

SERFF Tracking Number: CLIC-128169920 State: Arkansas
Filing Company: MDOW Insurance Company State Tracking Number:
Company Tracking Number:
TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)
Product Name: Dwelling Fire and Extended Coverage Rate Modifications
Project Name/Number: Dwelling Fire and Extended Coverage Rate Modifications/

Filing at a Glance

Company: MDOW Insurance Company
Product Name: Dwelling Fire and Extended Coverage Rate Modifications
TOI: 01.0 Property
Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)
Filing Type: Rate
SERFF Tr Num: CLIC-128169920 State: Arkansas
SERFF Status: Closed-Filed
Co Tr Num:
Author: Tiffany Foshee
Date Submitted: 03/14/2012
Reviewer(s): Becky Harrington
Disposition Date: 03/16/2012
Disposition Status: Filed
Effective Date (New): 06/01/2012
Effective Date (Renewal): 06/01/2012

State Filing Description:
referred to Commissioner 3/14/12; rec 3/16/12

General Information

Project Name: Dwelling Fire and Extended Coverage Rate Modifications
Project Number:
Reference Organization: AAIS
Reference Title:
Filing Status Changed: 03/16/2012
State Status Changed: 03/16/2012
Created 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 53.6% increase for DF and an 82.9% increase for EC. MDOW is making this appeal to increase its rates 25% for the Fire and Lightning portion and 30% for the Extended Coverage portion effective June 1, 2012 for new and renewal business.

Status of Filing in Domicile:
Domicile Status Comments:
Reference Number: AAIS-2007-2
Advisory Org. Circular:
Deemer Date:
Submitted By: Tiffany Foshee

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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 2.2931 for DF and 2.0937 for EC. We are proposing changing the multiplier to 3.325 for DF and 3.036 for EC while referencing the same loss cost reference filing.

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	03/14/2012	57131902

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	03/16/2012	03/16/2012

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
No response necessary	Becky Harrington	03/14/2012	03/14/2012			

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Disposition

Disposition Date: 03/16/2012
 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	68.250%	27.500%	\$369,149	3,388	\$1,440,542	30.000%	25.000%

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	P&C Actuarial Justification	Filed	Yes
Supporting Document	Explanatory Memorandum	Filed	Yes
Rate	Revised Rate Page	Filed	Yes

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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 will acknowledge receipt of the captioned filing.

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

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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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	68.250%	27.500%	\$369,149	3,388	\$1,440,542	30.000%	25.000%

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Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
Filed 03/16/2012	Revised Rate Page		Replacement	CLIC-127162262 ArkansasDwellig Fire and Extended Coverager Rate Page.pdf



Arkansas Dwelling Fire and Extended Coverage Rate Page
Revised 2012

Dwelling Fire Current

AAIS Base Rate x 2.2931

Extended Coverage Current

AAIS Base Rate 2.0937

Dwelling Fire Revised

AAIS Base Rate x 3.325

Extended Coverage Revised

AAIS Base Rate x 3.036

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Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	03/16/2012

Comments:

Attachment:

FORM RF-1 Rate Filing Abstract.pdf

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

Comments:

		Item Status:	Status Date:
Satisfied - Item:	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	03/16/2012

Comments:

Attachment:

industry_rates_loss_cost_filing_document_other.pdf

		Item Status:	Status Date:
Satisfied - Item:	P&C Actuarial Justification	Filed	03/16/2012

Comments:

Attachments:

DF-EC Exhibit 1.pdf
 DF-EC Exhibit 2.pdf
 DF-EC Exhibit 3.pdf
 DF-EC Exhibit 4.pdf

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DF-EC Exhibit 5.pdf
DF-EC Exhibit 6.pdf
DF-EC Exhibit 7.pdf

	Item Status:	Status
Satisfied - Item: Explanatory Memorandum	Filed	Date: 03/16/2012
Comments:		
Attachment:		
EF-EC Explanatory Memorandum 2011 AR.pdf		

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	AAIS-2007-2
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Company Name		Company NAIC Number		
3.	A.	MDOW 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.	Property	Personal Property Fire and Allied Lines

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(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
Dwelling Fire	53.6%	25%	54.2	1.5536	2.8664	N/A	2.2931
Extended Coverage	82.9%	30%	54.2	1.4752	2.7218	N/A	2.0937
TOTAL OVERALL EFFECT							

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	0	0	0	0	
2008	17	0	N/A	1	1	138.14	15.31	
2009	276	0	N/A	29	109	376.96	208.15	
2010	1783	0	N/A	247	261	105.97	125.03	
2011	3899	+12.5%	07/01/20 11	531	870	163.94	116.14	

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	20
B. General Expense	10
C. Taxes, License & Fees	2.8
D. Underwriting Profit & Contingencies	13.0
E. Other (explain)	0
F. TOTAL	45.8

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

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

10. 0 Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

PC RLC

U:LossCostDraft/DataEntry.doc

CALCULATION OF COMPANY LOSS COST MULTIPLIER

Reset Form

(EFFECTIVE AUG. 16, 2004)

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: Dwelling Fire

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.) +25%

B. Loss Cost Modification Expressed as a Factor: (See Examples Below) 1.5536

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.	A. Expected Loss Ratio: $ELR = 100\% - 4F = A$	54.2	%
	B.	B. ELR in Decimal Form =	.542	
6.		Company Formula Loss Cost Multiplier (3B/5B)	2.8664	
7.		Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	2.8664	
8.		Rate Level Change for the coverage(s) to which this page applies	+25.0	

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

	Calendar/Accident Year					Total
	2007	2008	2009	2010	2011	
Direct Earned Premium	-	926	28,801	246,659	530,859	
On-Level Factor	1.150	1.150	1.150	1.150	1.135	
Premium Trend Factor	1.000	1.000	1.000	1.000	1.000	
Earned Premium at Present Rates	-	1,065	33,121	283,658	602,641	920,485
Direct Incurred Losses and LAE	-	1,279	108,568	261,372	870,308	
Loss Development Factor	1.000	1.000	1.000	1.000	1.000	
Total Losses and LAE	-	1,279	108,568	261,372	870,308	
Loss Trend Factor	1.474	1.376	1.285	1.200	1.131	
Trended, Developed Losses	-	1,761	139,562	313,775	984,162	1,439,260
Projected Loss Ratio at Current Rates	-	1.654	4.214	1.106	1.633	1.564

Indicated Rate Level Change	0.0%	205.0%	677.2%	104.0%	201.2%	243.6%
Weighting	0.00	0.05	0.15	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	243.6%
Credibility Weighted Indication	53.6%

MDOW INSURANCE COMPANY
Development of Rate Level Indication

Effective Date		
<u>New</u>	<u>Renewal</u>	<u>Total Change</u>
7/1/2011	8/1/2011	15.00%

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

	Calendar/Accident Year					Total
	2007	2008	2009	2010	2011	
Direct Earned Premium	-	819	22,940	187,040	436,373	
On-Level Factor	1.050	1.050	1.050	1.050	1.045	
Premium Trend Factor	1.000	1.000	1.000	1.000	1.000	
Earned Premium at Present Rates	-	860	24,087	196,392	456,211	677,550
Direct Incurred Losses and LAE	-	4,282	39,468	95,926	575,091	
Loss Development Factor	1.000	1.000	1.000	1.000	1.000	
Total Losses and LAE	-	4,282	39,468	95,926	575,091	
Loss Trend Factor	1.474	1.376	1.285	1.200	1.131	
Trended, Developed Losses	-	5,895	50,735	115,158	650,325	822,113
Projected Loss Ratio at Current Rates	-	6.855	2.106	0.586	1.425	1.213

Indicated Rate Level Change	0.0%	1164.3%	288.5%	8.2%	162.9%	185.4%
Weighting	0.00	0.05	0.15	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	185.4%
Credibility Weighted Indication	82.9%

MDOW INSURANCE COMPANY
Development of Rate Level Indication

Effective Date		
<u>New</u>	<u>Renewal</u>	<u>Total Change</u>
7/1/2011	8/1/2011	5.00%

MDOW INSURANCE COMPANY
Calculation of Expense Ratios

Direct	2008		2009		2010		Selected
Written Premium	55		418		2,128		
Earned Premium	15		190		1,111		
Commission	11	0.201	67	0.161	468	0.220	0.200
Other Acq	0	0.000	0	0.000	12	0.006	0.000
General	0	0.000	0	0.000	178	0.160	0.100
Taxes, Licences & Fees	1	0.021	12	0.028	63	0.030	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
a. 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, .15)	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
Dwelling Fire Insurance

Arkansas Experience				Nationwide Experience		
<i>Year</i>	<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	1	138.14%	8	1	15.31%
2009	29	109	376.96%	99	207	208.15%
2010	247	261	105.97%	587	733	125.03%
2011	531	870	163.94%	1,119	1,300	116.14%

MDOW INSURANCE COMPANY
Experience Summary
Extended Coverage Insurance

Arkansas Experience				Nationwide Experience		
<i>Year</i>	<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	4	522.88%	7	4	60.86%
2009	23	39	172.05%	91	116	127.76%
2010	187	96	51.29%	524	636	121.44%
2011	436	575	131.79%	1,064	1,064	99.98%

MDOW INSURANCE COMPANY
DWELLING FIRE / EXTENDED COVERAGE 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 53.6% increase for DF and an 82.9% increase for EC. MDOW is making this appeal to increase its rates 25% for the Fire and Lightning portion and 30% for the Extended Coverage portion effective June 1, 2012 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 2.2931 for DF and 2.0937 for EC. We are proposing changing the multiplier to 2.8664 for DF and 2.7218 for EC while referencing the same loss cost reference filing.

Exhibits 1 and 2 show 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 increases of 15% and 5% for DF and EC respectively in 2011.

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.