

SERFF Tracking Number: CLIC-128163412 State: Arkansas
Filing Company: MDOW Insurance Company State Tracking Number:
Company Tracking Number:
TOI: 04.0 Homeowners Sub-TOI: 04.0003 Owner Occupied Homeowners
Product Name: Homeowner's Rate Modifications
Project Name/Number: Homeowners Rate Modifications/

Filing at a Glance

Company: MDOW Insurance Company

Product Name: Homeowner's Rate Modifications SERFF Tr Num: CLIC-128163412 State: Arkansas

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

Sub-TOI: 04.0003 Owner Occupied Homeowners Co Tr Num: State Status:

Homeowners

Filing Type: Rate

Author: Tiffany Foshee

Reviewer(s): Becky Harrington

Date Submitted: 03/12/2012

Disposition Date: 03/21/2012

Disposition Status: Filed

Effective Date Requested (New): 06/01/2012

Effective Date (New): 06/01/2012

Effective Date Requested (Renewal): 06/01/2012

Effective Date (Renewal):

06/01/2012

State Filing Description:

referred to Commissioner 3/14/12; rec resp 3/16/12

General Information

Project Name: Homeowners Rate Modifications

Status of Filing in Domicile:

Project Number:

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 03/21/2012

State Status Changed: 03/16/2012

Deemer Date:

Created By: Tiffany Foshee

Submitted By: Tiffany Foshee

Corresponding Filing Tracking Number:

Filing Description:

MDOW Insurance Company (MDOW) is making this rate filing to appeal to the Commissioner and the Insurance Department for relief from the severe losses incurred since we entered the state in 2008. MDOW serves an underserved niche market providing insurance for low value dwellings that many other carriers have turned their back on through underwriting restrictions. Our actuarial analysis of actual of loss experience indicates a need for a 105.0% increase. MDOW is making this appeal to increase its rates 45.00% effective upon approval for new and renewal business. We moderated the request due to data credibility and competitive considerations. MDOW is currently referencing AAIS reference filing number AAIS-2007-2 and is using a loss cost multiplier of 1.720. We are proposing changing the multiplier to 2.494 while referencing the same loss cost reference filing.

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Company and Contact

Filing Contact Information

Tiffany Phoummarath, tiffany@columbialloyds.com
 2200 West Alabama 713-528-6686 [Phone]
 Suite 210
 Houston, TX 77254

Filing Company Information

MDOW Insurance Company CoCode: 12810 State of Domicile: Texas
 PO BOX 540548 Group Code: Company Type:
 Houston, TX 77254 Group Name: State ID Number:
 (866) 837-4668 ext. [Phone] FEIN Number: 20-5465843

Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
MDOW Insurance Company	\$100.00	03/12/2012	57054001

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	03/21/2012	03/21/2012

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	03/16/2012	03/16/2012
No response necessary	Becky Harrington	03/14/2012	03/14/2012
Pending Industry Response	Becky Harrington	03/14/2012	03/14/2012

Response Letters

Responded By	Created On	Date Submitted
Tiffany Foshee	03/20/2012	03/20/2012
Tiffany Foshee	03/14/2012	03/14/2012

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Disposition

Disposition Date: 03/21/2012
 Effective Date (New): 06/01/2012
 Effective Date (Renewal): 06/01/2012
 Status: Filed
 Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
MDOW Insurance Company	105.000%	40.000%	\$	4,275	\$3,950,000	40.000%	%

SERFF Tracking Number: CLIC-128163412

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document (revised)	Form RF-2 Loss Costs Only (not for workers' compensation)	Filed	Yes
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document (revised)	Explanatory Memorandum	Filed	Yes
Supporting Document	Explanatory Memorandum		Yes
Supporting Document	Exhibit 1	Filed	Yes
Supporting Document	Exhibit 2	Filed	Yes
Supporting Document	Exhibit 3	Filed	Yes
Supporting Document	Exhibit 4	Filed	Yes
Supporting Document	Exhibit 5	Filed	Yes
Supporting Document	Exhibit 6	Filed	Yes
Rate (revised)	Homeowners Rate Page	Filed	Yes
Rate	Homeowners Rate Page		Yes

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Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 03/16/2012
Submitted Date 03/16/2012
Respond By Date

Dear Tiffany Phoummarath,

The requested increase has been reviewed by the Commissioner.

Please amend the overall increase amount to 40%.

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

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

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

Sincerely,
Becky Harrington

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Project Name/Number: Homeowners Rate Modifications/

Response Letter

Response Letter Status Submitted to State
Response Letter Date 03/20/2012
Submitted Date 03/20/2012

Dear Becky Harrington,

Comments:

Please find attachments revised to reflect a 40% increase.

Response 1

Comments: We have revised our Homeowners Rate Page to reflect a 40% increase.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Form RF-2 Loss Costs Only (not for workers' compensation)

Comment:

Satisfied -Name: Explanatory Memorandum

Comment:

No Form Schedule items changed.

Rate/Rule Schedule Item Changes

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
Homeowners Rate Page		Replacement	CLIC-127123237
Previous Version			
Homeowners Rate Page		Replacement	CLIC-127123237

Sincerely,
Tiffany Foshee

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Objection Letter

Objection Letter Status No response necessary
Objection Letter Date 03/14/2012
Submitted Date 03/14/2012
Respond By Date

Dear Tiffany Phoummarath,

This filing has been referred to the Commissioner due to the requested increase being greater than 6%. No response is necessary at this time.

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Sincerely,
Becky Harrington

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Product Name: Homeowner's Rate Modifications
Project Name/Number: Homeowners Rate Modifications/

Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 03/14/2012

Submitted Date 03/14/2012

Respond By Date

Dear Tiffany Phoummarath,

This will acknowledge receipt of the captioned filing.

Objection 1

Comment: Please verify the manual pages being used are AAIS pages and not independent rate pages. (Regulation 23, Section 7, A.5(d).)

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

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

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

Sincerely,

Becky Harrington

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Project Name/Number: Homeowners Rate Modifications/

Response Letter

Response Letter Status Submitted to State
Response Letter Date 03/14/2012
Submitted Date 03/14/2012

Dear Becky Harrington,

Comments:

Response 1

Comments: You are correct. We are using AAIS' rate pages.

Related Objection 1

Comment:

Please verify the manual pages being used are AAIS pages and not independent rate pages. (Regulation 23, Section 7, A.5(d).)

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,
Tiffany Foshee

SERFF Tracking Number: CLIC-128163412
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 Project Name/Number: Homeowners Rate Modifications/

State: Arkansas
 State Tracking Number:
 Sub-TOI: 04.0003 Owner Occupied Homeowners

Rate Information

Rate data applies to filing.

Filing Method:

Rate Change Type: %

Overall Percentage of Last Rate Revision: %

Effective Date of Last Rate Revision:

Filing Method of Last Filing:

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
MDOW Insurance Company	105.000%	45.000%	\$1,777,500	4,275	\$3,950,000	45.000%	45.000%

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Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
Filed 03/21/2012	Homeowners Rate Page		Replacement	CLIC-127123237 MDOW Revised Rate Page HOMEOWNERS 2012.pdf



MDOW
Insurance
Company

MDOW Revised Rate Page
2012

ARKANSAS HOMEOWNERS

Current

AAIS Base Rate x 1.720

Revised

AAIS Base Rate x 2.408

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Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	Form RF-2 Loss Costs Only (not for workers' compensation)	Filed	03/21/2012

Comments:

Attachment:

FORM RF-2 Reference filing adoption form version 320.pdf

		Item Status:	Status Date:
Satisfied - Item:	H-1 Homeowners Abstract	Filed	03/21/2012

Comments:

Attachment:

H1-Homeowners Abstract.pdf

		Item Status:	Status Date:
Bypassed - Item:	HPCS-Homeowners Premium Comparison Survey		
Bypass Reason:	MDOW does not write any of the forms listed in the survey.		
Comments:			

		Item Status:	Status Date:
Satisfied - Item:	NAIC loss cost data entry document	Filed	03/21/2012

Comments:

Attachment:

industry_rates_loss_cost_data_entry.pdf

		Item Status:	Status Date:
Satisfied - Item:	Explanatory Memorandum	Filed	03/21/2012

SERFF Tracking Number: CLIC-128163412

State: Arkansas

Filing Company: MDOW Insurance Company

State Tracking Number:

Company Tracking Number:

TOI: 04.0 Homeowners

Sub-TOI: 04.0003 Owner Occupied Homeowners

Product Name: Homeowner's Rate Modifications

Project Name/Number: Homeowners Rate Modifications/

Comments:

Attachment:

HO Explanatory Memorandum 2012 AR version 320.pdf

		Item Status:	Status Date:
Satisfied - Item:	Exhibit 1	Filed	03/21/2012
Comments:			
Attachment:			
HO Exhibit 1.pdf			

		Item Status:	Status Date:
Satisfied - Item:	Exhibit 2	Filed	03/21/2012
Comments:			
Attachment:			
HO Exhibit 2.pdf			

		Item Status:	Status Date:
Satisfied - Item:	Exhibit 3	Filed	03/21/2012
Comments:			
Attachment:			
HO Exhibit 3.pdf			

		Item Status:	Status Date:
Satisfied - Item:	Exhibit 4	Filed	03/21/2012
Comments:			
Attachment:			
HO Exhibit 4.pdf			

		Item Status:	Status Date:
	Exhibit 5	Filed	

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Product Name: Homeowner's Rate Modifications
Project Name/Number: Homeowners Rate Modifications/
Satisfied - Item: 03/21/2012
Comments:
Attachment:
HO Exhibit 5.pdf

	Item Status:	Status
Satisfied - Item: Exhibit 6	Filed	Date: 03/21/2012
Comments:		
Attachment:		
HO Exhibit 6.pdf		

**anyNAIC LOSS COST FILING DOCUMENT—OTHER THAN WORKERS'
COMPENSATION**

CALCULATION OF COMPANY LOSS COST MULTIPLIER

This filing transmittal is part of Company Tracking #	
This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	

() **Loss Cost Reference Filing** AAIS-2007-2 () **Independent Rate Filing**
(Advisory Org. & Reference filing #)

If this is a loss cost filing adopting an advisory organization's loss costs, the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

1. Check one of the following:

<input type="checkbox"/>	The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer. Note: Some states have statutes that prohibit this option for some lines of business.
<input checked="" type="checkbox"/>	The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

2. Line, Subline, Coverage, Territory, Class, etc. combination to which this page applies: Owner Occupied Homeowners

3. Loss cost modification:

A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing (Check One):
() Without Modification (factor = 1.000)
() With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) +40%

B. Loss Cost Modification Expressed as a Factor: (See Examples Below) 1.305136
Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.
Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 (1.000 + .150) should be used.

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-8 BELOW.

4. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)

		Selected Provisions	
A.	Total Production Expense	20.0	%
B.	General Expense	10.0	%
C.	Taxes, Licenses & Fee	2.8	%
D.	Underwriting profit & Contingencies (explain how investment income is taken into account)	13.0	%
E.	Other (explain)	0.0	%
F.	Total	45.8	%

5.	A. Expected Loss Ratio: $ELR = 100\% - 4F = A$	54.2	%
	B. ELR in Decimal Form =	.542	
6.	Company Formula Loss Cost Multiplier (3B/5B)	2.408	
7.	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	2.408	
8.	Rate Level Change for the coverage(s) to which this page applies	+40%	

ARKANSAS INSURANCE DEPARTMENT

FORM H-1 HOMEOWNERS ABSTRACT

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

Company Name MDOW Insurance Company

NAIC # (including group #) 12810, Group 4233

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

Not applicable

- 2. If you use a cost estimator (or some similar method) in order to make sure that dwellings (or contents) are insured at their value, state when this program was started in Arkansas and estimate its impact.

Not applicable

- 3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used.

Not applicable

- 4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact.

Not applicable

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

- a. Fire Extinguisher 0 %
- b. Burglar Alarm 5 %
- c. Smoke Alarm 2 %
- d. Insured who has both homeowners and auto with your company 0 %

- e. Deadbolt Locks 0 %
- f. Window or Door Locks 0 %
- g. Other (specify) 5 %

Fire Central Station
Police Dept.
Fire Dept.
Sprinkler System

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

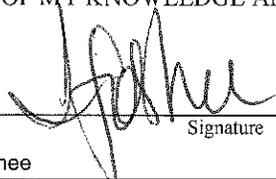
7. Specify the form(s) utilized in writing homeowners insurance. Indicate the Arkansas premium volume for each form.

	Form	Premium Volume
HO0001		3,950,000

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

9. Is there a surcharge on risks with wood heat? No
If yes, state the surcharge _____
Does the surcharge apply to conventional fire places? No
If yes, state the surcharge _____

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



Signature
Tiffany Foshee

Printed Name
Project Manager

Title
713-528-6686

Telephone Number
tiffany@cumbialloyds.com

Email address

NAIC LOSS COST DATA ENTRY DOCUMENT (EFFECTIVE AUG. 16, 2004)

1. This filing transmittal is part of Company Tracking # _____

2. If filing is an adoption of an advisory organization loss cost filing, give name of advisory organization and Reference/Item Filing Number **AAIS-2007-2**

Company Name		Company NAIC Number	
3. A.	MADOW Insurance Company	B.	12810

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.	04.0 Homeowners	B.	04.0003 Owner Occupied Homeowners

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Homeowners	+105%	.45%	54.2%	1.80215	2.494	Not Applicable	1.720
TOTAL OVERALL EFFECT	+105%	+45% 					

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	0	0	N/A	N/A	N/A	N/A	N/A
2008	8	0	N/A	835.84	0	0	89.16
2009	289	-25%	3/20/2009	68,591.89	242,785.74	325.18	168.96
2010	1,991	0	N/A	740,005.46	669,488.56	83.53	128.05
2011	4,275	+15%	07/01/2011	2,430,294.17	4,144,900.16	153.34	118.10

7.

Expense Constants	Selected Provisions
A. Total Production Expense	20.0
B. General Expense	10.0
C. Taxes, License & Fees	2.8
D. Underwriting Profit & Contingencies	13.0
E. Other (explain)	0.0
F. TOTAL	45.8

8. Y Apply Lost Cost Factors to Future filings? (Y or N)
9. 45% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____
10. 0 Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

MDOW INSURANCE COMPANY
HOMEOWNERS RATE FILING
ARKANSAS

EXPLANATORY MEMORANDUM

MDOW Insurance Company (MDOW) wishes to increase its rates 40.00% effective June 1, 2012 for new and renewal business. The change to the rates is due to an analysis of the loss experience that indicates a need for a 105.0% increase. We moderated the request due to data credibility and competitive considerations. MDOW is currently referencing AAIS reference filing number AAIS-2007-2 and is using a loss cost multiplier of 1.720. We are proposing changing the multiplier to 2.408 while referencing the same loss cost reference filing.

Exhibit 1 shows the development of the rate level indication. We used direct premium from the Statutory Page 14 data, and accident year loss and loss adjustment expenses. The earned premium has been adjusted to the current rate level to reflect a 25% rate decrease that was implemented in early 2009 and a 15% implemented earlier this year.

Losses were adjusted to reflect loss trend. Because the data is of limited credibility, we judgmentally selected an annual trend factor of 2.5%. This is shown on Exhibit 4. Accident year incurred losses and loss adjustment expenses (LAE) have been used with no assumed future development.

The calculation of the expected expense ratios is shown on Exhibit 3. These numbers are then used to calculate the expected loss ratio on Exhibit 1. The profit provision is calculated on a total return basis as shown on Exhibit 5. We have included a profit and contingencies provision of 13% for this filing. This product was originally filed with a 5% profit provision. The change in this provision is being implemented for the following reasons:

- Poor investment returns in the current market;
- Rate of return requirements of the parent company, Columbia Lloyds Insurance Company; and
- The need for an additional contingencies margin to account for catastrophic storms risk in Arkansas.

While there was an increase in the profit and contingencies margin, there was an offsetting decrease in the expense margins. Overall, this has resulted in an increase in the expected loss ratio. This is reflected in the included RF-1 and RF-2 forms as well as Exhibit 1. The expenses and profits used in this filing are the same as those used in our most recent filing.

MDOW has only been writing insurance since 2008. They are currently writing in two states: Arkansas, and Oklahoma. Exhibit 6 shows experience for Arkansas and for Oklahoma and Arkansas combined.

MDOW INSURANCE COMPANY
Development of Rate Level Indication
Homeowners Insurance
Based on Direct Results

	Calendar/Accident Year					Total
	2007	2008	2009	2010	2011	
Direct Earned Premium	-	836	68,592	740,005	1,617,574	
On-Level Factor	0.863	0.863	0.928	1.138	1.135	
Premium Trend Factor	1.000	1.000	1.000	1.000	1.000	
Earned Premium at Present Rates	-	721	63,635	842,232	1,836,300	2,742,888
Direct Incurred Losses and LAE	-	-	249,605	732,333	3,078,759	
Loss Development Factor	1.000	1.000	1.000	1.000	1.000	
Total Losses and LAE	-	-	249,605	732,333	3,078,759	
Loss Trend Factor	1.474	1.376	1.285	1.200	1.131	
Trended, Developed Losses	-	-	320,863	879,157	3,481,524	4,681,544
Projected Loss Ratio at Current Rates	-	-	5.042	1.044	1.896	1.707

Indicated Rate Level Change	0.0%	0.0%	830.0%	92.5%	249.7%	318.6%
Weighting	0.00	0.00	0.20	0.30	0.50	

Commission	0.200
Other Acq	-
General	0.100
Taxes, Licences & Fees	0.028
Profit	0.130
Expected Loss Ratio	0.542

Indicated Rate Change	318.6%
Credibility Weighted Indication	105.0%

MDOW INSURANCE COMPANY
Development of Rate Level Indication

Effective Date		
New	Renewal	Total Change
7/1/2011	8/1/2011	15.00%
3/20/2009	3/20/2009	-25.00%

MDOW INSURANCE COMPANY
Calculation of Expense Ratios

Direct	2008		2009		2010		Selected
Written Premium	155		953		3,950		
Earned Premium	38		464		2,189		
Commission	31	0.199	155	0.163	820	0.208	0.200
Other Acq	0	0.000	0	0.000	23	0.006	0.000
General	0	0.000	0	0.000	341	0.156	0.100
Taxes, Licences & Fees	2	0.011	27	0.028	115	0.029	0.028

MDOW INSURANCE COMPANY

Indicated ISS Trends

		Policy Forms 1-			
		3 and 5	Policy Form 4	Policy Form 6	Policy Form 8
Pure Premium Arkansas Only	1 Year	5.32%	-10.01%	-56.07%	173.27%
	2 Year	-2.28%	9.40%	-17.04%	79.32%
	3 Year	9.01%	11.19%	-0.86%	12.52%
	4 Year	15.80%	11.57%	6.38%	4.48%
Pure Premium Nationwide	1 Year	9.71%	6.81%	10.79%	40.88%
	2 Year	4.03%	3.39%	2.56%	25.25%
	3 Year	5.15%	2.31%	3.93%	10.23%
	4 Year	7.36%	2.78%	4.34%	1.27%
Arkansas Weight		0.5	0.5	0.25	0.25
Selected Trend		7.08%	6.75%	2.74%	10.81%

MDOW INSURANCE COMPANY
Calculation of Profit Provision

	All Lines Combined
1. Direct Earned premium	1,187,053
2. Mean Unearned Premium Reserve	
a. Direct UEP as of 12/31/10	1,500,627
b. Direct UEP as of 12/31/09	269,060
c. Mean [(a)+(b)]/2	884,844
3. Deduction for delayed remission of premium	
a. Direct Agents balancesat 12/31/10	1,244,358
b. Direct Agents balancesat 12/31/09	-
c. Mean [(a)+(b)]/2	622,179
d. Ratio [(c) / (2c)]	70.3%
e. UEP after deduction (2c) x [1.0 - (3d)]	262,665
4. Deduction for prepaid expenses	
a. Commission and brokerage	0.200
b. 50% other acq	-
c. 50% general	0.050
d. Taxes, Licenses and fees	0.028
e. Total prepaid	0.278
5. UEP available for investment (3e) x [1.0 - (4e)]	189,644
6. Expected Incurred Losses	
a. Permissible loss and LAE ratio (See Exhibit 1)	0.532
b. Expected Incurred loss and LAE [1.0 x (6a)]	631,713
7. Expected mean loss reserves	
a. Incurred losses for calendar year 2010	1,003,346
b. Incurred losses for calendar year 2009	377,224
c. Loss reserves as of 12/31/10	187,750
d. Loss reserves as of 12/31/09	62,956
e. Mean loss reserve	125,353
f. Ratio (e) / (a)	0.125
8. Expected mean loss and LAE reserve	
a. LAE reserves as of 12/31/10	28,000
b. LAE reserves as of 12/31/09	3,100
c. Mean [(a)+(b)]/2	15,550
d. Incurred LAE for calendar year 2010	276,900
e. Ratio of LAE reserves to loss reserves (c) / (7e)	0.124
f. Ratio of incurred LAE to incurred losses (d) / (7a)	0.276
g. Loss and LAE reserve ratio {(7f) x [1.0+(e)]} / [1.0 + (f)]	0.110
h. Expected mean loss and LAE reserve (g) x (6b)	69,526
9. Total net subject to investment (5) + (8h)	259,170
10. Pre-tax rate of return	
a. Net investment income earned excl realized captial gains for CY 2010	2,969
b. Asset available for investment at 12/31/10	4,564,838
c. Asset available for investment at 12/31/09	3,044,096
d. Mean [(a)+(b)]/2	3,804,467
e. Pre-tax rate of return (a) / (d)	0.001
11. Investment earnings on total net subject to investment (9) x (10e)	202
12. Average rate of return as a percent of direct earned premium (11) / (1)	0.000
13. Effective federal tax rate (See Exhibit 7, Sheet 3)	0.350
14. Average rate of return as a percent of direct earned premium after federal income tax (12) x [1.0 - (13)]	0.000
15. Target operating return after tax	0.078
16. Target underwriting profit, after tax	0.078
17. Target underwriting profit, before tax	0.120
18. Contingency	0.010
19. Profit and Contingency (min of 17 +18, .150)	0.130

MDOW INSURANCE COMPANY
Calculation of Earned Investment Income

	Earned Investment Income	Federal Income Tax Rate
Calculation of the effective federal income tax rate		
1 US Government Bonds	-	0.053
1.1 Bond Exempt from US tax		0.053
1.2 Other Bonds		0.350
1.3 Bonds of Affiliates	-	
2.2 Common Stocks	-	0.142
Real Estate		0.350
Cash on Hand	2,969	0.350
Other Short term Investments	-	0.350
Aggregate Write in	-	0.350
	2,969	0.350
Deductions		0.350
Net Investment Income Earned	2,969	0.350

MDOW INSURANCE COMPANY
Experience Summary
Homeowners Insurance
as of 9/30/2011

<i>Year</i>	Arkansas Experience			Nationwide Experience		
	<i>Earned Premium</i>	<i>Incurred Losses & LAE</i>	<i>Incurred Loss & LAE Ratio</i>	<i>Earned Premium</i>	<i>Incurred Losses & LAE</i>	<i>Incurred Loss & LAE Ratio</i>
2007	0	0	0.00%	0	0	0.00%
2008	1	0	0.00%	38	0	0.00%
2009	69	250	363.90%	464	663	143.03%
2010	740	732	98.96%	2,189	3,149	143.81%
2011	1,618	3,079	190.33%	4,147	5,698	137.40%

SERFF Tracking Number: CLIC-128163412 State: Arkansas
 Filing Company: MDOW Insurance Company State Tracking Number:
 Company Tracking Number:
 TOI: 04.0 Homeowners Sub-TOI: 04.0003 Owner Occupied Homeowners
 Product Name: Homeowner's Rate Modifications
 Project Name/Number: Homeowners Rate Modifications/

Superseded Schedule Items

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

Creation Date:	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
03/12/2012	Rate and Rule	Homeowners Rate Page	03/20/2012	Arkansas Homeowner Rate Page.pdf (Superseded)
03/12/2012	Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)	03/20/2012	FORM RF-2 Reference filing adoption form.pdf (Superseded)
03/12/2012	Supporting Document	Explanatory Memorandum	03/20/2012	HO Explanatory Memorandum 2011 AR v3-9.pdf (Superseded)



Arkansas Homeowner Rate Page
Revised 2012

Current

AAIS Base Rate x 1.720

Revised

AAIS Base Rate x 2.494

CALCULATION OF COMPANY LOSS COST MULTIPLIER

This filing transmittal is part of Company Tracking #	
This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	

() **Loss Cost Reference Filing** AAIS-2007-2 () **Independent Rate Filing**
 (Advisory Org. & Reference filing #)

If this is a loss cost filing adopting an advisory organization’s loss costs, the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

1. Check one of the following:

<input type="checkbox"/>	The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization’s prospective loss costs for this line of insurance. The insurer’s rates will be the combination of the advisory organization’s prospective loss costs and the insurer’s loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization’s prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer. Note: Some states have statutes that prohibit this option for some lines of business.
<input checked="" type="checkbox"/>	The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

2. Line, Subline, Coverage, Territory, Class, etc. combination to which this page applies: Owner Occupied Homeowners

3. Loss cost modification:

A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing (Check One):
 () Without Modification (factor = 1.000)
 () With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) +45%

B. Loss Cost Modification Expressed as a Factor: (See Examples Below) 1.351748

Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 (1.000 + .150) should be used.

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH “EXPENSE CONSTANT SUPPLEMENT” OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-8 BELOW.

4. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.

		Selected Provisions
A.	Total Production Expense	20.0 %
B.	General Expense	10.0 %
C.	Taxes, Licenses & Fee	2.8 %
D.	Underwriting profit & Contingencies (explain how investment income is taken into account)	13.0 %
E.	Other (explain)	0.0 %
F.	Total	45.8 %

5.	A. Expected Loss Ratio: $ELR = 100\% - 4F = A$	54.2	%
	B. ELR in Decimal Form =	.542	
6.	Company Formula Loss Cost Multiplier (3B/5B)	2.494	
7.	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	2.494	
8.	Rate Level Change for the coverage(s) to which this page applies	+45%	

MDOW INSURANCE COMPANY
HOMEOWNERS RATE FILING
ARKANSAS

EXPLANATORY MEMORANDUM

MDOW Insurance Company (MDOW) is making this rate filing to appeal to the Commissioner and the Insurance Department for relief from the severe losses incurred since we entered the state in 2008. MDOW serves an underserved niche market providing insurance for low value dwellings that many other carriers have turned their back on through underwriting restrictions. Our actuarial analysis of actual of loss experience indicates a need for a 105.0% increase. MDOW is making this appeal to increase its rates 45.00% effective upon approval for new and renewal business. We moderated the request due to data credibility and competitive considerations. MDOW is currently referencing AAIS reference filing number AAIS-2007-2 and is using a loss cost multiplier of 1.720. We are proposing changing the multiplier to 2.494 while referencing the same loss cost reference filing.

Exhibit 1 shows the development of the rate level indication. We used direct premium from the Statutory Page 14 data, and accident year loss and loss adjustment expenses. The historic earned premium has been adjusted to reflect the current rate level including a 25% rate decrease that was approved in 2009 and a 15% increase approved in 2011. A simplified version is shown below to demonstrate that while the current request seems larger than normal it results in rates that are approximately 25% above the rates originally filed and approved in 2007. Thus, if approved the rates would be approximately the same as if we had filed for a 4.57% increase in each of the five years since 2007. Of course, the 2007 rates were filed before the dramatic real losses we have experienced since.

Actual Rate Changes	Cumulative As if Effect
	2007 \$ 100.00
\$ 100.00 2007 Rates filed	<u>4.57%</u>
	2008 \$ 104.57
2009 Rate -25% decrease	<u>4.57%</u>
<u>\$ 75.00</u>	2009 \$ 109.35
	<u>4.57%</u>
2011 Rate 15% increase	2010 \$ 114.35
<u>\$ 86.25</u>	<u>4.57%</u>
	2011 \$ 119.57
45% 2012 Proposed Rate increase	<u>4.57%</u>
<u><u>\$ 125.06</u></u>	2012 <u><u>\$ 125.04</u></u>

Losses were adjusted to reflect loss trend. Although recent experience has indicated a severe uptrend, because the data is of limited credibility, we judgmentally selected a modest annual trend factor of 2.5%. This is shown on Exhibit 4. Accident year incurred losses and loss adjustment expenses (LAE) have been used with no assumed future development.

The expenses and profits used in this filing are the same as those used in our most recent filing. The calculation of the expected expense ratios is shown on Exhibit 3. These numbers are then used to calculate the expected loss ratio on Exhibit 1. The profit provision is calculated on a total return basis as shown on Exhibit 5. We have included a profit and contingencies provision of 13% for this filing. This product was originally filed with a 5% profit provision. The change in this provision is being implemented for the following reasons:

- Historically low investment returns available in the current market;
- Rate of return requirements of the parent company, Columbia Lloyds Insurance Company to account for the risks associated with serving this high risk, low value dwelling niche that other carriers have abandoned due to moral and morale hazards ; and
- The need for an additional contingencies margin to account for catastrophic storms in Arkansas which have now been demonstrated to cause real and actual losses.

While there was an increase in the profit and contingencies margin, there was an offsetting decrease in the expense margins. Overall, this has resulted in an increase in the expected loss ratio. This is reflected in the included RF-1 and RF-2 forms as well as Exhibit 1.

MDOW has been writing insurance since 2008. They are currently writing in two states: Arkansas, and Oklahoma. Exhibit 6 shows experience for Arkansas and for Oklahoma and Arkansas combined.