis and Corp Securities; 30 Year yield listed for U.S. Gov't and Gov't Agencies.

*** Yields listed are for AA-rated bonds.

| | |
|---|--------------|
| Kemper Estimated Weighted Average Yield | 3.56% |
| (equals the product of table 3 and table 4) | |
| Kemper Selected Weighted Average Yield (Y) | 4.50% |

Kemper Corporation Federal Income Tax Rate (FIT)

(\$ millions) Federal Income

| <u>Class</u> | <u>Interest Earned</u> | <u>Tax Rate</u> |
|-------------------------------|------------------------|-----------------|
| U.S. Gov't and Gov't Agencies | 8.3 | 35.0% |
| States and Municipalities | 64.6 | 5.3% |
| Corporate Securities | 98.6 | 35.0% |
| Total | 171.5 | 23.8% |

Kemper Corp. After-Tax Interest Rate **3.43%**
(= Y * (1 - FIT))

ARKANSAS BASE RATE COMPARISON

Current Eff 6/1/11 new 8/1/11 ren

| Terr | 25/50 BI | 25 PD | 5 MP | Basic PIP | 25/50 UMBI | 25 UMPD | 25/50 UIM | 500 COMP | 500 COLL | TOWING | Basic | Addl. |
|------|-------------|----------|---------|--------------|---------------|------------|--------------|-------------|-------------|--------|-------|-------|
| 2 | 126 | 110 | 16 | 53 | 11 | 7 | 13 | 26 | 144 | 1 | 12 | 18 |
| 3 | 109 | 94 | 13 | 46 | 11 | 7 | 13 | 24 | 160 | 1 | 12 | 18 |
| 5 | 118 | 105 | 15 | 50 | 11 | 7 | 13 | 30 | 160 | 1 | 12 | 18 |
| 6 | 133 | 113 | 17 | 59 | 11 | 7 | 13 | 41 | 180 | 1 | 12 | 18 |
| 7 | 120 | 102 | 17 | 60 | 11 | 7 | 13 | 51 | 166 | 1 | 12 | 18 |
| 8 | 98 | 83 | 14 | 48 | 11 | 7 | 13 | 28 | 148 | 1 | 12 | 18 |
| 9 | 122 | 102 | 19 | 64 | 11 | 7 | 13 | 28 | 165 | 1 | 12 | 18 |
| 10 | 122 | 104 | 16 | 53 | 11 | 7 | 13 | 49 | 177 | 1 | 12 | 18 |
| 11 | 112 | 97 | 16 | 56 | 11 | 7 | 13 | 43 | 171 | 1 | 12 | 18 |
| 12 | 152 | 129 | 21 | 71 | 11 | 7 | 13 | 35 | 175 | 1 | 12 | 18 |
| 13 | 127 | 108 | 17 | 59 | 11 | 7 | 13 | 54 | 191 | 1 | 12 | 18 |
| 14 | 107 | 89 | 15 | 50 | 11 | 7 | 13 | 41 | 160 | 1 | 12 | 18 |
| 15 | 90 | 77 | 14 | 49 | 11 | 7 | 13 | 41 | 160 | 1 | 12 | 18 |
| 16 | 104 | 86 | 17 | 57 | 11 | 7 | 13 | 44 | 164 | 1 | 12 | 18 |

Proposed Eff 11/20/12 new 01/15/13 ren

Impact by coverage 40% 0% 0% 55% 60% 0% 60% 0% 0% 0% 0% 0%

| Terr | 25/50 BI | 25 PD | 5 MP | Basic PIP | 25/50 UMBI | 25 UMPD | 25/50 UIM | 500 COMP | 500 COLL | TOWING | Basic | Addl. |
|------|-------------|----------|---------|--------------|---------------|------------|--------------|-------------|-------------|--------|-------|-------|
| 2 | 176 | 110 | 16 | 82 | 18 | 7 | 21 | 26 | 144 | 1 | 12 | 18 |
| 3 | 153 | 94 | 13 | 71 | 18 | 7 | 21 | 24 | 160 | 1 | 12 | 18 |
| 5 | 165 | 105 | 15 | 78 | 18 | 7 | 21 | 30 | 160 | 1 | 12 | 18 |
| 6 | 186 | 113 | 17 | 91 | 18 | 7 | 21 | 41 | 180 | 1 | 12 | 18 |
| 7 | 168 | 102 | 17 | 93 | 18 | 7 | 21 | 51 | 166 | 1 | 12 | 18 |
| 8 | 137 | 83 | 14 | 74 | 18 | 7 | 21 | 28 | 148 | 1 | 12 | 18 |
| 9 | 171 | 102 | 19 | 99 | 18 | 7 | 21 | 28 | 165 | 1 | 12 | 18 |
| 10 | 171 | 104 | 16 | 82 | 18 | 7 | 21 | 49 | 177 | 1 | 12 | 18 |
| 11 | 157 | 97 | 16 | 87 | 18 | 7 | 21 | 43 | 171 | 1 | 12 | 18 |
| 12 | 213 | 129 | 21 | 110 | 18 | 7 | 21 | 35 | 175 | 1 | 12 | 18 |
| 13 | 178 | 108 | 17 | 91 | 18 | 7 | 21 | 54 | 191 | 1 | 12 | 18 |
| 14 | 150 | 89 | 15 | 78 | 18 | 7 | 21 | 41 | 160 | 1 | 12 | 18 |
| 15 | 126 | 77 | 14 | 76 | 18 | 7 | 21 | 41 | 160 | 1 | 12 | 18 |
| 16 | 146 | 86 | 17 | 88 | 18 | 7 | 21 | 44 | 164 | 1 | 12 | 18 |

| Policy Analysis by Coverage | | | |
|------------------------------------|----------------------------|-----------------------------|-----------------|
| Coverage | Current Premium | Proposed Premium | % Impact |
| Bodily Injury | \$ 9,321.00 | \$ 13,052.00 | 40.0% |
| Property Damage | \$ 7,320.00 | \$ 7,320.00 | 0.0% |
| Medical Payments | \$ 77.00 | \$ 77.00 | 0.0% |
| Comprehensive | \$ 4,817.00 | \$ 4,817.00 | 0.0% |
| Collision | \$ 11,962.00 | \$ 11,962.00 | 0.0% |
| PIP | \$ 2,856.00 | \$ 4,393.00 | 53.8% |
| Towing | \$ 128.00 | \$ 128.00 | 0.0% |
| UMBI | \$ 1,443.00 | \$ 2,372.00 | 64.4% |
| UMPD | \$ 899.00 | \$ 899.00 | 0.0% |
| UIM | \$ 1,641.00 | \$ 2,650.00 | 61.5% |
| Rental | \$ 834.00 | \$ 834.00 | 0.0% |
| Loan/Lease Gap | \$ 49.00 | \$ 49.00 | 0.0% |
| Trip Interruption | \$ 23.00 | \$ 23.00 | 0.0% |
| TOTAL | \$ 41,370.00 | \$ 48,576.00 | 17.4% |

Private Passenger Auto Premium Comparison Survey Form
FORM APCS - last modified May 2012

NAIC Number: 31968
 Company Name: Merastar Insurance Company
 Contact Person: Jennifer Graham
 Telephone No.: 423-296-7866
 Email Address: jgraham@kemper.com
 Effective Date: 11/20/2012

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

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

DISCOUNTS OFFERED:

| | | |
|------------------------------------|-------------------|---|
| PASSIVE RESTRAINT/AIRBAG | 20, 30 | % |
| AUTO/HOMEOWNERS | 5 | % |
| GOOD STUDENT | 2 - 25 | % |
| ANTI-THEFT DEVICE | 5 - 15 | % |
| Over 55 Defensive Driver Discount | 5 | % |
| \$250/\$500 Deductible Comp./Coll. | 1.27/1.0/1.15/1.0 | % |

| Vehicle | Coverages | Gender | Age | Fayetteville | | | | Trumann | | | | Little Rock | | | | Lake Village | | | | Pine Bluff | | | |
|---|---|--------|-----|--------------|------|----------------|----------------|---------|------|----------------|----------------|-------------|------|----------------|----------------|--------------|------|----------------|----------------|------------|------|----------------|----------------|
| | | | | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female |
| | | | | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 |
| 2008 4.8L Chevrolet Silverado 1500 "LS" regular cab 119" WB | Minimum Liability | | | \$0 | \$0 | \$321 | \$321 | \$0 | \$0 | \$346 | \$346 | \$0 | \$0 | \$398 | \$398 | \$0 | \$0 | \$344 | \$344 | \$0 | \$0 | \$474 | \$474 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$658 | \$658 | \$0 | \$0 | \$736 | \$736 | \$0 | \$0 | \$723 | \$723 | \$0 | \$0 | \$750 | \$750 | \$0 | \$0 | \$874 | \$874 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$778 | \$778 | \$0 | \$0 | \$861 | \$861 | \$0 | \$0 | \$856 | \$856 | \$0 | \$0 | \$873 | \$873 | \$0 | \$0 | \$1,020 | \$1,020 |
| 2009 Ford Explorer "XLT" 2WD, 4 door | Minimum Liability | | | \$0 | \$0 | \$364 | \$364 | \$0 | \$0 | \$391 | \$391 | \$0 | \$0 | \$448 | \$448 | \$0 | \$0 | \$392 | \$392 | \$0 | \$0 | \$537 | \$537 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$697 | \$697 | \$0 | \$0 | \$775 | \$775 | \$0 | \$0 | \$769 | \$769 | \$0 | \$0 | \$791 | \$791 | \$0 | \$0 | \$931 | \$931 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$823 | \$823 | \$0 | \$0 | \$905 | \$905 | \$0 | \$0 | \$909 | \$909 | \$0 | \$0 | \$919 | \$919 | \$0 | \$0 | \$1,087 | \$1,087 |
| 2010 Honda Odyssey "EX" | Minimum Liability | | | \$0 | \$0 | \$287 | \$287 | \$0 | \$0 | \$304 | \$304 | \$0 | \$0 | \$349 | \$349 | \$0 | \$0 | \$306 | \$306 | \$0 | \$0 | \$415 | \$415 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$657 | \$657 | \$0 | \$0 | \$734 | \$734 | \$0 | \$0 | \$707 | \$707 | \$0 | \$0 | \$753 | \$753 | \$0 | \$0 | \$856 | \$856 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$768 | \$768 | \$0 | \$0 | \$850 | \$850 | \$0 | \$0 | \$828 | \$828 | \$0 | \$0 | \$867 | \$867 | \$0 | \$0 | \$990 | \$990 |
| 2011 Toyota Camry 2.5L 4 door Sedan | Minimum Liability | | | \$0 | \$0 | \$356 | \$356 | \$0 | \$0 | \$384 | \$384 | \$0 | \$0 | \$438 | \$438 | \$0 | \$0 | \$386 | \$386 | \$0 | \$0 | \$525 | \$525 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$850 | \$850 | \$0 | \$0 | \$958 | \$958 | \$0 | \$0 | \$915 | \$915 | \$0 | \$0 | \$985 | \$985 | \$0 | \$0 | \$1,115 | \$1,115 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$972 | \$972 | \$0 | \$0 | \$1,085 | \$1,085 | \$0 | \$0 | \$1,052 | \$1,052 | \$0 | \$0 | \$1,111 | \$1,111 | \$0 | \$0 | \$1,266 | \$1,266 |
| 2011 Cadillac Seville "CTS" AWD WAG 4 door 3.0L | Minimum Liability | | | \$0 | \$0 | \$328 | \$328 | \$0 | \$0 | \$349 | \$349 | \$0 | \$0 | \$399 | \$399 | \$0 | \$0 | \$351 | \$351 | \$0 | \$0 | \$478 | \$478 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$924 | \$924 | \$0 | \$0 | \$1,039 | \$1,039 | \$0 | \$0 | \$972 | \$972 | \$0 | \$0 | \$1,070 | \$1,070 | \$0 | \$0 | \$1,185 | \$1,185 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$1,040 | \$1,040 | \$0 | \$0 | \$1,160 | \$1,160 | \$0 | \$0 | \$1,102 | \$1,102 | \$0 | \$0 | \$1,190 | \$1,190 | \$0 | \$0 | \$1,328 | \$1,328 |
| 2010 Hyundai Santa Fe SE 4X2 | Minimum Liability | | | \$0 | \$0 | \$317 | \$317 | \$0 | \$0 | \$336 | \$336 | \$0 | \$0 | \$388 | \$388 | \$0 | \$0 | \$336 | \$336 | \$0 | \$0 | \$462 | \$462 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$770 | \$770 | \$0 | \$0 | \$866 | \$866 | \$0 | \$0 | \$822 | \$822 | \$0 | \$0 | \$890 | \$890 | \$0 | \$0 | \$1,001 | \$1,001 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$884 | \$884 | \$0 | \$0 | \$989 | \$989 | \$0 | \$0 | \$950 | \$950 | \$0 | \$0 | \$1,008 | \$1,008 | \$0 | \$0 | \$1,142 | \$1,142 |

Private Passenger Auto Premium Comparison Survey Form

FORM APCS - last modified May 2012

NAIC Number: 31968
Company Name: Merastar Insurance Company
Contact Person: Jennifer Graham
Telephone No.: 423-296-7866
Email Address: jgraham@kemper.com
Effective Date: 11/20/2012

Assumptions to Use:

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

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

DISCOUNTS OFFERED:
 PASSIVE RESTRAINT/AIRBAG 20, 30 %
 AUTO/HOMEOWNERS 5 %
 GOOD STUDENT 2 - 25 %
 ANTI-THEFT DEVICE 5 - 15 %
 Over 55 Defensive Driver Discount 5 %
 \$250/\$500 Deductible Comp./Coll. 1.27/1.0/1.15/1.0 %

| Vehicle | Coverages | Gender | Age | Fayetteville | | | | Trumann | | | | Little Rock | | | | Lake Village | | | | Pine Bluff | | | |
|---|---|--------|-----|--------------|------|----------------|----------------|---------|------|----------------|----------------|-------------|------|----------------|----------------|--------------|------|----------------|----------------|------------|------|----------------|----------------|
| | | | | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female | Female | Male | Male or Female | Male or Female |
| | | | | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 | 18 | 18 | 40 | 66 |
| 2008 4.8L Chevrolet Silverado 1500 "LS" regular cab 119" WB | Minimum Liability | | | \$0 | \$0 | \$264 | \$262 | \$0 | \$0 | \$282 | \$279 | \$0 | \$0 | \$325 | \$322 | \$0 | \$0 | \$283 | \$280 | \$0 | \$0 | \$386 | \$383 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$614 | \$608 | \$0 | \$0 | \$692 | \$686 | \$0 | \$0 | \$662 | \$656 | \$0 | \$0 | \$708 | \$702 | \$0 | \$0 | \$803 | \$796 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$632 | \$626 | \$0 | \$0 | \$699 | \$693 | \$0 | \$0 | \$683 | \$677 | \$0 | \$0 | \$712 | \$706 | \$0 | \$0 | \$811 | \$804 |
| 2009 Ford Explorer "XLT" 2WD, 4 door | Minimum Liability | | | \$0 | \$0 | \$436 | \$432 | \$0 | \$0 | \$319 | \$316 | \$0 | \$0 | \$364 | \$361 | \$0 | \$0 | \$318 | \$315 | \$0 | \$0 | \$436 | \$432 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$570 | \$565 | \$0 | \$0 | \$634 | \$628 | \$0 | \$0 | \$629 | \$623 | \$0 | \$0 | \$646 | \$640 | \$0 | \$0 | \$760 | \$753 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$598 | \$593 | \$0 | \$0 | \$655 | \$649 | \$0 | \$0 | \$656 | \$650 | \$0 | \$0 | \$666 | \$660 | \$0 | \$0 | \$780 | \$773 |
| 2010 Honda Odyssey "EX" | Minimum Liability | | | \$0 | \$0 | \$236 | \$234 | \$0 | \$0 | \$251 | \$249 | \$0 | \$0 | \$287 | \$284 | \$0 | \$0 | \$252 | \$250 | \$0 | \$0 | \$339 | \$336 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$540 | \$535 | \$0 | \$0 | \$603 | \$598 | \$0 | \$0 | \$580 | \$575 | \$0 | \$0 | \$620 | \$614 | \$0 | \$0 | \$701 | \$695 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$563 | \$558 | \$0 | \$0 | \$619 | \$613 | \$0 | \$0 | \$604 | \$599 | \$0 | \$0 | \$631 | \$625 | \$0 | \$0 | \$715 | \$709 |
| 2011 Toyota Camry 2.5L 4 door Sedan | Minimum Liability | | | \$0 | \$0 | \$292 | \$289 | \$0 | \$0 | \$312 | \$309 | \$0 | \$0 | \$357 | \$354 | \$0 | \$0 | \$315 | \$312 | \$0 | \$0 | \$425 | \$421 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$698 | \$692 | \$0 | \$0 | \$784 | \$777 | \$0 | \$0 | \$748 | \$741 | \$0 | \$0 | \$806 | \$799 | \$0 | \$0 | \$909 | \$901 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$706 | \$700 | \$0 | \$0 | \$780 | \$773 | \$0 | \$0 | \$759 | \$752 | \$0 | \$0 | \$798 | \$791 | \$0 | \$0 | \$906 | \$898 |
| 2011 Cadillac Seville "CTS" AWD WAG 4 door 3.0L | Minimum Liability | | | \$0 | \$0 | \$270 | \$268 | \$0 | \$0 | \$287 | \$284 | \$0 | \$0 | \$324 | \$321 | \$0 | \$0 | \$287 | \$284 | \$0 | \$0 | \$390 | \$386 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$758 | \$751 | \$0 | \$0 | \$854 | \$846 | \$0 | \$0 | \$794 | \$787 | \$0 | \$0 | \$877 | \$869 | \$0 | \$0 | \$971 | \$962 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$751 | \$744 | \$0 | \$0 | \$833 | \$826 | \$0 | \$0 | \$795 | \$788 | \$0 | \$0 | \$856 | \$848 | \$0 | \$0 | \$949 | \$940 |
| 2010 Hyundai Santa Fe SE 4X2 | Minimum Liability | | | \$0 | \$0 | \$260 | \$258 | \$0 | \$0 | \$276 | \$274 | \$0 | \$0 | \$315 | \$313 | \$0 | \$0 | \$276 | \$274 | \$0 | \$0 | \$376 | \$373 |
| | Minimum Liability with Comprehensive and Collision | | | \$0 | \$0 | \$656 | \$650 | \$0 | \$0 | \$742 | \$735 | \$0 | \$0 | \$696 | \$690 | \$0 | \$0 | \$761 | \$754 | \$0 | \$0 | \$848 | \$841 |
| | 100/300/50 Liability with Comprehensive and Collision | | | \$0 | \$0 | \$664 | \$658 | \$0 | \$0 | \$741 | \$734 | \$0 | \$0 | \$708 | \$700 | \$0 | \$0 | \$757 | \$751 | \$0 | \$0 | \$844 | \$835 |

NAIC LOSS COST DATA ENTRY DOCUMENT

| | | |
|-----------|---|-------------------|
| 1. | This filing transmittal is part of Company Tracking # | AR112012JG |
|-----------|---|-------------------|

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

| | | | |
|-----------|--------------|-------------------------------|------------------------|
| | Company Name | | Company NAIC Number |
| 3. | A. | Merastar Insurance Co. | B. 31968 |

| | | | |
|-----------|--|---------------------------|---|
| | Product Coding Matrix Line of Business (i.e., Type of Insurance) | | Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance) |
| 4. | A. | 19.0 Personal Auto | B. 19.0001 Private Passenger Auto (PPA) |

| | | | | | | | |
|--------------------------------|-------------------------------------|-------------------------------------|------------------------|-------------------------------------|-------------------------------------|--|--|
| 5. | | | FOR LOSS COSTS ONLY | | | | |
| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
| COVERAGE (See Instructions) | Indicated % Rate Level Change | Requested % Rate Level Change | Expected Loss Ratio | Loss Cost Modification Factor | Selected Loss Cost Multiplier | Expense Constant (If Applicable) | Co. Current Loss Cost Multiplier |
| Bodily Injury | 72.2% | 31.8% | N/A | N/A | N/A | N/A | N/A |
| Property Damage | -1.1% | 0.0% | N/A | N/A | N/A | N/A | N/A |
| PIP | 60.0% | 53.9% | N/A | N/A | N/A | N/A | N/A |
| UM/UIM | 82.4% | 55.0% | N/A | N/A | N/A | N/A | N/A |
| Comp | -6.6% | 0.0% | N/A | N/A | N/A | N/A | N/A |
| Coll | -9.3% | 0.0% | N/A | N/A | N/A | N/A | N/A |
| Rental | -0.2% | 0.0% | N/A | N/A | N/A | N/A | N/A |
| TOTAL OVERALL EFFECT | 24.1% | 15.0% | | | | | |

| | | | | | | | |
|-------------|----------------|---------------------|-------------------|----------------------------------|-----------------------------|---------------------|---------------------------|
| 6. | 5 Year History | Rate Change History | | | | | |
| Year | Policy Count | % of Change | Effective Date | State Earned Premium (000) | Incurred Losses (000) | State Loss Ratio | Countrywide Loss Ratio |
| 2007 | 63 | 0.02% | 04/15/07 | 95 | 53 | 55.7% | 42.4% |
| 2008 | 74 | - | - | 100 | 33 | 32.9% | 59.9% |
| 2009 | 80 | - | - | 113 | 155 | 136.7% | 55.4% |
| 2010 | 74 | - | - | 106 | 103 | 96.5% | 61.3% |
| 2011 | 65 | 8.7% | 06/01/11 | 100 | 65 | 65.1% | 57.7% |
| | | | | | | | |
| | | | | | | | |

| | | |
|-----------|---|------------------------|
| 7. | | |
| | Expense Constants | Selected Provisions |
| | A. Total Production Expense | 13.2% |
| | B. General Expense | 14.3% |
| | C. Taxes, License & Fees | 2.5% |
| | D. Underwriting Profit & Contingencies | 4.9% |
| | E. Other (explain) ULAE | 9.0% |
| | F. TOTAL | 43.9% |

8. N Apply Lost Cost Factors to Future filings? (Y or N)
9. 30.1% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): Terr 9
10. Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas

The following pages provide actuarial justification for rate changes to the Merastar Insurance Company Private Passenger Automobile Program in Arkansas.

| <u>Table of Contents</u> | |
|---------------------------------------|-----------------------|
| <u>Item</u> | <u>Exhibit Number</u> |
| Proposed Rate Changes | 1 |
| Indicated Rate Changes | 2 |
| Expenses and Target Loss & ALAE Ratio | 3 |
| Loss Trend | 4 |
| Premium Trend | 5 |
| Current Rate Level | 6 |
| Loss Development | 7 |
| Profit and Return on Equity | 8 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 1

Summary of Proposed Changes

| Coverage | Indicated Change | Proposed Change | Trailing Quarter Earned Premium | In-Force Premium |
|----------------------------|------------------|-----------------|---------------------------------|------------------|
| Bodily Injury | 72.2% | 31.8% | 5,211 | 9,326 |
| Property Damage | -1.1% | 0.0% | 4,077 | 7,324 |
| UM / UIM | 82.4% | 55.0% | 2,126 | 3,084 |
| UMPD | 0.0% | 0.0% | 47 | 899 |
| Medical Payments | 0.0% | 0.0% | 43 | 77 |
| Personal Injury Protection | 60.0% | 53.9% | 1,536 | 2,857 |
| Comprehensive | -6.6% | 0.0% | 2,836 | 4,821 |
| Collision | -9.3% | 0.0% | 6,726 | 11,971 |
| Rental Reimbursement | -0.2% | 0.0% | 469 | 834 |
| Towing and Labor | N/A | 0.0% | N/A | 128 |
| Trip Interruption | N/A | 0.0% | N/A | 23 |
| Other Coverage | N/A | 0.0% | N/A | 49 |
| Total Coverages | 24.1% | 15.0% | 23,070 | 41,393 |

Notes:

1. Trailing Quarter Earned Premium is used to calculate the Indicated Change for Total Coverages.
2. For our indications, we allocate Acquisition Charge premium to all coverages in proportion to each coverage's percent of overall premium. Please see Exhibit 2.2 for a description of the Acquisition Charges.
3. In-force premium is used to calculate the Proposed Change for Total Coverages.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.1

Calculation of Indications

This exhibit contains 3 sections:

- I. An explanation of our indication methodology
- II. The Indication Summary Table
- III. The calculation of the indications by coverage

I. Explanation of Indication Methodology

* Formulaic Indications

Our indications are entirely formulaic; that is, they use formulas to select loss development factors, loss trends, premium trends, and so forth. The benefits to this approach, as compared to judgmental selections, are as follows:

- * accuracy - our backtesting guides us to use and refine the best available statistical and actuarial methods.
- * consistency - our methods are consistent from state to state and program to program.
- * objectivity - our methods do not depend on human subjectivity (i.e. whether the analyst is in a particularly optimistic or pessimistic mood that day).
- * efficiency - formulaic indications allow us to run approximately 400 indications a year with a small staff.

* Backtesting of Methods

Most industry-standard indication models are static and use traditional, but untested methodologies. For our indication model, we have extensively backtested several competing methods to select those that perform best on actual data. Our test results and selected actuarial methodologies are described in the introduction to each filing exhibit. We backtested methods according to statistical principles as described in "The Elements of Statistical Learning - Data Mining, Inference and Prediction", Hastie, Tibshirani and Friedman, 2nd edition (2009).

* Indication Formula

- Our indication formula accounts separately for fixed and variable expenses, which moderates the indication as compared to an indication that assumes all expenses are premium variable. The formula is described in "Foundations of Casualty Actuarial Science", 4th edition, Chapter 3 ("Ratemaking"), p.89.
- Our indication formula is as follows:

$$\text{Indication} = (L + F) / (1 - V - P) - 1$$

where: L = loss ratio
F = fixed expense ratio
V = variable expense ratio
P = profit ratio

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.2

* Accident Year Indication Weights

To calculate the total indication for each coverage, we calculate a weighted average of the indications by accident year using one of the two methods discussed below. The two methods were derived from extensive backtesting on historical data for each coverage.

1. For Property Damage, PIP, Comprehensive, Collision and Rental

We weight each accident year by its share of total claim count, and in addition, we apply a second set of progressively declining weights to each accident year as it gets older, to reflect its relative recency and predictiveness. Lastly, we apply a credibility criterion so that, if the first two years are fully credible, we ignore the third (oldest) year. If the first year is fully credible, we apply a maximum weight of 70% to that year, and 30% to the middle year.

2. For Bodily Injury, UM/UIM, UMPD and Medical Payments

We weight each accident year simply according to its share of total earned premium.

- For the long-tailed coverages of BI and UM/UIM, our backtesting showed that the most recent year is not necessarily the most predictive of future loss experience, because the value of its recency is approximately offset by the higher chance variation created by the larger percentage of claims that are reserved (not paid).
- Though UMPD and Medical Payments are short-tailed and not subject to significant development the claim counts are typically so low as to introduce excessive instability to a method that relies on them.

* Earned Premium at Current Rate Level

We calculate premiums at current rate level using a three dimensional parallelogram method that accounts for exposure growth during the experience period as described in "A Refined Model for Premium Adjustment", David Miller and George Davis, PCAS 1976.

* Acquisition Charges

- Acquisition Charges are intended to defray the costs associated with acquiring policies; these costs include direct mail, fees paid to Web partners such as Google and Yahoo, the costs of MVR, CLUE and credit reports, and policy processing costs. These costs are assumed to be fixed per policy, rather than premium variable. Consequently, we charge our customers a fixed premium amount per policy, which we refer to as Fixed Acquisition Expense (FAE) in our older-generation programs, and Direct Acquisition Expense (DAE) and Flat Acquisition Charge (FAC) in our newer-generation programs.
- In our indications, we allocate FAE or DAE & FAC premium to all coverages in proportion to each coverage's percent of overall premium.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.3

* **Credibility**

We apply credibility-weighting in order to ensure that our indications do not fluctuate excessively due to chance variation of the loss experience. We use a form of credibility theory called "limited fluctuation credibility" (also known as "classical credibility"), as described in "Foundations of Casualty Actuarial Science", 4th edition, chapter 8, pp 488-516.

The application of credibility uses 4 steps:

1. Select an error tolerance k and Probability level P.
2. Calculate coefficients of variation for each coverage.
3. Calculate Standards of Full Credibility (SFCs) using the results of steps (1) and (2) above.
4. Select a complement of credibility.

1. Select an error tolerance k and Probability level P

We have selected standards of full credibility corresponding to:

error tolerance k = 0.11, Probability level P = 90%

Our selection of these standards is based on the results of a series of backtests of our previous indications. These backtests were extensive - covering 3 years, 7 coverages, 25 states and several companies in our Direct, Merastar and Response businesses - approximately 1,260 tests in total. The tests indicated that the selected parameters produce standards of full credibility that most accurately balance the twin requirements of responsiveness to loss experience and stability of the indication.

2. Calculate coefficients of variation for each coverage

We calculated coefficients of variation for each coverage using our size of loss data for the 3 accident year period from 1/1/2004 through 12/31/2006, evaluated at 4/30/2009. We used older experience periods to allow time for most losses to be paid, since we are interested in the variability of the ultimate paid amounts, not of the case-incurred losses that would include a significant percentage of case reserves. The table on the following page displays the calculated coefficients of variation.

3. Calculate Standards of Full Credibility (SFCs) using the results of steps (1) and (2) above

For each coverage, we calculate the standard of full credibility using the following formula:

$$SFC = a * (1 + cv^2)$$

where:

- SFC = standard of full credibility based on variability of total loss cost
- a = standard of full credibility based on variability of claim count only
- cv = coefficient of variation for claim size distribution

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.4

The following table displays the calculated coefficients of variation and standards of full credibility for our selected error tolerance $k=0.11$ and probability level $P=90\%$:

| Coverage / State | CV | SFC |
|-------------------|------|-------|
| BI - Med States | 1.79 | 942 |
| BI - PIP States | 1.53 | 748 |
| PD | 1.15 | 520 |
| UM/UIM | 1.60 | 797 |
| UM/UIM - capped | 1.15 | 520 |
| UMPD | 1.27 | 585 |
| Med Pay | 1.08 | 485 |
| PIP - Low Limit | 1.03 | 462 |
| PIP - MN | 1.54 | 755 |
| PIP - NY | 1.54 | 755 |
| PIP - NJ | 2.16 | 1,269 |
| PIP - NJ - capped | 1.62 | 812 |
| PIP - MI | 2.84 | 2,031 |
| PIP - MI - capped | 2.03 | 1,147 |
| Comp | 2.11 | 1,221 |
| Collision | 1.31 | 608 |
| Rental | 0.61 | 307 |

Note:

For UM in all states, and PIP in Michigan and New Jersey, we cap losses and apply an excess loss factor as described in Exhibit 2.5. Loss capping reduces the variability of loss size and the coefficients of variation, and consequently reduces the standards of full credibility, as shown in the table above.

A note on the definition of claim count

1. We define 'claim' to be 'coverage-claimant'. This means that if an accident injures two individuals and damages two vehicles, we count this as two BI claims and two PD claims.
2. We use incurred claim count, which is defined as follows:

$$\text{incurred claim count} = \# \text{ closed claims} + \# \text{ open claims with payment} + \# \text{ open claims without payment}$$
Incurred claim count does not include # closed without payment; this is consistent with the way we define claims for the calculation of the mean, standard deviation and coefficient of variation of our claim size distribution.

4. Select a complement of credibility

The alternate data source is the Countrywide Indication. This complement is discussed in Joseph A Boor's paper on complements of credibility, where it is called "Rate Change from a Larger Group Applied to Present Rates". Mr. Boor's paper is entitled "The Complement of Credibility", and appeared in the Proceedings of the Casualty Actuarial Society, 1996. This complement is referenced again in "Basic Ratemaking" by Geoff Werner and Claudine Modlin (2009). Werner and Modlin cite the following advantages of this complement:

1. It is largely unbiased.
2. As long as the size of the subject group is small relative to the larger group, it is largely independent of the smaller group.
3. It is likely to be accurate over the long term.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.5

* **Loss Capping**

For UM/UIM coverage in all states and PIP coverage in Michigan and New Jersey, we cap losses and apply an excess loss factor (ELF) to the capped losses. The purpose of loss capping is to increase the accuracy and decrease the variability of our estimate of ultimate loss that is caused by the presence (or absence) of large losses.

We cap losses at the levels shown below, on a per-claimant basis:

- UM/UIM in all states: \$50,000
- PIP in Michigan and New Jersey: \$100,000

Loss capping is generally recognized to be beneficial for coverages whose distribution of losses is heavy-tailed, particularly if that coverage also has low claim frequency. In these cases, the law of large numbers does not sufficiently take effect, and the uncapped estimate of ultimate losses is quite variable and may lead to inaccurate and volatile rate indications.

Loss capping is commonly used in indications for insurance lines with large liability limits, such as Commercial Auto and Med Mal. For Private Passenger Auto insurance, loss capping appears beneficial in the two specific instances described below:

1. For UM/UIM coverage because of its heavy-tailed severity distribution, and its low claim frequency.
2. For PIP coverage, which has very heavy-tailed distributions in the two states that provide generous benefit levels - Michigan (unlimited insured benefits with the insurer subject to maximum loss of \$480,000 per injured person) and New Jersey (\$250,000 maximum medical benefit, plus limited wage loss benefit).

Although loss capping decreases the variability of the estimate of ultimate loss, it comes at a price (there is no free lunch!), which is that it introduces bias in the estimate, because the excess loss factor (ELF) is not known a priori and must be estimated using older historical data. (This is akin to the procedure in Comprehensive coverage of eliminating Catastrophe losses and applying a Catastrophe factor that is based on a longer experience period.)

To determine whether loss capping creates a beneficial variance-bias tradeoff, we employed monte carlo simulation to test whether capped losses with an ELF produced a better estimate of ultimate loss than the standard uncapped estimate. We simulated thousands of samples from the empirical distribution of historic losses, with three sample sizes for UM/UIM, and one sample size for PIP. For UM/UIM, the sample sizes were 25, 75 and 225 claims, reflecting typical claim counts from a 3-year experience period for our small, medium and large programs. For PIP, the sample size was 600 claims, reflecting the approximate size of our Michigan and New Jersey programs.

We also introduced random error into our estimate of the ELF, to reflect the fact that the ELF is not known a priori and consequently must be estimated.

Our tests showed that the capped loss + ELF method reduced prediction error as follows:

- for UM, 33%, 26% and 21% for small, medium and large programs
- for MI PIP, approximately 12%
- for NJ PIP, approximately 25%

We also tested various cap levels, and found that the selected cap levels (\$50,000 for UM/UIM in all states, and \$100,000 for Michigan and New Jersey PIP) best balance the variance-bias tradeoff and produces the lowest prediction error.

Merastar Insurance Company
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Exhibit 2.6

Calculation of Excess Loss Factors

We used data from the four accident year period of 2004-07 through 2008-06, evaluated at 2010-08. (We did not use newer accident years in order to restrict ourselves to losses that have been paid, and avoid losses that are reserved.)

Losses were trended at approximately 5% per year, to an estimated future payment date of 2011-12.

For UM, we grouped states into one of four categories regarding state law (Tort v. No-Fault, UM Stacking v. No Stacking), which our data suggests materially affects the likelihood of large loss:

- Tort, UM stacking = no; lowest risk
- Tort, UM stacking = yes; low risk
- No Fault, UM stacking = no; medium risk
- No Fault, UM stacking = yes; higher risk

The table below displays our calculated ELFs from the data described above.

| | (\$50k cap) | (\$100k cap) |
|----------------|---------------|--------------|
| | <u>UM/UIM</u> | <u>PIP</u> |
| Alabama | 1.27 | N/A |
| Arizona | 1.21 | N/A |
| Arkansas | 1.40 | N/A |
| California | 1.21 | N/A |
| Colorado | 1.27 | N/A |
| Connecticut | 1.21 | N/A |
| Delaware | 1.21 | N/A |
| Florida | 1.40 | N/A |
| Georgia | 1.21 | N/A |
| Illinois | 1.21 | N/A |
| Indiana | 1.27 | N/A |
| Iowa | 1.21 | N/A |
| Kentucky | 1.40 | N/A |
| Maryland | 1.21 | N/A |
| Michigan | 1.33 | 1.76 |
| Minnesota | 1.33 | N/A |
| Missouri | 1.21 | N/A |
| Nevada | 1.27 | N/A |
| New Jersey | 1.33 | 1.15 |
| New York | 1.33 | N/A |
| North Carolina | 1.21 | N/A |
| Ohio | 1.27 | N/A |
| Oregon | 1.21 | N/A |
| Pennsylvania | 1.40 | N/A |
| South Carolina | 1.27 | N/A |
| Tennessee | 1.21 | N/A |
| Texas | 1.21 | N/A |
| Virginia | 1.21 | N/A |
| Washington | 1.21 | N/A |
| Wisconsin | 1.27 | N/A |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.7

II. Indication Summary Table

| Coverage | Indication Before Cred. Weighting | Incurred Claimant Count | Standard Of Full Credibility | Credibility CW | Complement of Credibility Indication | Credibility Weighted Indication | Trailing 3 Month Earned Premium Distribution |
|------------------------|---|-------------------------------|------------------------------------|-------------------|--|---------------------------------------|--|
| Bodily Injury | 350.3% | 10 | 748 | 0.12 | 35.8% | 72.2% | 22.6% |
| Prop. Damage | -17.1% | 13 | 520 | 0.16 | 1.8% | -1.1% | 17.7% |
| UM/UIIM | 569.3% | 6 | 520 | 0.11 | 23.8% | 82.4% | 9.2% |
| UMPD | 0.0% | 2 | 585 | 0.06 | 157.9% | 0.0% | 0.2% |
| Med Pay | 0.0% | 0 | 485 | 0.00 | 38.4% | 0.0% | 0.2% |
| PIP | 285.1% | 12 | 462 | 0.16 | 16.7% | 60.0% | 6.7% |
| Comprehensive | 6.6% | 22 | 1,221 | 0.13 | -8.6% | -6.6% | 12.3% |
| Collision | 67.2% | 22 | 608 | 0.19 | -27.3% | -9.3% | 29.2% |
| Rental | 56.4% | 10 | 307 | 0.18 | -12.6% | -0.2% | 2.0% |
| Total Coverages | 169.1% | | | | | 24.1% | 100.0% |

A Note on Experience Periods

Our indication experience period consists of three accident years evaluated as of the last day of the last month of the most recent accident year. The three accident years are shown below:

| <u>Accident Year</u> | <u>12 Months Ending</u> |
|----------------------|-------------------------|
| 25-36 | 30-Sep-10 |
| 13-24 | 30-Sep-11 |
| 1-12 | 30-Sep-12 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 2.8

III. Indications by Coverage

(Before Credibility Weighting)

| | <----- Accident Years -----> | | | |
|--|------------------------------|--------------|-------------|---------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | <u>Total</u> |
| <u>Bodily Injury</u> | | | | |
| (1) Earned Premium | 26,736 | 24,893 | 21,567 | 73,196 |
| (2) Current Rate Level Factor | 1.05 | 1.05 | 1.00 | 1.03 |
| (3) Premium Trend Factor | 1.05 | 1.04 | 1.02 | 1.04 |
| (4) EP @ CRL (including premium trend) | 29,412 | 26,943 | 22,103 | 78,458 |
| (5) Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| (6) EP @ CRL (including FAE premium) | 29,412 | 26,943 | 22,103 | 78,458 |
| (7) Developed Incurred Loss+ALAE | 38,968 | 26,223 | 177,052 | 242,243 |
| (8) Loss Trend Factor | 1.04 | 1.01 | 0.98 | |
| (9) Developed & Trended Loss+ALAE | 40,547 | 26,387 | 173,901 | 240,836 |
| (10) Dev. & Trended Loss+ALAE Ratio @CRL | 137.9% | 97.9% | 786.8% | 307.0% |
| (11) Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| (12) Indication by Year | 110.2% | 56.2% | 987.4% | |
| (13) Accident Year Weights | 0.37 | 0.34 | 0.29 | 1.00 |
| (14) Total Indication | | | | 350.3% |

| | <----- Accident Years -----> | | | |
|-------------------------------------|------------------------------|--------------|-------------|---------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | <u>Total</u> |
| <u>Property Damage</u> | | | | |
| Earned Premium | 19,399 | 17,913 | 16,721 | 54,032 |
| Current Rate Level Factor | 1.15 | 1.14 | 1.01 | 1.10 |
| Premium Trend Factor | 1.05 | 1.04 | 1.02 | 1.04 |
| EP @ CRL (including premium trend) | 23,408 | 21,133 | 17,236 | 61,777 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 23,408 | 21,133 | 17,236 | 61,777 |
| Developed Incurred Loss+ALAE | 9,618 | 8,682 | 7,636 | 25,936 |
| Loss Trend Factor | 1.05 | 1.04 | 1.03 | |
| Developed & Trended Loss+ALAE | 10,127 | 9,023 | 7,828 | 26,978 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 43.3% | 42.7% | 45.4% | 43.7% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | -17.7% | -18.4% | -14.8% | |
| Accident Year Weights | 0.41 | 0.30 | 0.29 | 1.00 |
| Total Indication | | | | -17.1% |

Explanatory Notes

(4) = (1) * (2) * (3)

(6) = (4) + (5)

(9) = (7) * (8)

(10) = (9) / (6)

(12) = ((10) + G) / (1 - V - Q)

where: G = fixed expense ratio

V = variable expense ratio

Q = profit load

(14) = weighted average of (12) using (13) as weights

Merastar Insurance Company
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Rate Filing for Arkansas
Exhibit 2.9

| UM / UIM | <----- Accident Years -----> | | | Total |
|------------------------------------|------------------------------|--------------|-------------|---------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 8,268 | 8,384 | 8,719 | 25,371 |
| Current Rate Level Factor | 1.33 | 1.30 | 1.02 | 1.21 |
| Premium Trend Factor | 1.05 | 1.04 | 1.02 | 1.04 |
| EP @ CRL (including premium trend) | 11,533 | 11,308 | 9,061 | 31,903 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 11,533 | 11,308 | 9,061 | 31,903 |
| Developed Incurred Loss+ALAE | 43,306 | 6,551 | 45,711 | 95,568 |
| Excess Loss Factor | 1.40 | 1.40 | 1.40 | |
| Loss Trend Factor | 1.16 | 1.09 | 1.03 | |
| Developed & Trended Loss+ALAE | 70,133 | 9,971 | 65,970 | 146,074 |
| Devel. & Trended Loss+ALAE Ratio | 608.1% | 88.2% | 728.0% | 457.9% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | 745.8% | 43.0% | 908.0% | |
| Accident Year Weights | 0.33 | 0.33 | 0.34 | 1.00 |
| Total Indication | | | | 569.3% |

| UMPD | <----- Accident Years -----> | | | Total |
|-------------------------------------|------------------------------|--------------|-------------|--------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 78 | 152 | 128 | 358 |
| Current Rate Level Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| Premium Trend Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| EP @ CRL (including premium trend) | 78 | 152 | 128 | 358 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 78 | 152 | 128 | 358 |
| Developed Incurred Loss+ALAE | 600 | 8 | 24 | 632 |
| Loss Trend Factor | 1.17 | 1.12 | 1.07 | |
| Developed & Trended Loss+ALAE | 703 | 9 | 26 | 737 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 0.0% | 0.0% | 0.0% | 0.0% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | 0.0% | 0.0% | 0.0% | |
| Accident Year Weights | 0.22 | 0.42 | 0.36 | 1.00 |
| Total Indication | | | | 0.0% |

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| | <----- Accident Years -----> | | | <u>Total</u> |
|-------------------------------------|------------------------------|--------------|-------------|--------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| <u>Medical Payments</u> | | | | |
| Earned Premium | 197 | 146 | 166 | 509 |
| Current Rate Level Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| Premium Trend Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| EP @ CRL (including premium trend) | 197 | 146 | 166 | 509 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 197 | 146 | 166 | 509 |
| Developed Incurred Loss+ALAE | 0 | 0 | 0 | 0 |
| Loss Trend Factor | 1.04 | 1.01 | 0.98 | |
| Developed & Trended Loss+ALAE | 0 | 0 | 0 | 0 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 0.0% | 0.0% | 0.0% | 0.0% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | 0.0% | 0.0% | 0.0% | |
| Accident Year Weights | 0.39 | 0.29 | 0.33 | 1.00 |
| Total Indication | | | | 0.0% |

| | <----- Accident Years -----> | | | <u>Total</u> |
|--|------------------------------|--------------|-------------|---------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| <u>Personal Injury Protection</u> | | | | |
| Earned Premium | 6,280 | 5,711 | 6,211 | 18,202 |
| Current Rate Level Factor | 1.38 | 1.35 | 1.02 | 1.25 |
| Premium Trend Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| EP @ CRL (including premium trend) | 8,694 | 7,722 | 6,332 | 22,748 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 8,694 | 7,722 | 6,332 | 22,748 |
| Developed Incurred Loss+ALAE | 12,802 | 4,090 | 22,054 | 38,946 |
| Excess Loss Factor | 1.00 | 1.00 | 1.00 | |
| Loss Trend Factor | 1.00 | 1.00 | 1.00 | |
| Developed & Trended Loss+ALAE | 12,802 | 4,090 | 22,054 | 38,946 |
| Devel. & Trended Loss+ALAE Ratio | 147.2% | 53.0% | 348.3% | 171.2% |
| Target Loss+ALAE Ratio | 56.3% | 56.3% | 56.3% | 56.3% |
| Indication by Year | 122.9% | -4.6% | 394.7% | |
| Accident Year Weights | 0.29 | 0.08 | 0.63 | 1.00 |
| Total Indication | | | | 285.1% |

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Rate Filing for Arkansas
Exhibit 2.11

| <u>Comprehensive</u> | <----- Accident Years -----> | | | <u>Total</u> |
|------------------------------------|------------------------------|--------------|-------------|---------------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 12,736 | 11,915 | 11,230 | 35,882 |
| Current Rate Level Factor | 1.04 | 1.04 | 1.00 | 1.03 |
| Premium Trend Factor | 1.05 | 1.04 | 1.02 | 1.04 |
| EP @ CRL (including premium trend) | 14,003 | 12,880 | 11,524 | 38,408 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 14,003 | 12,880 | 11,524 | 38,408 |
| Developed Incurred Loss+ALAE | 11,077 | 5,411 | 2,387 | 18,875 |
| Catastrophe Factor | 1.21 | 1.21 | 1.21 | |
| Loss Trend Factor | 1.12 | 1.08 | 1.04 | |
| Developed & Trended Loss+ALAE | 14,995 | 7,039 | 2,995 | 25,030 |
| Devel. & Trended Loss+ALAE Ratio | 107.1% | 54.7% | 26.0% | 65.2% |
| Target Loss+ALAE Ratio | 55.7% | 55.7% | 55.7% | 55.7% |
| Indication by Year | 70.1% | -1.4% | -40.5% | |
| Accident Year Weights | 0.32 | 0.30 | 0.38 | 1.00 |
| Total Indication | | | | 6.6% |

| <u>Collision</u> | <----- Accident Years -----> | | | <u>Total</u> |
|-------------------------------------|------------------------------|--------------|-------------|---------------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 33,016 | 30,450 | 26,410 | 89,875 |
| Current Rate Level Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| Premium Trend Factor | 1.18 | 1.13 | 1.08 | 1.13 |
| EP @ CRL (including premium trend) | 39,090 | 34,409 | 28,480 | 101,980 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 39,090 | 34,409 | 28,480 | 101,980 |
| Developed Incurred Loss+ALAE | 15,435 | 14,163 | 60,555 | 90,153 |
| Loss Trend Factor | 1.01 | 1.00 | 0.99 | |
| Developed & Trended Loss+ALAE | 15,533 | 14,150 | 60,196 | 89,878 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 39.7% | 41.1% | 211.4% | 88.1% |
| Target Loss+ALAE Ratio | 55.7% | 55.7% | 55.7% | 55.7% |
| Indication by Year | -21.8% | -19.9% | 212.3% | |
| Accident Year Weights | 0.32 | 0.30 | 0.38 | 1.00 |
| Total Indication | | | | 67.2% |

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Exhibit 2.12

| <u>Rental Reimbursement</u> | <----- Accident Years -----> | | | <u>Total</u> |
|-------------------------------------|------------------------------|--------------|-------------|--------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> | |
| Earned Premium | 1,670 | 1,670 | 1,778 | 5,117 |
| Current Rate Level Factor | 1.13 | 1.12 | 1.01 | 1.08 |
| Premium Trend Factor | 1.00 | 1.00 | 1.00 | 1.00 |
| EP @ CRL (including premium trend) | 1,878 | 1,864 | 1,791 | 5,534 |
| Allocated FAE premium @ CRL | 0 | 0 | 0 | 0 |
| EP @ CRL (including FAE premium) | 1,878 | 1,864 | 1,791 | 5,534 |
| Developed Incurred Loss+ALAE | 2,017 | 1,285 | 1,441 | 4,743 |
| Loss Trend Factor | 1.11 | 1.08 | 1.05 | |
| Developed & Trended Loss+ALAE | 2,245 | 1,388 | 1,512 | 5,145 |
| Dev. & Trended Loss+ALAE Ratio @CRL | 119.5% | 74.5% | 84.4% | 0.0% |
| Target Loss+ALAE Ratio | 55.7% | 55.7% | 55.7% | 55.7% |
| Indication by Year | 87.0% | 25.6% | 39.1% | |
| Accident Year Weights | 0.45 | 0.30 | 0.25 | 1.00 |
| Total Indication | | | | 56.4% |

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Exhibit 3

Expenses, ULAE, Profit and Target Loss & ALAE Ratio

- Our selection for General Expense is approximately 15% lower than the 3-year average, reflecting the anticipated benefit of efficiency improvements and expense control.
- Our selections for all other expense categories (and ULAE) equal the 3-year average.
- Our selected underwriting profit provision produces a 12.0% ROE. (Please see Exhibit 8.)

| <u>Expense Category</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>3-Year Avg.</u> | <u>Selected</u> | |
|----------------------------|-------------|-------------|-------------|--------------------|------------------|-----------------|
| | | | | | <u>Liability</u> | <u>Phys Dam</u> |
| Marketing & Distribution | 5.0% | 5.9% | 6.4% | 5.8% | 5.8% | 5.8% |
| Other Acquisition | 6.9% | 7.3% | 8.2% | 7.5% | 7.5% | 7.5% |
| General Expense | 16.8% | 16.8% | 17.9% | 17.2% | 14.3% | 14.3% |
| <u>Premium Tax</u> | <u>2.5%</u> | <u>2.5%</u> | <u>2.5%</u> | <u>2.5%</u> | <u>2.5%</u> | <u>2.5%</u> |
| Underwriting Expense Ratio | 31.1% | 32.6% | 35.0% | 32.9% | 30.0% | 30.0% |
| ULAE | 7.3% | 9.0% | 10.8% | 9.0% | 9.0% | 9.0% |
| Underwriting Profit | | | | | 4.6% | 5.3% |
| Target Loss+ALAE Ratio | | | | | 56.3% | 55.7% |

Data source: Kemper Direct Income Statements for 2009, 2010, 2011.

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Exhibit 4.1

Loss Trend

Fast Track Data

We use the most recent NAII Fast Track year-end frequency and severity data to determine historical and prospective annual loss trend for our indications. We base our selections on a formula that weights together the results of a 16-point exponential regression and trends from more recent periods. These selections are shown on the following pages.

We use Fast Track data, rather than internal loss cost data, because we believe the latter are often substantially affected by factors entirely unrelated to true underlying loss trends, and thus may lead to inaccurate indications and excessive rate gyrations to customers. We far prefer the relative stability and meaningfulness of Fast Track data. Here is our reasoning:

1. Because of their significantly smaller size, internal loss trend data are far more vulnerable to the vagaries of chance variation than industry-wide data.
2. Internal loss cost data can be substantially affected by business growth rate. If policy growth rate is strong, calendar period paid data are immature, and average payments may be low (reflecting the relatively cheap and easy claims that are paid first), leading to apparently declining loss severity. Conversely, shrinking policy growth may lead to rising calendar quarter average payments (driven by payments of the more mature and expensive claims), leading to apparently increasing loss severity. Yet both of these changes to average payments may be deceptive, as they may not reflect true changes to underlying claim severity.
3. Internal loss cost data can also be materially affected by a change in claim closure rate. If closure rate slows (due, for example, to temporary understaffing in the claims department), then payment of difficult or expensive claims may be delayed, and loss severity may temporarily drop. The reverse can also happen. In either case, the apparent change to loss cost trend does not reflect true changes to underlying claim severity.

Blending of State and Countrywide Data

To estimate historical trends, we use state data only. But to estimate prospective trends, we use a blended average of state and countrywide data, with weights as follows:

- * For all coverages except Comprehensive, we use a 50% / 50% weight for state and countrywide data.
- * For Comprehensive, we use 100% countrywide data.

We have performed a series of backtests of historical Fast Track data, and have consistently found that the inclusion of countrywide data with the state data improves the predictive accuracy of subsequent periods of state data. Our backtests were extensive - covering 27 states, 5 coverages and 6 years, for both frequency and severity - a total of 1,440 tests - and the inclusion of countrywide data was helpful in a significant majority of these tests.

Although this result may initially appear counterintuitive, we believe it is a classic example of the statistical principle of "mean reversion", which is evident in many physical, economic and financial realms. An example of this principle in the physical realm is heights of children; tall parents tend to have children who are taller than average, but not as tall as the parents. An example in the financial realm is stock market returns; abnormally high stock returns in any 5-year period tend to be followed by abnormally low returns in the subsequent 5-year period, and vice versa.

The principle of mean reversion as applied to loss trends implies that periods of abnormal state trends (whether high or low) will not continue indefinitely. Instead, they revert back to a mean, which in this case is best represented by countrywide trend.

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Exhibit 4.2

Bodily Injury

| <u>12 Months</u> <u>Ending</u> | <u>Claim</u> <u>Frequency</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | <u>Claim</u> <u>Severity</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | |
|-----------------------------------|----------------------------------|--|---------------------------------|--|---------------------|
| 2008q2 | 0.85% | | 10,438 | | |
| 2008q3 | 0.84% | | 10,533 | | |
| 2008q4 | 0.83% | | 10,499 | | |
| 2009q1 | 0.81% | | 10,370 | | |
| 2009q2 | 0.80% | -6% | 10,314 | -1% | |
| 2009q3 | 0.80% | -5% | 10,280 | -2% | |
| 2009q4 | 0.80% | -4% | 10,241 | -2% | |
| 2010q1 | 0.80% | -2% | 10,260 | -1% | |
| 2010q2 | 0.81% | 2% | 10,150 | -2% | |
| 2010q3 | 0.82% | 2% | 10,317 | 0% | |
| 2010q4 | 0.80% | 0% | 10,529 | 3% | |
| 2011q1 | 0.79% | -1% | 12,481 | 22% | |
| 2011q2 | 0.77% | -5% | 12,721 | 25% | |
| 2011q3 | 0.76% | -7% | 12,734 | 23% | |
| 2011q4 | 0.76% | -5% | 12,760 | 21% | |
| 2012q1 | 0.77% | -3% | 10,801 | -13% | |
| 16 Point Exp. Regression | | -2.4% | | 5.1% | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | | -0.7% | | 2.9% | <u>Annual % Chg</u> |
| Historical Select | | -1.6% | | 5.1% | 3.4% |
| Prospective Select | | -0.1% | | -1.6% | -1.7% |

Property Damage

| <u>12 Months</u> <u>Ending</u> | <u>Claim</u> <u>Frequency</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | <u>Claim</u> <u>Severity</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | |
|-----------------------------------|----------------------------------|--|---------------------------------|--|---------------------|
| 2008q2 | 3.04% | | 2,840 | | |
| 2008q3 | 2.99% | | 2,844 | | |
| 2008q4 | 2.93% | | 2,848 | | |
| 2009q1 | 2.92% | | 2,862 | | |
| 2009q2 | 2.94% | -3% | 2,866 | 1% | |
| 2009q3 | 2.96% | -1% | 2,908 | 2% | |
| 2009q4 | 3.01% | 3% | 2,943 | 3% | |
| 2010q1 | 3.02% | 4% | 2,960 | 3% | |
| 2010q2 | 3.03% | 3% | 2,969 | 4% | |
| 2010q3 | 3.02% | 2% | 2,966 | 2% | |
| 2010q4 | 2.99% | -1% | 2,966 | 1% | |
| 2011q1 | 2.94% | -2% | 2,977 | 1% | |
| 2011q2 | 2.87% | -5% | 2,989 | 1% | |
| 2011q3 | 2.90% | -4% | 2,994 | 1% | |
| 2011q4 | 2.89% | -3% | 3,022 | 2% | |
| 2012q1 | 2.95% | 0% | 3,012 | 1% | |
| 16 Point Exp. Regression | | -0.7% | | 1.8% | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | | -0.1% | | 0.8% | <u>Annual % Chg</u> |
| Historical Select | | -0.5% | | 1.8% | 1.3% |
| Prospective Select | | 0.5% | | 1.1% | 1.6% |

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Exhibit 4.3

Comprehensive

| <u>12 Months</u> <u>Ending</u> | <u>Claim</u> <u>Frequency</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | <u>Claim</u> <u>Severity</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | |
|-----------------------------------|----------------------------------|--|---------------------------------|--|---------------------|
| 2008q2 | 9.23% | | 1,551 | | |
| 2008q3 | 9.29% | | 1,598 | | |
| 2008q4 | 9.22% | | 1,646 | | |
| 2009q1 | 9.18% | | 1,649 | | |
| 2009q2 | 7.36% | -20% | 1,310 | -16% | |
| 2009q3 | 7.90% | -15% | 1,409 | -12% | |
| 2009q4 | 8.14% | -12% | 1,403 | -15% | |
| 2010q1 | 8.25% | -10% | 1,381 | -16% | |
| 2010q2 | 8.33% | 13% | 1,312 | 0% | |
| 2010q3 | 7.83% | -1% | 1,149 | -18% | |
| 2010q4 | 7.82% | -4% | 1,135 | -19% | |
| 2011q1 | 7.54% | -9% | 1,092 | -21% | |
| 2011q2 | 8.84% | 6% | 1,474 | 12% | |
| 2011q3 | 9.22% | 18% | 1,543 | 34% | |
| 2011q4 | 9.14% | 17% | 1,571 | 38% | |
| 2012q1 | 9.14% | 21% | 1,597 | 46% | |
| 16 Point Exp. Regression | | -0.4% | | -2.6% | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | | 4.2% | | -0.2% | <u>Annual % Chg</u> |
| Historical Select | | 4.2% | | -0.2% | 4.1% |
| Prospective Select | | 2.1% | | -0.1% | 2.0% |

Collision

| <u>12 Months</u> <u>Ending</u> | <u>Claim</u> <u>Frequency</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | <u>Claim</u> <u>Severity</u> | <u>Annual</u> <u>Percent</u> <u>Change</u> | |
|-----------------------------------|----------------------------------|--|---------------------------------|--|---------------------|
| 2008q2 | 5.55% | | 3,138 | | |
| 2008q3 | 5.53% | | 3,135 | | |
| 2008q4 | 5.48% | | 3,144 | | |
| 2009q1 | 5.49% | | 3,103 | | |
| 2009q2 | 5.53% | 0% | 3,084 | -2% | |
| 2009q3 | 5.56% | 1% | 3,081 | -2% | |
| 2009q4 | 5.64% | 3% | 3,069 | -2% | |
| 2010q1 | 5.67% | 3% | 3,084 | -1% | |
| 2010q2 | 5.67% | 3% | 3,067 | -1% | |
| 2010q3 | 5.66% | 2% | 3,084 | 0% | |
| 2010q4 | 5.60% | -1% | 3,099 | 1% | |
| 2011q1 | 5.51% | -3% | 3,166 | 3% | |
| 2011q2 | 5.40% | -5% | 3,228 | 5% | |
| 2011q3 | 5.30% | -6% | 3,279 | 6% | |
| 2011q4 | 5.26% | -6% | 3,355 | 8% | |
| 2012q1 | 5.25% | -5% | 3,280 | 4% | |
| 16 Point Exp. Regression | | -1.2% | | 1.5% | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | | -0.7% | | 0.0% | <u>Annual % Chg</u> |
| Historical Select | | -0.8% | | 1.5% | 0.7% |
| Prospective Select | | -1.1% | | 0.6% | -0.5% |

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Exhibit 4.4

Personal Injury Protection

| <u>12 Months</u> | <u>Claim</u> | <u>Annual</u> | <u>Claim</u> | <u>Annual</u> |
|---------------------------|------------------|----------------|-----------------|---------------------|
| <u>Ending</u> | <u>Frequency</u> | <u>Percent</u> | <u>Severity</u> | <u>Percent</u> |
| | | <u>Change</u> | | <u>Change</u> |
| 2008q2 | 0.00% | | 0 | |
| 2008q3 | 0.00% | | 0 | |
| 2008q4 | 0.00% | | 0 | |
| 2009q1 | 0.00% | | 0 | |
| 2009q2 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2009q3 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2009q4 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2010q1 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2010q2 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2010q3 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2010q4 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2011q1 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2011q2 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2011q3 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2011q4 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 2012q1 | 0.00% | #DIV/0! | 0 | #DIV/0! |
| 16 Point Exp. Regression | #NUM! | | #NUM! | <u>Pure Premium</u> |
| Ctrywide 16 Pt. Exp. Reg. | 2.3% | | 5.6% | <u>Annual % Chg</u> |
| Historical Select | #NUM! | | #NUM! | 0.0% |
| Prospective Select | #NUM! | | #NUM! | 0.0% |

Uninsured Motorists

- We believe the troubled U.S. economy is increasing the number of uninsured motorists, as some financially strapped motorists drop auto insurance coverage to save money. Researchers at the Insurance Research Council looked back at over 20 years of data and found that a 1% increase in the unemployment rate correlates to a 0.75% point increase to the percentage of uninsured motorists.
- The IRC thus anticipates that the percentage of uninsured motorists will increase from 13.8% in 2007, to 16.2% percent in 2010.
- This rate of increase - 13.8% to 16.2% over 3 years - equates to 5.5% annually.
 - Consequently, we have selected UM frequency for calendar years 2008-2011 to equal BI frequency + 4.0% (somewhat less than suggested by the IRC).
 - Similarly, we have selected UMPD frequency to equal PD frequency +4.0%.
- Article describing the analysis resides at: http://www.ircweb.org/news/IRC_UM_012109.pdf

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Exhibit 4.5

Explanation of Calculation of Loss Trend Factors

Here are the calculations of the loss trend factors used in Exhibit 2.6 - 2.10.

The 'Accident Year Loss Trend Span' below indicates the calendar periods through which each accident year's losses are trended.

| <u>Accident Year Loss Trend Spans (in years)</u> | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| <u>Calendar Year</u> | | | | | |
| <u>Accident Year Ending</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| 30-Sep-10 | 0.75 | 1.00 | 1.00 | 0.87 | 0.00 |
| 30-Sep-11 | | 0.75 | 1.00 | 0.87 | 0.00 |
| 30-Sep-12 | | | 0.75 | 0.87 | 0.00 |

| <u>Loss Cost Trend</u> | | | | | | | | |
|------------------------|----------------|-----------|-----------|-------------|------------|-------------|-------------|---------------|
| <u>Calendar Year</u> | <u>BI / MP</u> | <u>UM</u> | <u>PD</u> | <u>UMPD</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> |
| 2010 | 3.4% | 6.4% | 1.3% | 4.3% | 0.0% | 4.1% | 0.7% | 3.0% |
| 2011 | 3.4% | 6.4% | 1.3% | 4.3% | 0.0% | 4.1% | 0.7% | 3.0% |
| 2012 | -0.4% | 2.6% | 1.5% | 4.5% | 0.0% | 2.5% | -0.2% | 3.0% |
| 2013 | -1.7% | 1.3% | 1.6% | 4.6% | 0.0% | 2.0% | -0.5% | 3.0% |
| 2014 | -1.7% | 1.3% | 1.6% | 4.6% | 0.0% | 2.0% | -0.5% | 3.0% |

| <u>Trend Factors</u> | | | | | | | | |
|-----------------------------|----------------|-----------|-----------|-------------|------------|-------------|-------------|---------------|
| <u>Accident Year Ending</u> | <u>BI / MP</u> | <u>UM</u> | <u>PD</u> | <u>UMPD</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> |
| 30-Sep-10 | 1.04 | 1.16 | 1.05 | 1.17 | 1.00 | 1.12 | 1.01 | 1.11 |
| 30-Sep-11 | 1.01 | 1.09 | 1.04 | 1.12 | 1.00 | 1.08 | 1.00 | 1.08 |
| 30-Sep-12 | 0.98 | 1.03 | 1.03 | 1.07 | 1.00 | 1.04 | 0.99 | 1.05 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 5.1

Premium Trend

I. How We Define Premium Trend

- * Premium trend refers to changes in average premium per exposure that are caused by two factors:
1. Rating variables. For auto insurance, the model year rating variable creates premium trend, because the distribution of vehicle model years continuously shifts towards newer model years for which we apply higher relativities.
 2. Distribution shifts, such as towards different tiers, average number of points, territories, etc. for which average premiums may vary significantly.
- In our indication model, we calculate premium trend caused by rating variables (#1 above), but not distribution shifts (#2 above). The reason is that distribution shifts also create concomitant loss trend, and our data are insufficient to accurately calculate this internal loss trend. (Consequently, we use ISO Fast Track loss trend, which does not account for our company's distribution shift.) In this way, we maintain a proper pairing of premium and loss trend, neither of which is affected by distribution shift.

II. How We Calculate Average Annual Model Year Trend

- * We calculate annual premium trend as follows:
- a. We calculate the current year average model year factor using the model year factors weighted by the current model year earned car year distribution.
 - b. We calculate the following year average model year factor using the model year factors weighted by the following year model year earned car year distribution.
 - c. The resulting percent difference between average model year factors equals annual premium trend.
 - d. We then calculate a premium trend factor for each coverage and accident year (as shown in Exhibit 5.2), and then apply these factors to earned premium at current rate level.

| Model Year | <u>Proposed Model Year Factors</u> | | | | | | | <u>Current ECY Dist.</u> | | <u>Projected ECY Dist.</u> | |
|-----------------------------|------------------------------------|-------------|-------------|-------------|----------------|-------------|-------------|--------------------------|-------------|----------------------------|-------------|
| | <u>BI</u> | <u>PD</u> | <u>UM</u> | <u>UMPD</u> | <u>Med/PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Liability</u> | <u>Phys</u> | <u>Liability</u> | <u>Phys</u> |
| <= 1994 | 0.99 | 0.99 | 0.99 | 1.00 | 1.00 | 0.97 | 0.71 | 8.0% | 1.4% | 6.2% | 1.0% |
| 1995 | 0.99 | 0.99 | 0.99 | 1.00 | 1.00 | 0.98 | 0.71 | 1.7% | 0.4% | 1.8% | 0.5% |
| 1996 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.98 | 0.71 | 2.2% | 0.6% | 1.7% | 0.4% |
| 1997 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.71 | 2.7% | 1.0% | 2.2% | 0.6% |
| 1998 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.97 | 0.71 | 3.3% | 1.3% | 2.7% | 1.0% |
| 1999 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.03 | 0.71 | 3.3% | 1.7% | 3.3% | 1.3% |
| 2000 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.03 | 0.71 | 4.3% | 2.7% | 3.3% | 1.7% |
| 2001 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.02 | 0.75 | 4.8% | 3.5% | 4.3% | 2.7% |
| 2002 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.01 | 0.78 | 5.6% | 5.1% | 4.8% | 3.5% |
| 2003 | 1.02 | 1.02 | 1.02 | 1.00 | 1.00 | 1.01 | 0.82 | 6.8% | 6.9% | 5.6% | 5.1% |
| 2004 | 1.04 | 1.04 | 1.04 | 1.00 | 1.00 | 1.01 | 0.86 | 6.7% | 7.6% | 6.8% | 6.9% |
| 2005 | 1.06 | 1.06 | 1.06 | 1.00 | 1.00 | 1.03 | 0.91 | 7.6% | 9.4% | 6.7% | 7.6% |
| 2006 | 1.08 | 1.08 | 1.08 | 1.00 | 1.00 | 1.05 | 0.95 | 8.1% | 10.6% | 7.6% | 9.4% |
| 2007 | 1.10 | 1.10 | 1.10 | 1.00 | 1.00 | 1.07 | 1.00 | 8.6% | 11.6% | 8.1% | 10.6% |
| 2008 | 1.12 | 1.12 | 1.12 | 1.00 | 1.00 | 1.09 | 1.05 | 9.0% | 12.2% | 8.6% | 11.6% |
| 2009 | 1.14 | 1.14 | 1.14 | 1.00 | 1.00 | 1.11 | 1.10 | 8.1% | 11.2% | 9.0% | 12.2% |
| 2010 | 1.16 | 1.16 | 1.16 | 1.00 | 1.00 | 1.13 | 1.16 | 6.9% | 9.6% | 8.1% | 11.2% |
| 2011 | 1.18 | 1.18 | 1.18 | 1.00 | 1.00 | 1.15 | 1.22 | 2.3% | 3.2% | 6.9% | 9.6% |
| 2012 | 1.20 | 1.20 | 1.20 | 1.00 | 1.00 | 1.17 | 1.28 | 0.1% | 0.1% | 2.4% | 3.3% |
| Avg factor for current year | 1.06 | 1.06 | 1.06 | 1.00 | 1.00 | 1.06 | 0.96 | 100.0% | 100.0% | 100.0% | 100.0% |
| Avg factor one year ahead | 1.07 | 1.07 | 1.07 | 1.00 | 1.00 | 1.07 | 1.00 | | | | |
| Annual Change | 1.3% | 1.3% | 1.3% | 0.0% | 0.0% | 1.4% | 4.8% | | | | |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 5.2

III. Premium Trend Factors for the Indication

Premium trend factors are calculated using the annual premium trend factors shown in section II, with a trend period that begins on the average earning date for each accident year and ends on the average earning date for our proposed rate revision. The resulting premium trend factors are shown below.

| <u>Accident Year</u> | <u>BI</u> | <u>PD</u> | <u>UM</u> | <u>UMPD</u> | <u>Med/PIP</u> | <u>Comp</u> | <u>Coll</u> |
|----------------------|-----------|-----------|-----------|-------------|----------------|-------------|-------------|
| 25-36 | 1.05 | 1.05 | 1.05 | 1.00 | 1.00 | 1.05 | 1.18 |
| 13-24 | 1.04 | 1.04 | 1.04 | 1.00 | 1.00 | 1.04 | 1.13 |
| 1-12 | 1.02 | 1.02 | 1.02 | 1.00 | 1.00 | 1.02 | 1.08 |

Merastar Insurance Company
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Exhibit 6

Current Rate Level Factors

We calculate the current rate level factors as follows:

- I. The first box shows all rate changes which affected earned premium in the experience period used in the indication.
- II. The second box shows the compounded rate change factors, beginning with 1.00 for the base revision.
- III. The third box shows the distribution of EP by rate revision for each of the 3 accident periods.
- IV. The last box shows the current rate level factors by accident period, which equals the final compounded rate change factor (last row of box II), divided by the average compounded rate factor (weighted average of box II using box III as weights.)

| <u>I. Rate Changes By Coverage</u> | | | | | | | | | | | |
|---|-------------|--------------|----------------|-------------|----------------|--------------|-------------|-------------|---------------|------------|----------------|
| <u>NB Eff. Date</u> | <u>BI</u> | <u>PD</u> | <u>UM/UIIM</u> | <u>UMPD</u> | <u>Med Pay</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> | <u>FAE</u> | <u>Overall</u> |
| 06/01/2011 | 4.9% | 15.0% | 33.0% | | | 38.5% | 4.5% | | 12.5% | | 8.8% |

| <u>II. Compounded Rate Changes</u> | | | | | | | | | | | |
|---|-----------|-----------|----------------|-------------|----------------|------------|-------------|-------------|---------------|------------|----------------|
| <u>NB Eff. Date</u> | <u>BI</u> | <u>PD</u> | <u>UM/UIIM</u> | <u>UMPD</u> | <u>Med Pay</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> | <u>FAE</u> | <u>Overall</u> |
| Base | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 1-Jun-11 | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |
| ----- | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | 1.09 |

III. Percent of Accident Period Earned Exposures by Revision

| <u>Rate</u> <u>Revision</u> | <u>Accident Period</u> | | |
|--------------------------------|------------------------|--------------|-------------|
| | <u>25-36</u> | <u>13-24</u> | <u>1-12</u> |
| Base | 100.0% | 93.8% | 6.9% |
| 1-Jun-11 | 0.0% | 6.2% | 93.1% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | 0.0% | 0.0% | 0.0% |
| ----- | <u>0.0%</u> | <u>0.0%</u> | <u>0.0%</u> |
| Total | 100.0% | 100.0% | 100.0% |

| <u>IV. Current Rate Level Factors</u> | | | | | | | | | | | |
|--|-----------|-----------|----------------|-------------|----------------|------------|-------------|-------------|---------------|------------|--|
| <u>Accident Period</u> | <u>BI</u> | <u>PD</u> | <u>UM/UIIM</u> | <u>UMPD</u> | <u>Med Pay</u> | <u>PIP</u> | <u>Comp</u> | <u>Coll</u> | <u>Rental</u> | <u>FAE</u> | |
| 25-36 | 1.05 | 1.15 | 1.33 | 1.00 | 1.00 | 1.38 | 1.04 | 1.00 | 1.13 | 1.00 | |
| 13-24 | 1.05 | 1.14 | 1.30 | 1.00 | 1.00 | 1.35 | 1.04 | 1.00 | 1.12 | 1.00 | |
| 1-12 | 1.00 | 1.01 | 1.02 | 1.00 | 1.00 | 1.02 | 1.00 | 1.00 | 1.01 | 1.00 | |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.1

Loss Development

Explanation of Loss Development Methodology

- * We develop incurred loss and ALAE to ultimate using the Bornhuetter-Ferguson method (BF) as described in "The Actuary and IBNR", Bornhuetter, R.L. and Ferguson, R.E., PCAS 1972.
We use the BF because several papers in the actuarial literature suggest convincingly that it produces more accurate and stable estimates than the more commonly used Loss Development Factor (LDF) method. We cite two such papers:
 1. "A Simulation Test of Prediction Errors of Loss Reserving Techniques", James Stanard, PCAS 1985
 2. "Some Extensions of J. N. Stanard's Simulation Model for Loss Reserving", Richard Vaughan, CAS Forum 1998
- * The BF method blends two methods - the LDF method and the Expected Loss Ratio (ELR) method - to develop losses to ultimate. We describe our calculation of these two methods below.

1. LDF Method

We develop LDFs using a 3-step process:

1. We calculate LDFs using the indicated factors from a chain-ladder methodology. (Vaughan shows that this method is generally more accurate than a straight average or average x high-low of the individual age-to-age factors.) We use the most recent 16 quarters of data, assigning progressively lower weights to the oldest quarters, reflecting their decreasing relevance.
2. We separately develop LDFs using state-specific and countrywide data.
3. We select LDFs using a weighted average of the state-specific and countrywide LDFs, based on the credibility of the state-specific data.

2. Expected Loss Method

We calculate the Expected Losses using a method described in "Balancing Development and Trend in Loss Reserve Analysis", Spencer Gluck, PCAS 1997. The method has 3 steps:

1. For each of the 12 accident quarters used in the experience period, we calculate expected pure premium as the weighted average of all of the accident quarter developed pure premiums from the LDF method, double-weighted by the accident quarter earned exposures and by the set of accident quarter weights that reflect proximities to the accident quarter whose expected losses are being estimated.
2. Each quarter's expected pure premium is trended (or detrended) forward (or backward) to account for the difference between the average date of loss of the accident quarter and the average date of loss of the entire experience period used to estimate the expected pure premium.
3. For each accident quarter, the expected losses are the product of that quarter's earned exposures and its expected pure premium.

* Combining Data Across Companies for Loss Development

When business is written in multiple companies in a given state, we use the combined-company data to calculate loss development factors. We do this to increase credibility, because we believe that loss development patterns are similar between companies. (The loss development patterns are driven primarily by the system-set average reserve, claim reserving practices, state liability laws and policyholder limit profile, and these are typically the same or similar between companies in a given state.)

For each coverage's loss development exhibit, the combined-company incurred Loss + ALAE triangle is shown on page 1 and the company-specific incurred Loss + ALAE triangle is shown on page 2.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.2

Loss Development
Bodily Injury

Incurred Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 6,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 7,850 | 7,427 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 | 25,077 |
| Sep-09 | 7,850 | 7,850 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 |
| Dec-09 | 8,500 | 8,500 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 | 4,832 |
| Mar-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 28,149 | 29,600 | 28,950 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-11 | 17,000 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 | 3,529 |
| Jun-11 | 17,000 | 17,000 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 | 11,750 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-12 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 | 100,500 |
| Jun-12 | 34,100 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 | 12,461 |
| Sep-12 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 | 50,500 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | 0.23 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | #DIV/0! |
| Dec-07 | #DIV/0! |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | #DIV/0! |
| Jun-09 | 0.95 | 3.38 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 1.00 | 1.72 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | 1.00 | 0.57 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-10 | #DIV/0! |
| Jun-10 | #DIV/0! |
| Sep-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.10 | 1.05 | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 |
| Dec-10 | #DIV/0! |
| Mar-11 | 0.21 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-11 | 1.00 | 0.69 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-11 | #DIV/0! |
| Dec-11 | #DIV/0! |
| Mar-12 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-12 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.05 | 1.00 | 1.01 | 1.02 | 1.02 | 1.02 | 1.03 | 1.02 | 1.02 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.02 |
| Arkansas | 0.83 | 1.04 | 1.00 | 1.00 | 1.00 | 1.04 | 1.02 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.05 | 1.00 | 1.01 | 1.02 | 1.02 | 1.02 | 1.03 | 1.02 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.02 |
| Cumulative Selected | 1.31 | 1.25 | 1.25 | 1.24 | 1.21 | 1.19 | 1.17 | 1.13 | 1.11 | 1.09 | 1.07 | 1.05 | 1.04 | 1.03 | 1.02 | 1.02 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 6,837 | 4,832 | 1.05 | 5,083 | 74% | 35 | 500 | 17,385 | 254% | 0.95 | 5,691 | 83% |
| 31-Mar-10 | 6,811 | 0 | 1.07 | 0 | 0% | 36 | 504 | 17,893 | 263% | 0.94 | 1,134 | 17% |
| 30-Jun-10 | 6,738 | 0 | 1.09 | 0 | 0% | 35 | 508 | 17,730 | 263% | 0.92 | 1,448 | 21% |
| 30-Sep-10 | 6,350 | 28,950 | 1.11 | 32,152 | 506% | 34 | 512 | 17,531 | 276% | 0.90 | 30,696 | 483% |
| 31-Dec-10 | 6,260 | 0 | 1.13 | 0 | 0% | 36 | 517 | 18,728 | 299% | 0.88 | 2,192 | 35% |
| 31-Mar-11 | 5,891 | 3,529 | 1.17 | 4,117 | 70% | 34 | 521 | 17,869 | 303% | 0.86 | 6,079 | 103% |
| 30-Jun-11 | 6,499 | 11,750 | 1.19 | 13,982 | 215% | 35 | 525 | 18,428 | 284% | 0.84 | 14,692 | 226% |
| 30-Sep-11 | 6,242 | 0 | 1.21 | 0 | 0% | 35 | 530 | 18,523 | 297% | 0.82 | 3,260 | 52% |
| 31-Dec-11 | 5,661 | 0 | 1.24 | 0 | 0% | 33 | 534 | 17,600 | 311% | 0.81 | 3,380 | 60% |
| 31-Mar-12 | 5,412 | 100,500 | 1.25 | 125,618 | 2321% | 31 | 539 | 16,481 | 305% | 0.80 | 103,795 | 1918% |
| 30-Jun-12 | 5,283 | 12,461 | 1.25 | 15,587 | 295% | 30 | 543 | 16,048 | 304% | 0.80 | 15,679 | 297% |
| 30-Sep-12 | 5,211 | 50,500 | 1.31 | 66,025 | 1267% | 29 | 548 | 15,726 | 302% | 0.76 | 54,198 | 1040% |
| Total | 73,196 | 212,522 | | 262,563 | | | | 209,943 | | | 242,243 | |

Annual Pure Premium Trend
(From Exhibit 4)
3.4%

Ultimate Paid Loss
(Using B-F Method)

| | |
|-----------|---------|
| Trl 25-36 | 38,968 |
| Trl 13-24 | 26,223 |
| Trl 1-12 | 177,052 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.4

Loss Development
Property Damage

Incurring Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 0 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 | 3,371 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 2,981 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 | 1,843 |
| Dec-07 | 2,500 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 | 911 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 4,907 | 9,117 | 11,901 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 | 12,096 |
| Sep-09 | 7,986 | 10,160 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 | 19,461 |
| Dec-09 | 6,280 | 6,189 | 6,189 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 | 7,550 |
| Mar-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-10 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 | 1,201 |
| Sep-10 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 | 867 |
| Dec-10 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 | 2,672 |
| Mar-11 | 5,051 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 | 5,284 |
| Jun-11 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 | 585 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-12 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 | 1,302 |
| Jun-12 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 |
| Sep-12 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | 0.62 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-07 | 0.36 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | #DIV/0! |
| Jun-09 | 1.86 | 1.31 | 1.02 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 1.27 | 1.92 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | 0.99 | 1.00 | 1.22 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-10 | #DIV/0! |
| Jun-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-11 | 1.05 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-11 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-11 | #DIV/0! |
| Dec-11 | #DIV/0! |
| Mar-12 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-12 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.09 | 1.04 | 1.03 | 1.02 | 1.01 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.12 | 1.25 | 1.03 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.09 | 1.04 | 1.03 | 1.02 | 1.01 | 1.01 | 1.01 | 1.00 |
| Cumulative Selected | 1.23 | 1.13 | 1.08 | 1.05 | 1.03 | 1.02 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 4,962 | 7,550 | 1.00 | 7,550 | 152% | 35 | 68 | 2,366 | 48% | 1.00 | 7,550 | 152% |
| 31-Mar-10 | 4,946 | 0 | 1.00 | 0 | 0% | 36 | 68 | 2,422 | 49% | 1.00 | 0 | 0% |
| 30-Jun-10 | 4,897 | 1,201 | 1.00 | 1,201 | 25% | 35 | 68 | 2,388 | 49% | 1.00 | 1,201 | 25% |
| 30-Sep-10 | 4,593 | 867 | 1.00 | 867 | 19% | 34 | 69 | 2,349 | 51% | 1.00 | 867 | 19% |
| 31-Dec-10 | 4,490 | 2,672 | 1.00 | 2,672 | 60% | 36 | 69 | 2,497 | 56% | 1.00 | 2,672 | 60% |
| 31-Mar-11 | 4,236 | 5,284 | 1.01 | 5,336 | 126% | 34 | 69 | 2,370 | 56% | 0.99 | 5,307 | 125% |
| 30-Jun-11 | 4,675 | 585 | 1.02 | 597 | 13% | 35 | 69 | 2,432 | 52% | 0.98 | 632 | 14% |
| 30-Sep-11 | 4,513 | 0 | 1.03 | 0 | 0% | 35 | 70 | 2,432 | 54% | 0.97 | 70 | 2% |
| 31-Dec-11 | 4,262 | 0 | 1.05 | 0 | 0% | 33 | 70 | 2,299 | 54% | 0.95 | 110 | 3% |
| 31-Mar-12 | 4,236 | 1,302 | 1.08 | 1,409 | 33% | 31 | 70 | 2,142 | 51% | 0.92 | 1,464 | 35% |
| 30-Jun-12 | 4,145 | 2,600 | 1.13 | 2,932 | 71% | 30 | 70 | 2,075 | 50% | 0.89 | 2,835 | 68% |
| 30-Sep-12 | 4,077 | 2,850 | 1.23 | 3,504 | 86% | 29 | 70 | 2,023 | 50% | 0.81 | 3,227 | 79% |
| Total | 54,032 | 24,912 | | 26,067 | | | | 27,794 | | | 25,936 | |

Annual Pure Premium Trend
(From Exhibit 4)
1.3%

| Ultimate Paid Loss (Using B-F Method) | |
|--|-------|
| Trl 25-36 | 9,618 |
| Trl 13-24 | 8,682 |
| Trl 1-12 | 7,636 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.6

Loss Development
UM/UIM - Capped at \$50,000 per claimant

Incurring Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 0 | 0 | 0 | 0 | 0 | 0 | 8,400 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 7,850 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 |
| Sep-09 | 7,850 | 25,500 | 25,000 | 25,000 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 34,000 | 34,000 | 34,000 | 34,350 | 34,350 | 35,346 | 38,271 | 38,271 | 46,786 | 48,286 | 40,286 | | | | | |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 0 | 8,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-12 | 34,000 | 34,000 | 34,000 | | | | | | | | | | | | | |
| Jun-12 | 0 | 0 | | | | | | | | | | | | | | |
| Sep-12 | 0 | | | | | | | | | | | | | | | |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | 0.42 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | #DIV/0! |
| Dec-07 | #DIV/0! |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | #DIV/0! |
| Jun-09 | 0.06 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 3.25 | 0.98 | 1.00 | 0.18 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | #DIV/0! |
| Mar-10 | 1.00 | 1.00 | 1.01 | 1.00 | 1.03 | 1.08 | 1.00 | 1.22 | 1.03 | 0.83 | | | | | |
| Jun-10 | #DIV/0! |
| Sep-10 | #DIV/0! |
| Dec-10 | #DIV/0! |
| Mar-11 | #DIV/0! |
| Jun-11 | #DIV/0! |
| Sep-11 | #DIV/0! |
| Dec-11 | #DIV/0! | 0.00 | #DIV/0! | | | | | | | | | | | | |
| Mar-12 | 1.00 | 1.00 | | | | | | | | | | | | | |
| Jun-12 | #DIV/0! | | | | | | | | | | | | | | |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.34 | 1.05 | 1.12 | 1.05 | 1.05 | 1.04 | 1.04 | 1.03 | 1.03 | 1.02 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.03 |
| Arkansas | 1.22 | 0.90 | 1.01 | 0.67 | 1.03 | 1.07 | 1.00 | 1.19 | 1.03 | 0.86 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.34 | 1.05 | 1.12 | 1.05 | 1.04 | 1.04 | 1.03 | 1.03 | 1.03 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.03 |
| Cumulative Selected | 2.18 | 1.63 | 1.55 | 1.39 | 1.32 | 1.27 | 1.22 | 1.18 | 1.14 | 1.11 | 1.09 | 1.07 | 1.06 | 1.04 | 1.03 | 1.03 |

| Accident Quarter | Earned Premium | LDF Method | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|------------------|---------------------|-----------------|----------------------|------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 2,137 | 0 | 1.07 | 0 | 0% | 69 | 117 | 8,096 | 379% | 0.93 | 543 | 25% |
| 31-Mar-10 | 2,078 | 40,286 | 1.09 | 43,958 | 2116% | 67 | 119 | 7,968 | 384% | 0.92 | 40,952 | 1971% |
| 30-Jun-10 | 2,066 | 0 | 1.11 | 0 | 0% | 68 | 121 | 8,297 | 402% | 0.90 | 843 | 41% |
| 30-Sep-10 | 1,988 | 0 | 1.14 | 0 | 0% | 64 | 123 | 7,844 | 395% | 0.88 | 969 | 49% |
| 31-Dec-10 | 2,169 | 0 | 1.18 | 0 | 0% | 69 | 125 | 8,618 | 397% | 0.85 | 1,289 | 59% |
| 31-Mar-11 | 2,033 | 0 | 1.22 | 0 | 0% | 64 | 127 | 8,108 | 399% | 0.82 | 1,445 | 71% |
| 30-Jun-11 | 2,101 | 0 | 1.27 | 0 | 0% | 66 | 129 | 8,535 | 406% | 0.79 | 1,792 | 85% |
| 30-Sep-11 | 2,081 | 0 | 1.32 | 0 | 0% | 63 | 131 | 8,300 | 399% | 0.76 | 2,025 | 97% |
| 31-Dec-11 | 2,176 | 0 | 1.39 | 0 | 0% | 63 | 133 | 8,312 | 382% | 0.72 | 2,314 | 106% |
| 31-Mar-12 | 2,200 | 34,000 | 1.55 | 52,737 | 2397% | 55 | 135 | 7,392 | 336% | 0.64 | 36,626 | 1665% |
| 30-Jun-12 | 2,217 | 0 | 1.63 | 0 | 0% | 54 | 137 | 7,368 | 332% | 0.61 | 2,838 | 128% |
| 30-Sep-12 | 2,126 | 0 | 2.18 | 0 | 0% | 52 | 139 | 7,272 | 342% | 0.46 | 3,933 | 185% |
| Total | 25,371 | 74,286 | | 96,696 | | | | 96,110 | | | 95,568 | |

Annual Pure Premium Trend
(From Exhibit 4)
6.4%

Ultimate Paid Loss
(Using B-F Method)

| | |
|-----------|--------|
| Trl 25-36 | 43,306 |
| Trl 13-24 | 6,551 |
| Trl 1-12 | 45,711 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.8

Loss Development
UMPD

Incurred Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 0 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 | 1,411 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 | 2,307 |
| Sep-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Dec-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Mar-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | #DIV/0! |
| Dec-07 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-08 | #DIV/0! |
| Mar-09 | #DIV/0! |
| Jun-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | #DIV/0! |
| Dec-09 | #DIV/0! |
| Mar-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-10 | #DIV/0! |
| Sep-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-10 | #DIV/0! |
| Mar-11 | #DIV/0! |
| Jun-11 | #DIV/0! |
| Sep-11 | #DIV/0! |
| Dec-11 | 1.00 | 0.00 | #DIV/0! |
| Mar-12 | #DIV/0! |
| Jun-12 | #DIV/0! |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.15 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.00 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.15 | 1.01 | 1.00 |
| Cumulative Selected | 1.24 | 1.08 | 1.07 | 1.06 | 1.05 | 1.04 | 1.03 | 1.02 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | (30) | 0 | 1.00 | 0 | 0% | 5 | 10 | 47 | -160% | 1.00 | 0 | 0% |
| 31-Mar-10 | 46 | 300 | 1.00 | 300 | 655% | 5 | 10 | 52 | 114% | 1.00 | 300 | 0% |
| 30-Jun-10 | 4 | 0 | 1.00 | 0 | 0% | 5 | 11 | 49 | 1313% | 1.00 | 0 | 0% |
| 30-Sep-10 | 58 | 300 | 1.01 | 303 | 522% | 4 | 11 | 46 | 79% | 0.99 | 300 | 0% |
| 31-Dec-10 | 9 | 0 | 1.02 | 0 | 0% | 5 | 11 | 53 | 612% | 0.98 | 1 | 0% |
| 31-Mar-11 | 56 | 0 | 1.03 | 0 | 0% | 5 | 11 | 54 | 96% | 0.97 | 2 | 0% |
| 30-Jun-11 | 17 | 0 | 1.04 | 0 | 0% | 5 | 11 | 56 | 340% | 0.96 | 2 | 0% |
| 30-Sep-11 | 70 | 0 | 1.05 | 0 | 0% | 5 | 11 | 58 | 82% | 0.95 | 3 | 0% |
| 31-Dec-11 | 32 | 0 | 1.06 | 0 | 0% | 5 | 11 | 61 | 190% | 0.94 | 4 | 0% |
| 31-Mar-12 | 44 | 0 | 1.07 | 0 | 0% | 5 | 11 | 55 | 126% | 0.93 | 4 | 0% |
| 30-Jun-12 | 5 | 0 | 1.08 | 0 | 0% | 5 | 12 | 61 | 1263% | 0.92 | 5 | 0% |
| 30-Sep-12 | 47 | 0 | 1.24 | 0 | 0% | 5 | 12 | 62 | 130% | 0.80 | 12 | 0% |
| Total | 358 | 600 | | 603 | | | | 654 | | | 632 | |

Annual Pure Premium Trend
(From Exhibit 4)
4.3%

| Ultimate Paid Loss (Using B-F Method) | |
|--|-----|
| Tr1 25-36 | 600 |
| Tr1 13-24 | 8 |
| Tr1 1-12 | 24 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.10

Loss Development
Medical Payments

Incurred Loss + ALAE (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 |
| Sep-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | #DIV/0! |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | #DIV/0! |
| Dec-07 | #DIV/0! |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | #DIV/0! |
| Jun-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | #DIV/0! |
| Dec-09 | #DIV/0! |
| Mar-10 | #DIV/0! |
| Jun-10 | #DIV/0! |
| Sep-10 | #DIV/0! |
| Dec-10 | #DIV/0! |
| Mar-11 | #DIV/0! |
| Jun-11 | #DIV/0! |
| Sep-11 | #DIV/0! |
| Dec-11 | #DIV/0! |
| Mar-12 | #DIV/0! |
| Jun-12 | #DIV/0! |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 0.95 | 0.99 | 1.05 | 1.03 | 1.02 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 0.95 | 0.99 | 1.05 | 1.03 | 1.02 | 1.01 | 1.01 | 1.00 |
| Cumulative Selected | 1.06 | 1.11 | 1.13 | 1.07 | 1.04 | 1.02 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 42 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 31-Mar-10 | 67 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 30-Jun-10 | 56 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 30-Sep-10 | 32 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 31-Dec-10 | 26 | 0 | 1.00 | 0 | 0% | 2 | 0 | 0 | 0% | 1.00 | 0 | 0% |
| 31-Mar-11 | 27 | 0 | 1.01 | 0 | 0% | 2 | 0 | 0 | 0% | 0.99 | 0 | 0% |
| 30-Jun-11 | 52 | 0 | 1.02 | 0 | 0% | 2 | 0 | 0 | 0% | 0.98 | 0 | 0% |
| 30-Sep-11 | 41 | 0 | 1.04 | 0 | 0% | 2 | 0 | 0 | 0% | 0.96 | 0 | 0% |
| 31-Dec-11 | 40 | 0 | 1.07 | 0 | 0% | 2 | 0 | 0 | 0% | 0.93 | 0 | 0% |
| 31-Mar-12 | 41 | 0 | 1.13 | 0 | 0% | 2 | 0 | 0 | 0% | 0.89 | 0 | 0% |
| 30-Jun-12 | 43 | 0 | 1.11 | 0 | 0% | 2 | 0 | 0 | 0% | 0.90 | 0 | 0% |
| 30-Sep-12 | 43 | 0 | 1.06 | 0 | 0% | 2 | 0 | 0 | 0% | 0.94 | 0 | 0% |
| Total | 509 | 0 | | 0 | | | | 0 | | | 0 | |

Annual Pure Premium Trend
(From Exhibit 4)
3.4%

| Ultimate Paid Loss (Using B-F Method) | |
|--|---|
| Tr1 25-36 | 0 |
| Tr1 13-24 | 0 |
| Tr1 1-12 | 0 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.12

Loss Development
PIP

Incurred Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 6,600 | 6,600 | 11,318 | 11,340 | 10,600 | 10,600 | 10,598 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 | 10,600 |
| Mar-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 7,600 | 3,300 | 4,398 | 5,129 | 5,130 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 | 5,191 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 3,400 | 3,400 | 75 | 75 | 75 | 75 | 5,075 | 5,075 | 5,075 | 7,672 | 7,672 | 7,672 | 7,672 | 7,672 | 7,672 | 7,672 |
| Sep-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 3,400 | 4,957 | 8,223 | 10,051 | 10,051 | 10,051 | 17,629 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 | 14,296 |
| Jun-09 | 0 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 | 618 |
| Sep-09 | 2,780 | 4,248 | 4,248 | 4,248 | 4,248 | 4,248 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 | 4,671 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 13,600 | 5,167 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 | 12,603 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 0 | 5,100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-10 | 3,400 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-11 | 0 | 0 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 | 3,155 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-11 | 3,981 | 8,981 | 8,981 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 | 13,237 |
| Mar-12 | 3,408 | 3,408 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 | 5,149 |
| Jun-12 | 5,100 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 | 1,890 |
| Sep-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | 1.00 | 1.71 | 1.00 | 0.93 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | #DIV/0! |
| Jun-07 | #DIV/0! |
| Sep-07 | #DIV/0! |
| Dec-07 | 0.43 | 1.33 | 1.17 | 1.00 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | #DIV/0! |
| Jun-08 | 1.00 | 0.02 | 1.00 | 1.00 | 1.00 | 67.67 | 1.00 | 1.00 | 1.51 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-08 | #DIV/0! |
| Dec-08 | #DIV/0! |
| Mar-09 | 1.46 | 1.66 | 1.22 | 1.00 | 1.00 | 1.75 | 0.81 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-09 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 1.53 | 1.00 | 1.00 | 1.00 | 1.00 | 1.10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | #DIV/0! |
| Mar-10 | 0.38 | 2.44 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-10 | #DIV/0! |
| Sep-10 | #DIV/0! | 0.00 | #DIV/0! |
| Dec-10 | 0.00 | #DIV/0! |
| Mar-11 | #DIV/0! | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-11 | #DIV/0! |
| Sep-11 | #DIV/0! |
| Dec-11 | 2.26 | 1.00 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 |
| Mar-12 | 1.00 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 | 1.51 |
| Jun-12 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.05 | 1.00 | 1.01 | 1.04 | 1.03 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 0.96 | 1.24 | 1.19 | 1.00 | 1.00 | 1.29 | 0.93 | 1.00 | 1.04 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.05 | 1.00 | 1.01 | 1.04 | 1.03 | 1.02 | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Cumulative Selected | 1.24 | 1.18 | 1.18 | 1.16 | 1.12 | 1.09 | 1.06 | 1.04 | 1.03 | 1.02 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 1,441 | 0 | 1.00 | 0 | 0% | 29 | 119 | 3,482 | 242% | 1.00 | 0 | 0% |
| 31-Mar-10 | 1,586 | 12,603 | 1.01 | 12,727 | 802% | 29 | 119 | 3,436 | 217% | 0.99 | 12,637 | 797% |
| 30-Jun-10 | 1,689 | 0 | 1.02 | 0 | 0% | 28 | 119 | 3,393 | 201% | 0.98 | 65 | 4% |
| 30-Sep-10 | 1,563 | 0 | 1.03 | 0 | 0% | 28 | 119 | 3,353 | 214% | 0.97 | 100 | 6% |
| 31-Dec-10 | 1,438 | 0 | 1.04 | 0 | 0% | 29 | 119 | 3,472 | 241% | 0.96 | 136 | 9% |
| 31-Mar-11 | 1,337 | 3,155 | 1.06 | 3,343 | 250% | 28 | 119 | 3,287 | 246% | 0.94 | 3,339 | 250% |
| 30-Jun-11 | 1,451 | 0 | 1.09 | 0 | 0% | 28 | 119 | 3,368 | 232% | 0.92 | 266 | 18% |
| 30-Sep-11 | 1,485 | 0 | 1.12 | 0 | 0% | 28 | 119 | 3,317 | 223% | 0.89 | 349 | 24% |
| 31-Dec-11 | 1,489 | 13,237 | 1.16 | 15,376 | 1032% | 26 | 119 | 3,064 | 206% | 0.86 | 13,664 | 917% |
| 31-Mar-12 | 1,626 | 5,149 | 1.18 | 6,062 | 373% | 24 | 119 | 2,863 | 176% | 0.85 | 5,580 | 343% |
| 30-Jun-12 | 1,560 | 1,890 | 1.18 | 2,234 | 143% | 23 | 119 | 2,700 | 173% | 0.85 | 2,306 | 148% |
| 30-Sep-12 | 1,536 | 0 | 1.24 | 0 | 0% | 22 | 119 | 2,612 | 170% | 0.81 | 504 | 33% |
| Total | 18,202 | 36,035 | | 39,742 | | | | 38,346 | | | 38,946 | |

Annual Pure Premium Trend
(From Exhibit 4)
0.0%

Ultimate Paid Loss
(Using B-F Method)

| | |
|-----------|--------|
| Trl 25-36 | 12,802 |
| Trl 13-24 | 4,090 |
| Trl 1-12 | 22,054 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.14

**Loss Development
Comprehensive**

Incurring Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 11,200 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 | 11,275 |
| Mar-07 | 1,380 | 15,646 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 | 13,818 |
| Jun-07 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 | 958 |
| Sep-07 | 1,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 2,091 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 | 2,256 |
| Mar-08 | 0 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 | 2,521 |
| Jun-08 | 2,446 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 | 1,992 |
| Sep-08 | 5,019 | 5,019 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 1,915 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 | 3,587 |
| Jun-09 | 0 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | 95 |
| Sep-09 | 15,500 | 15,359 | 15,417 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 | 11,911 |
| Dec-09 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 | 5,519 |
| Mar-10 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 | 4,163 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 1,100 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 | 1,395 |
| Dec-10 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 | 2,078 |
| Mar-11 | 131 | 2,957 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 | 3,042 |
| Jun-11 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 |
| Sep-11 | 98 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 | 194 |
| Dec-11 | 467 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 | 563 |
| Mar-12 | 97 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 | 195 |
| Jun-12 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 | 1,122 |
| Sep-12 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | 11.34 | 0.88 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-07 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-07 | 0.00 | #DIV/0! |
| Dec-07 | 1.08 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-08 | 0.81 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-08 | 1.00 | 1.10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-08 | #DIV/0! |
| Mar-09 | 1.87 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-09 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 0.99 | 1.00 | 0.77 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-10 | #DIV/0! |
| Sep-10 | 1.27 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-11 | 22.64 | 1.03 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-11 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-11 | 1.98 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-11 | 1.21 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-12 | 2.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-12 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.14 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.17 | 1.01 | 0.92 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.14 | 1.01 | 1.00 |
| Cumulative Selected | 1.15 | 1.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|----------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurring Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 3,483 | 5,519 | 1.00 | 5,519 | 158% | 21 | 88 | 1,881 | 54% | 1.00 | 5,519 | 158% |
| 31-Mar-10 | 3,259 | 4,163 | 1.00 | 4,163 | 128% | 21 | 89 | 1,829 | 56% | 1.00 | 4,163 | 128% |
| 30-Jun-10 | 3,048 | 0 | 1.00 | 0 | 0% | 19 | 90 | 1,727 | 57% | 1.00 | 0 | 0% |
| 30-Sep-10 | 2,947 | 1,395 | 1.00 | 1,395 | 47% | 19 | 91 | 1,745 | 59% | 1.00 | 1,395 | 47% |
| 31-Dec-10 | 3,010 | 2,078 | 1.00 | 2,078 | 69% | 20 | 92 | 1,849 | 61% | 1.00 | 2,078 | 69% |
| 31-Mar-11 | 2,861 | 3,042 | 1.00 | 3,042 | 106% | 19 | 93 | 1,784 | 62% | 1.00 | 3,042 | 106% |
| 30-Jun-11 | 3,101 | 98 | 1.00 | 98 | 3% | 19 | 94 | 1,808 | 58% | 1.00 | 98 | 3% |
| 30-Sep-11 | 2,943 | 194 | 1.00 | 194 | 7% | 19 | 95 | 1,816 | 62% | 1.00 | 194 | 7% |
| 31-Dec-11 | 2,861 | 563 | 1.00 | 563 | 20% | 18 | 96 | 1,744 | 61% | 1.00 | 563 | 20% |
| 31-Mar-12 | 2,775 | 195 | 1.00 | 195 | 7% | 18 | 96 | 1,742 | 63% | 1.00 | 197 | 7% |
| 30-Jun-12 | 2,759 | 1,122 | 1.01 | 1,131 | 41% | 18 | 97 | 1,801 | 65% | 0.99 | 1,136 | 41% |
| 30-Sep-12 | 2,836 | 251 | 1.15 | 288 | 10% | 19 | 98 | 1,838 | 65% | 0.87 | 490 | 17% |
| Total | 35,882 | 18,618 | | 18,665 | | | | 21,563 | | | 18,875 | |

Annual Pure Premium Trend
(From Exhibit 4)
4.1%

Ultimate Paid Loss
(Using B-F Method)

| | |
|-----------|--------|
| Trl 25-36 | 11,077 |
| Trl 13-24 | 5,411 |
| Trl 1-12 | 2,387 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.16

Loss Development
Collision

Incurring Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 6,356 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 | 17,343 |
| Mar-07 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 | 12,865 |
| Jun-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-07 | 3,072 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 | 3,250 |
| Dec-07 | 16,097 | 15,901 | 6,267 | 6,217 | 6,217 | 6,067 | 5,917 | 5,567 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 |
| Mar-08 | 2,675 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 | 2,253 |
| Jun-08 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 | 3,066 |
| Sep-08 | 2,283 | 2,283 | 2,283 | 2,283 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 | 1,124 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 7,510 | 10,058 | 10,900 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 |
| Jun-09 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 | 3,692 |
| Sep-09 | 7,378 | 7,540 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 | 8,992 |
| Dec-09 | 4,838 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 | 4,987 |
| Mar-10 | 6,233 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 | 5,494 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 4,878 | 9,373 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 | 4,954 |
| Dec-10 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 | 2,791 |
| Mar-11 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 | 3,678 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 7,876 | 7,326 | 7,326 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 | 7,696 |
| Dec-11 | 32,760 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 | 35,483 |
| Mar-12 | 27,254 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 | 25,602 |
| Jun-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-12 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 | 873 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | 2.73 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-07 | #DIV/0! |
| Sep-07 | 1.06 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-07 | 0.99 | 0.39 | 0.99 | 1.00 | 0.98 | 0.98 | 0.94 | 0.97 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | 0.84 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-08 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-08 | 1.00 | 1.00 | 1.00 | 0.49 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-08 | #DIV/0! |
| Mar-09 | 1.34 | 1.08 | 0.78 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-09 | 1.02 | 1.19 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | 1.03 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-10 | 0.88 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-10 | #DIV/0! |
| Sep-10 | 1.92 | 0.53 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-11 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-11 | #DIV/0! |
| Sep-11 | 0.93 | 1.00 | 1.05 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-11 | 1.08 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-12 | 0.94 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-12 | #DIV/0! |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.01 | 0.96 | 0.98 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.04 | 0.98 | 0.99 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.01 | 0.96 | 0.98 | 0.99 | 1.00 |
| Cumulative Selected | 0.94 | 0.93 | 0.97 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|----------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurring Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 8,921 | 4,987 | 1.00 | 4,987 | 56% | 21 | 308 | 6,493 | 73% | 1.00 | 4,987 | 56% |
| 31-Mar-10 | 8,445 | 5,494 | 1.00 | 5,494 | 65% | 20 | 309 | 6,261 | 74% | 1.00 | 5,494 | 65% |
| 30-Jun-10 | 7,960 | 0 | 1.00 | 0 | 0% | 19 | 309 | 5,859 | 74% | 1.00 | 0 | 0% |
| 30-Sep-10 | 7,690 | 4,954 | 1.00 | 4,954 | 64% | 19 | 310 | 5,871 | 76% | 1.00 | 4,954 | 64% |
| 31-Dec-10 | 7,805 | 2,791 | 1.00 | 2,790 | 36% | 20 | 310 | 6,176 | 79% | 1.00 | 2,791 | 36% |
| 31-Mar-11 | 7,510 | 3,678 | 1.00 | 3,678 | 49% | 19 | 311 | 5,909 | 79% | 1.00 | 3,678 | 49% |
| 30-Jun-11 | 7,816 | 0 | 1.00 | 0 | 0% | 18 | 312 | 5,689 | 73% | 1.00 | 0 | 0% |
| 30-Sep-11 | 7,319 | 7,696 | 1.00 | 7,694 | 105% | 18 | 312 | 5,662 | 77% | 1.00 | 7,694 | 105% |
| 31-Dec-11 | 6,790 | 35,483 | 0.99 | 35,122 | 517% | 17 | 313 | 5,394 | 79% | 0.99 | 34,820 | 513% |
| 31-Mar-12 | 6,441 | 25,602 | 0.97 | 24,850 | 386% | 17 | 313 | 5,343 | 83% | 0.97 | 24,277 | 377% |
| 30-Jun-12 | 6,454 | 0 | 0.93 | 0 | 0% | 17 | 314 | 5,488 | 85% | 0.93 | 369 | 6% |
| 30-Sep-12 | 6,726 | 873 | 0.94 | 823 | 12% | 18 | 314 | 5,555 | 83% | 0.94 | 1,090 | 16% |
| Total | 89,875 | 91,556 | | 90,392 | | | | 69,700 | | | 90,153 | |

Annual Pure Premium Trend
(From Exhibit 4)
0.7%

| Ultimate Paid Loss (Using B-F Method) | |
|--|--------|
| Trl 25-36 | 15,435 |
| Trl 13-24 | 14,163 |
| Trl 1-12 | 60,555 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 7.18

Loss Development
Rental Reimbursement

Incurred Loss + ALAF (All Companies)

| Accident Quarter | Quarterly Maturity Periods | | | | | | | | | | | | | | | |
|------------------|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Dec-06 | 0 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 |
| Mar-07 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 | 860 |
| Jun-07 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 |
| Sep-07 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-07 | 322 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 | 802 |
| Mar-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-08 | 1,584 | 1,236 | 1,236 | 1,236 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 | 1,056 |
| Dec-08 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-09 | 900 | 900 | 900 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-09 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 |
| Dec-09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-10 | 900 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 |
| Jun-10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-10 | 900 | 838 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 |
| Dec-10 | 900 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 | 990 |
| Mar-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-11 | 0 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 |
| Dec-11 | 1,200 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 |
| Mar-12 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 |
| Jun-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Accident Quarter | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dec-06 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-07 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-07 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Sep-07 | #DIV/0! |
| Dec-07 | 2.49 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-08 | #DIV/0! |
| Jun-08 | #DIV/0! |
| Sep-08 | 0.78 | 1.00 | 1.00 | 0.85 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-08 | #DIV/0! |
| Mar-09 | 1.00 | 1.00 | 0.00 | #DIV/0! |
| Jun-09 | #DIV/0! |
| Sep-09 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-09 | #DIV/0! |
| Mar-10 | 1.37 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-10 | #DIV/0! |
| Sep-10 | 0.93 | 0.94 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-10 | 1.10 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-11 | #DIV/0! |
| Jun-11 | #DIV/0! |
| Sep-11 | #DIV/0! | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Dec-11 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mar-12 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Jun-12 | #DIV/0! |

Development Factors

| By Period | 2/1 | 3/2 | 4/3 | 5/4 | 6/5 | 7/6 | 8/7 | 9/8 | 10/9 | 11/10 | 12/11 | 13/12 | 14/13 | 15/14 | 16/15 | Tail |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Countrywide | 1.21 | 0.99 | 0.99 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arkansas | 1.03 | 0.99 | 0.92 | 0.98 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | N/A |
| Selected | 1.21 | 0.99 | 0.99 | 0.99 | 1.00 |
| Cumulative Selected | 1.17 | 0.97 | 0.98 | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| Accident Quarter | Earned Premium | LDF Method | | | | Expected Loss Method | | | | Bornhuetter-Ferguson | | |
|------------------|----------------|---------------|-----------------------|--------------------|----------------------|----------------------|---------------------|-----------------|---------------------|----------------------|--------------------|--------------------|
| | | Incurred Loss | Cumulative Dev Factor | Ultimate Paid Loss | Developed Loss Ratio | Earned Exposures | Expected Pure Prem. | Expected Losses | Expected Loss Ratio | LDF Weight | Ultimate Paid Loss | Implied Loss Ratio |
| 31-Dec-09 | 446 | 0 | 1.00 | 0 | 0% | 14 | 33 | 461 | 103% | 1.00 | 0 | 0% |
| 31-Mar-10 | 416 | 1,230 | 1.00 | 1,230 | 296% | 13 | 33 | 430 | 103% | 1.00 | 1,230 | 296% |
| 30-Jun-10 | 399 | 0 | 1.00 | 0 | 0% | 12 | 34 | 417 | 105% | 1.00 | 0 | 0% |
| 30-Sep-10 | 409 | 787 | 1.00 | 787 | 192% | 13 | 34 | 435 | 106% | 1.00 | 787 | 192% |
| 31-Dec-10 | 429 | 990 | 1.00 | 990 | 231% | 13 | 34 | 459 | 107% | 1.00 | 990 | 231% |
| 31-Mar-11 | 405 | 0 | 1.00 | 0 | 0% | 13 | 34 | 432 | 107% | 1.00 | 0 | 0% |
| 30-Jun-11 | 416 | 0 | 1.00 | 0 | 0% | 13 | 35 | 453 | 109% | 1.00 | 0 | 0% |
| 30-Sep-11 | 421 | 295 | 1.00 | 295 | 70% | 13 | 35 | 459 | 109% | 1.00 | 295 | 70% |
| 31-Dec-11 | 415 | 900 | 0.99 | 891 | 214% | 12 | 35 | 434 | 104% | 0.99 | 886 | 213% |
| 31-Mar-12 | 429 | 480 | 0.98 | 470 | 110% | 12 | 35 | 432 | 101% | 0.98 | 470 | 109% |
| 30-Jun-12 | 464 | 0 | 0.97 | 0 | 0% | 13 | 36 | 471 | 102% | 0.97 | 14 | 3% |
| 30-Sep-12 | 469 | 0 | 1.17 | 0 | 0% | 13 | 36 | 481 | 103% | 0.85 | 71 | 15% |
| Total | 5,117 | 4,682 | | 4,663 | | | | 5,364 | | | 4,743 | |

Annual Pure Premium Trend
(From Exhibit 4)
3.0%

| Ultimate Paid Loss (Using B-F Method) | |
|--|-------|
| Trl 25-36 | 2,017 |
| Trl 13-24 | 1,285 |
| Trl 1-12 | 1,441 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.1

Underwriting Profit Provision Based on ROE Model

Liability

Financial Assumptions

| | |
|-----------------------------------|-------|
| After-Tax Target Return on Equity | 12.0% |
| After-Tax Interest Rate | 3.4% |
| Tax Rate on Underwriting Income | 35.0% |
| Target Ratio of Premium to Equity | 1.60 |

Resulting Financial Calculations

| | |
|--|-------------|
| After-Tax Inv Inc on Ins Oper (% of Prem) | 2.4% |
| After-Tax Investment Income on Equity | 3.4% |
| After-Tax Return - Ins Oper (% of Equity) | 8.6% |
| After-Tax Return - Ins Oper (% of Prem) | 5.4% |
| After-Tax Return - U/W Profit (% of Prem) | 3.0% |
| Before-Tax Return - U/W Profit (% of Prem) | 4.6% |

Expense Provisions

| | |
|----------------------------|-------|
| Loss & ALAE Ratio | 56.5% |
| Underwriting Expense Ratio | 30.0% |
| ULAE Ratio | 9.0% |
| Underwriting Profit | 4.5% |

| (1) <u>Quarter</u> <u>from</u> <u>Time 0</u> | (2) <u>Premium</u> <u>Collection</u> | (3) <u>Loss</u> <u>Payout</u> | (4) <u>Expense</u> <u>Payout</u> | (5) <u>ULAE</u> <u>Payout</u> | (6) <u>Net</u> <u>Flow</u> | (7) <u>Discount</u> <u>Factor</u> | (8) <u>Discount</u> <u>Flow</u> | (9) <u>Incremental</u> <u>Loss</u> <u>Pattern</u> | (10) <u>Incremental</u> <u>ULAE</u> <u>Pattern</u> |
|---|--|-------------------------------------|--|-------------------------------------|----------------------------------|---|---------------------------------------|--|---|
| 1 | 0.650 | 0.044 | 0.150 | 0.015 | 0.441 | 0.996 | 0.439 | 0.077 | 0.170 |
| 2 | 0.350 | 0.105 | 0.150 | 0.014 | 0.081 | 0.987 | 0.080 | 0.186 | 0.157 |
| 3 | 0.000 | 0.098 | 0.000 | 0.011 | (0.110) | 0.979 | (0.107) | 0.174 | 0.125 |
| 4 | 0.000 | 0.062 | 0.000 | 0.009 | (0.070) | 0.971 | (0.068) | 0.109 | 0.096 |
| 5 | 0.000 | 0.042 | 0.000 | 0.007 | (0.049) | 0.963 | (0.048) | 0.075 | 0.077 |
| 6 | 0.000 | 0.033 | 0.000 | 0.006 | (0.039) | 0.955 | (0.037) | 0.059 | 0.064 |
| 7 | 0.000 | 0.028 | 0.000 | 0.005 | (0.032) | 0.947 | (0.031) | 0.049 | 0.054 |
| 8 | 0.000 | 0.023 | 0.000 | 0.004 | (0.027) | 0.939 | (0.025) | 0.041 | 0.046 |
| 9 | 0.000 | 0.019 | 0.000 | 0.004 | (0.023) | 0.931 | (0.021) | 0.034 | 0.039 |
| 10 | 0.000 | 0.016 | 0.000 | 0.003 | (0.019) | 0.923 | (0.018) | 0.029 | 0.033 |
| 11 | 0.000 | 0.014 | 0.000 | 0.003 | (0.016) | 0.915 | (0.015) | 0.024 | 0.029 |
| 12 | 0.000 | 0.014 | 0.000 | 0.002 | (0.016) | 0.908 | (0.014) | 0.024 | 0.024 |
| 13 | 0.000 | 0.015 | 0.000 | 0.002 | (0.017) | 0.900 | (0.015) | 0.026 | 0.020 |
| 14 | 0.000 | 0.012 | 0.000 | 0.001 | (0.013) | 0.892 | (0.012) | 0.021 | 0.016 |
| 15 | 0.000 | 0.008 | 0.000 | 0.001 | (0.009) | 0.885 | (0.008) | 0.014 | 0.012 |
| 16 | 0.000 | 0.007 | 0.000 | 0.001 | (0.008) | 0.878 | (0.007) | 0.012 | 0.010 |
| 17 | 0.000 | 0.006 | 0.000 | 0.001 | (0.007) | 0.870 | (0.006) | 0.011 | 0.008 |
| 18 | 0.000 | 0.006 | 0.000 | 0.001 | (0.006) | 0.863 | (0.005) | 0.010 | 0.006 |
| 19 | 0.000 | 0.005 | 0.000 | 0.000 | (0.005) | 0.856 | (0.004) | 0.008 | 0.004 |
| 20 | 0.000 | 0.003 | 0.000 | 0.000 | (0.004) | 0.848 | (0.003) | 0.006 | 0.003 |
| 21 | 0.000 | 0.003 | 0.000 | 0.000 | (0.003) | 0.841 | (0.003) | 0.005 | 0.002 |
| 22 | 0.000 | 0.002 | 0.000 | 0.000 | (0.002) | 0.834 | (0.001) | 0.003 | 0.001 |
| 23 | 0.000 | 0.001 | 0.000 | 0.000 | (0.001) | 0.827 | (0.001) | 0.002 | 0.001 |
| 24 | 0.000 | 0.001 | 0.000 | 0.000 | (0.001) | 0.820 | (0.000) | 0.001 | 0.000 |
| 25 | 0.000 | 0.001 | 0.000 | 0.000 | (0.001) | 0.813 | (0.000) | 0.001 | 0.000 |
| 26 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.807 | 0.000 | 0.000 | 0.000 |
| 27 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.800 | 0.000 | 0.000 | 0.000 |
| 28 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.793 | 0.000 | 0.000 | 0.000 |
| 29 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.786 | 0.000 | 0.000 | 0.000 |
| 30 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.780 | 0.000 | 0.000 | 0.000 |
| 31 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.773 | 0.000 | 0.000 | 0.000 |
| 32 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.767 | 0.000 | 0.000 | 0.000 |
| Total | 1.000 | 0.565 | 0.300 | 0.090 | 0.045 | | 0.068 | 1.000 | 1.000 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.2

Underwriting Profit Provision Based on ROE Model

Physical Damage

Financial Assumptions

| | |
|-----------------------------------|-------|
| After-Tax Target Return on Equity | 12.0% |
| After-Tax Interest Rate | 3.4% |
| Tax Rate on Underwriting Income | 35.0% |
| Target Ratio of Premium to Equity | 2.40 |

Resulting Financial Calculations

| | |
|--|-------------|
| After-Tax Inv Inc on Ins Oper (% of Prem) | 0.1% |
| After-Tax Investment Income on Equity | 3.4% |
| After-Tax Return - Ins Oper (% of Equity) | 8.6% |
| After-Tax Return - Ins Oper (% of Prem) | 3.6% |
| After-Tax Return - U/W Profit (% of Prem) | 3.4% |
| Before-Tax Return - U/W Profit (% of Prem) | 5.3% |

Expense Provisions

| | |
|----------------------------|-------|
| Loss & ALAE Ratio | 55.7% |
| Underwriting Expense Ratio | 30.0% |
| ULAE Ratio | 9.0% |
| Underwriting Profit | 5.3% |

| (1) <u>Quarter</u> <u>from</u> <u>Time 0</u> | (2) <u>Premium</u> <u>Collection</u> | (3) <u>Loss</u> <u>Payout</u> | (4) <u>Expense</u> <u>Payout</u> | (5) <u>ULAE</u> <u>Payout</u> | (6) <u>Net</u> <u>Flow</u> | (7) <u>Discount</u> <u>Factor</u> | (8) <u>Discount</u> <u>Flow</u> | (9) <u>Incremental</u> <u>Loss</u> <u>Pattern</u> | (10) <u>Incremental</u> <u>ULAE</u> <u>Pattern</u> |
|---|--|-------------------------------------|--|-------------------------------------|----------------------------------|---|---------------------------------------|--|---|
| 1 | 0.650 | 0.216 | 0.150 | 0.049 | 0.234 | 0.996 | 0.233 | 0.388 | 0.548 |
| 2 | 0.350 | 0.288 | 0.150 | 0.030 | (0.118) | 0.987 | (0.116) | 0.518 | 0.330 |
| 3 | 0.000 | 0.070 | 0.000 | 0.005 | (0.075) | 0.979 | (0.074) | 0.127 | 0.055 |
| 4 | 0.000 | (0.004) | 0.000 | 0.002 | 0.002 | 0.971 | 0.002 | (0.007) | 0.020 |
| 5 | 0.000 | (0.005) | 0.000 | 0.001 | 0.003 | 0.963 | 0.003 | (0.008) | 0.016 |
| 6 | 0.000 | (0.003) | 0.000 | 0.001 | 0.003 | 0.955 | 0.002 | (0.006) | 0.010 |
| 7 | 0.000 | (0.002) | 0.000 | 0.001 | 0.001 | 0.947 | 0.001 | (0.004) | 0.006 |
| 8 | 0.000 | (0.001) | 0.000 | 0.000 | 0.001 | 0.939 | 0.001 | (0.002) | 0.004 |
| 9 | 0.000 | (0.001) | 0.000 | 0.000 | 0.001 | 0.931 | 0.000 | (0.001) | 0.003 |
| 10 | 0.000 | (0.001) | 0.000 | 0.000 | 0.000 | 0.923 | 0.000 | (0.001) | 0.002 |
| 11 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.915 | 0.000 | (0.000) | 0.001 |
| 12 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.908 | 0.000 | (0.000) | 0.001 |
| 13 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.900 | 0.000 | (0.000) | 0.001 |
| 14 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.892 | 0.000 | (0.000) | 0.001 |
| 15 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.885 | 0.000 | (0.000) | 0.001 |
| 16 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.878 | 0.000 | (0.000) | 0.001 |
| 17 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.870 | 0.000 | (0.000) | 0.000 |
| 18 | 0.000 | 0.000 | 0.000 | 0.000 | (0.000) | 0.863 | (0.000) | 0.000 | 0.000 |
| 19 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.856 | 0.000 | (0.000) | 0.000 |
| 20 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.848 | 0.000 | (0.000) | 0.000 |
| 21 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.841 | 0.000 | (0.000) | 0.000 |
| 22 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.834 | 0.000 | (0.000) | 0.000 |
| 23 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.827 | 0.000 | (0.000) | 0.000 |
| 24 | 0.000 | (0.000) | 0.000 | 0.000 | 0.000 | 0.820 | 0.000 | (0.000) | 0.000 |
| 25 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.813 | 0.000 | 0.000 | 0.000 |
| 26 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.807 | 0.000 | 0.000 | 0.000 |
| 27 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.800 | 0.000 | 0.000 | 0.000 |
| 28 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.793 | 0.000 | 0.000 | 0.000 |
| 29 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.786 | 0.000 | 0.000 | 0.000 |
| 30 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.780 | 0.000 | 0.000 | 0.000 |
| 31 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.773 | 0.000 | 0.000 | 0.000 |
| 32 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.767 | 0.000 | 0.000 | 0.000 |
| Total | 1.000 | 0.557 | 0.300 | 0.090 | 0.053 | | 0.054 | 1.000 | 1.000 |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.3

Explanation of Methodology of ROE Model

Our ROE Model is based on the principles described by Howard Mahler in "An Introduction to Underwriting Profit Models", PCAS 1985.

Below are the data and rationale we use to make the four Financial Assumptions listed in Exhibit 8.1.

1. After-Tax Target Return on Equity

For the period 1926-2006, the arithmetic average stock market return has been 12.0%.

(From "Stocks for the Long Run", 4th Ed., Jeremy Siegel, Table 1.1, page 13.)

Although Property/Casualty Insurance company average stock returns have been very slightly lower, we believe this difference is most likely due to chance variation, as stock market returns by Global Industry Classification Standard (GICS) are highly volatile from period to period. In order to maintain stability in our selection across periods, we have selected a target after-tax target return on equity of **12.0%**.

2. Target Ratio of Premium to Equity

Data from A.M. Best show that P/C companies premium-to-surplus ratios have averaged approximately 1.50 for the period 1970-2007. We have selected ratios of **1.60 for liability** and **2.40 for physical damage**, reflecting the somewhat lower risk characteristics of private passenger auto insurance in general, and of PPA physical damage insurance in particular.

3. After-Tax Interest Rate

Please see calculations on the following two pages for Kemper Corporation's (Kemper) investment yield and federal income tax rate.

- Kemper's estimated weighted average yield is 3.56%. However, we have judgmentally increased this interest rate to **4.50%** based on our belief that interest rates will continue to rise in the coming year as the economy improves.
- Kemper's federal income tax rate is 23.8%.
- Kemper's calculated after-tax interest rate equals **3.43%**. This equals the 4.50% weighted average yield reduced by the 23.8% weighted average federal income tax rate.

4. Tax Rate on Underwriting Income

The tax rate on underwriting income of 35% reflects the income tax rate applicable to U.S. corporations.

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.4

Kemper Corporation Investment Yield

The tables below show the calculation of the before-tax yield for Kemper's investment portfolio.

- * Table 1 shows Kemper's Fixed Maturities at December 31, 2011.
(Source: Kemper Corporation Annual Report for 2011, p. 76.)
- * Table 2 shows the contractual maturity for Kemper's Fixed Maturities at December, 31, 2011.
(Source: Kemper Corporation Annual Report for 2011, p. 76.)
- * Table 3 shows the estimated contractual maturity for Kemper's Fixed Maturities by class of maturity.
These are the product of the marginal distributions of the class and maturities listed in tables 1 and 2.
- * Table 4 shows the investment yields available on classes of maturities on December 31, 2011.
(Source: http://finance.yahoo.com/bonds/composite_bond_rates)
- * Finally, we have calculated a weighted average bond yield using the data from these tables.
- * In addition, we have calculated a weighted average Federal Income Tax rate, using the data from Table 1 and the federal income tax rate applied to interest earned for each class of fixed maturity.

Table 1 - Kemper Fixed Maturities at December 31, 2011

| <u>Class</u> | (\$ millions) | |
|-----------------------------------|-------------------|-------------------|
| | <u>Fair Value</u> | <u>% of Total</u> |
| U.S. Gov't and Gov't Agencies | 492 | 10.3% |
| States and Political Subdivisions | 1,853 | 38.8% |
| Corporate Securities | 2,429 | 50.9% |
| Total | 4,774 | 100.0% |

Table 2 - Contractual Maturity for Kemper Fixed Maturities at December 31, 2011

| <u>Class</u> | (\$ millions) | |
|-----------------------------------|-------------------|-------------------|
| | <u>Fair Value</u> | <u>% of Total</u> |
| Due in One Year or Less | 91 | 1.9% |
| Due after One Year to Five Years | 503 | 10.5% |
| Due after Five Years to Ten Years | 961 | 20.1% |
| Due after Ten Years | 2,929 | 61.4% |
| Not Due at a Single Maturity Date | 289 | 6.1% |
| Total | 4,773 | 100.0% |

Merastar Insurance Company
Private Passenger Automobile Program
Rate Filing for Arkansas
Exhibit 8.5

Table 3 - Estimated Class and Maturity at December 31, 2011

(Product of the marginal distributions of the Class and Maturities listed in tables 1 and 2, excepting maturities <=1 year, which are U.S. Gov't and Gov't Agencies.)

| | <u><= 1 Yr</u> | <u>1-5 Yrs</u> | <u>5-10 Yrs</u> | <u>> 10 Yrs</u> | <u>Total</u> |
|-------------------------------|-------------------|----------------|-----------------|--------------------|--------------|
| U.S. Gov't and Gov't Agencies | 1.9% | 1.1% | 2.7% | 6.3% | 12.0% |
| States and Municipalities | 0.0% | 4.1% | 10.2% | 23.8% | 38.1% |
| Corporate Securities | 0.0% | 5.4% | 13.3% | 31.2% | 49.9% |
| Total | 1.9% | 10.5% | 26.2% | 61.4% | 100.0% |

Notes:

1. All <=1 Year securities are assigned to U.S. Gov't and Gov't Agencies.
2. All securities classified as "Not Due at a Single Maturity Date" are assigned to "5-10 Yrs".

Table 4 - Investment yields available on classes of maturities on December 31, 2011

| <u>Class</u> | <u>6 Month</u> | <u>2 Year</u> | <u>5/10 Yr *</u> | <u>20 or 30 Yr **</u> |
|-------------------------------|----------------|---------------|------------------|-----------------------|
| U.S. Gov't and Gov't Agencies | 0.04% | 0.24% | 1.35% | 2.59% |
| States and Municipalities *** | N/A | 0.67% | 1.44% | 4.84% |
| Corporate Securities *** | N/A | 0.82% | 2.80% | 5.15% |

* Average of 5 and 10 Year

** 20 Year yield listed for States and Munis and Corp Securities; 30 Year yield listed for U.S. Gov't and Gov't Agencies.

*** Yields listed are for AA-rated bonds.

| | |
|---|--------------|
| Kemper Estimated Weighted Average Yield | 3.56% |
| (equals the product of table 3 and table 4) | |
| Kemper Selected Weighted Average Yield (Y) | 4.50% |

Kemper Corporation Federal Income Tax Rate (FIT)

(\$ millions) Federal Income

| <u>Class</u> | <u>Interest Earned</u> | <u>Tax Rate</u> |
|-------------------------------|------------------------|-----------------|
| U.S. Gov't and Gov't Agencies | 8.3 | 35.0% |
| States and Municipalities | 64.6 | 5.3% |
| Corporate Securities | 98.6 | 35.0% |
| Total | 171.5 | 23.8% |

Kemper Corp. After-Tax Interest Rate **3.43%**
(= Y * (1 - FIT))

ARKANSAS BASE RATE COMPARISON

Current Eff 6/1/11 new 8/1/11 ren

| Terr | 25/50 BI | 25 PD | 5 MP | Basic PIP | 25/50 UMBI | 25 UMPD | 25/50 UIM | 500 COMP | 500 COLL | TOWING | Basic | Addl. |
|------|-------------|----------|---------|--------------|---------------|------------|--------------|-------------|-------------|--------|-------|-------|
| 2 | 126 | 110 | 16 | 53 | 11 | 7 | 13 | 26 | 144 | 1 | 12 | 18 |
| 3 | 109 | 94 | 13 | 46 | 11 | 7 | 13 | 24 | 160 | 1 | 12 | 18 |
| 5 | 118 | 105 | 15 | 50 | 11 | 7 | 13 | 30 | 160 | 1 | 12 | 18 |
| 6 | 133 | 113 | 17 | 59 | 11 | 7 | 13 | 41 | 180 | 1 | 12 | 18 |
| 7 | 120 | 102 | 17 | 60 | 11 | 7 | 13 | 51 | 166 | 1 | 12 | 18 |
| 8 | 98 | 83 | 14 | 48 | 11 | 7 | 13 | 28 | 148 | 1 | 12 | 18 |
| 9 | 122 | 102 | 19 | 64 | 11 | 7 | 13 | 28 | 165 | 1 | 12 | 18 |
| 10 | 122 | 104 | 16 | 53 | 11 | 7 | 13 | 49 | 177 | 1 | 12 | 18 |
| 11 | 112 | 97 | 16 | 56 | 11 | 7 | 13 | 43 | 171 | 1 | 12 | 18 |
| 12 | 152 | 129 | 21 | 71 | 11 | 7 | 13 | 35 | 175 | 1 | 12 | 18 |
| 13 | 127 | 108 | 17 | 59 | 11 | 7 | 13 | 54 | 191 | 1 | 12 | 18 |
| 14 | 107 | 89 | 15 | 50 | 11 | 7 | 13 | 41 | 160 | 1 | 12 | 18 |
| 15 | 90 | 77 | 14 | 49 | 11 | 7 | 13 | 41 | 160 | 1 | 12 | 18 |
| 16 | 104 | 86 | 17 | 57 | 11 | 7 | 13 | 44 | 164 | 1 | 12 | 18 |

Proposed Eff 11/20/12 new 01/15/13 ren

Impact by coverage 32% 0% 0% 55% 50% 0% 50% 0% 0% 0% 0% 0%

| Terr | 25/50 BI | 25 PD | 5 MP | Basic PIP | 25/50 UMBI | 25 UMPD | 25/50 UIM | 500 COMP | 500 COLL | TOWING | Basic | Addl. |
|------|-------------|----------|---------|--------------|---------------|------------|--------------|-------------|-------------|--------|-------|-------|
| 2 | 166 | 110 | 16 | 82 | 17 | 7 | 20 | 26 | 144 | 1 | 12 | 18 |
| 3 | 144 | 94 | 13 | 71 | 17 | 7 | 20 | 24 | 160 | 1 | 12 | 18 |
| 5 | 156 | 105 | 15 | 78 | 17 | 7 | 20 | 30 | 160 | 1 | 12 | 18 |
| 6 | 176 | 113 | 17 | 91 | 17 | 7 | 20 | 41 | 180 | 1 | 12 | 18 |
| 7 | 158 | 102 | 17 | 93 | 17 | 7 | 20 | 51 | 166 | 1 | 12 | 18 |
| 8 | 129 | 83 | 14 | 74 | 17 | 7 | 20 | 28 | 148 | 1 | 12 | 18 |
| 9 | 161 | 102 | 19 | 99 | 17 | 7 | 20 | 28 | 165 | 1 | 12 | 18 |
| 10 | 161 | 104 | 16 | 82 | 17 | 7 | 20 | 49 | 177 | 1 | 12 | 18 |
| 11 | 148 | 97 | 16 | 87 | 17 | 7 | 20 | 43 | 171 | 1 | 12 | 18 |
| 12 | 201 | 129 | 21 | 110 | 17 | 7 | 20 | 35 | 175 | 1 | 12 | 18 |
| 13 | 168 | 108 | 17 | 91 | 17 | 7 | 20 | 54 | 191 | 1 | 12 | 18 |
| 14 | 141 | 89 | 15 | 78 | 17 | 7 | 20 | 41 | 160 | 1 | 12 | 18 |
| 15 | 119 | 77 | 14 | 76 | 17 | 7 | 20 | 41 | 160 | 1 | 12 | 18 |
| 16 | 137 | 86 | 17 | 88 | 17 | 7 | 20 | 44 | 164 | 1 | 12 | 18 |

| Policy Analysis by Coverage | | | |
|------------------------------------|------------------------|-------------------------|-----------------|
| Coverage | Current Premium | Proposed Premium | % Impact |
| Bodily Injury | \$ 9,326.00 | \$ 12,295.00 | 31.8% |
| Property Damage | \$ 7,324.00 | \$ 7,324.00 | 0.0% |
| Medical Payments | \$ 77.00 | \$ 77.00 | 0.0% |
| Comprehensive | \$ 4,821.00 | \$ 4,821.00 | 0.0% |
| Collision | \$ 11,971.00 | \$ 11,971.00 | 0.0% |
| PIP | \$ 2,857.00 | \$ 4,396.00 | 53.9% |
| Towing | \$ 128.00 | \$ 128.00 | 0.0% |
| UMBI | \$ 1,443.00 | \$ 2,249.00 | 55.9% |
| UMPD | \$ 899.00 | \$ 899.00 | 0.0% |
| UIM | \$ 1,641.00 | \$ 2,532.00 | 54.3% |
| Rental | \$ 834.00 | \$ 834.00 | 0.0% |
| Loan/Lease Gap | \$ 49.00 | \$ 49.00 | 0.0% |
| Trip Interruption | \$ 23.00 | \$ 23.00 | 0.0% |
| TOTAL | \$ 41,393.00 | \$ 47,598.00 | 15.0% |

SERFF Tracking #:

UNTR-128744138

State Tracking #:**Company Tracking #:**

AR112012JG

State: Arkansas**Filing Company:**

Merastar Insurance Company

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)**Product Name:** Personal Auto**Project Name/Number:** /

Superseded Schedule Items

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

| Creation Date | Schedule Item Status | Schedule | Schedule Item Name | Replacement Creation Date | Attached Document(s) |
|---------------|----------------------|----------|------------------------|---------------------------|--|
| 10/25/2012 | Filed 11/26/2012 | Rate | Revised Base Rate Page | 11/08/2012 | Revised Base Rate Page.pdf (Superseded) |

PERSONAL AUTO MANUAL – ARKANSAS

R2. SEMI-ANNUAL BASE RATES BY TERRITORY

| Terr | 25/50 BI | 25 PD | 5 MP | PIP | 25/50 UMBI | 25 UMPD | 25/50 UIM | \$500 Ded. Comp | \$500 Ded. Coll | Tow | Trans. Expense Basic | Additional Coverage |
|-------------|---------------------|------------------|-----------------|------------|-----------------------|--------------------|----------------------|--------------------------------|--------------------------------|------------|-------------------------------------|--------------------------------|
| 2 | 176 | 110 | 16 | 82 | 18 | 7 | 21 | 26 | 144 | 1 | 12 | 18 |
| 3 | 153 | 94 | 13 | 71 | 18 | 7 | 21 | 24 | 160 | 1 | 12 | 18 |
| 5 | 165 | 105 | 15 | 78 | 18 | 7 | 21 | 30 | 160 | 1 | 12 | 18 |
| 6 | 186 | 113 | 17 | 91 | 18 | 7 | 21 | 41 | 180 | 1 | 12 | 18 |
| 7 | 168 | 102 | 17 | 93 | 18 | 7 | 21 | 51 | 166 | 1 | 12 | 18 |
| 8 | 137 | 83 | 14 | 74 | 18 | 7 | 21 | 28 | 148 | 1 | 12 | 18 |
| 9 | 171 | 102 | 19 | 99 | 18 | 7 | 21 | 28 | 165 | 1 | 12 | 18 |
| 10 | 171 | 104 | 16 | 82 | 18 | 7 | 21 | 49 | 177 | 1 | 12 | 18 |
| 11 | 157 | 97 | 16 | 87 | 18 | 7 | 21 | 43 | 171 | 1 | 12 | 18 |
| 12 | 213 | 129 | 21 | 110 | 18 | 7 | 21 | 35 | 175 | 1 | 12 | 18 |
| 13 | 178 | 108 | 17 | 91 | 18 | 7 | 21 | 54 | 191 | 1 | 12 | 18 |
| 14 | 150 | 89 | 15 | 78 | 18 | 7 | 21 | 41 | 160 | 1 | 12 | 18 |
| 15 | 126 | 77 | 14 | 76 | 18 | 7 | 21 | 41 | 160 | 1 | 12 | 18 |
| 16 | 146 | 86 | 17 | 88 | 18 | 7 | 21 | 44 | 164 | 1 | 12 | 18 |