

**State:** Arkansas **First Filing Company:** Liberty Mutual Fire Insurance Company, ...  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** Home  
**Project Name/Number:** AR HO SR 02 13/AR HO SR 02 13

### Filing at a Glance

**Companies:** Liberty Mutual Fire Insurance Company  
 The First Liberty Insurance Corporation  
**Product Name:** Home  
**State:** Arkansas  
**TOI:** 04.0 Homeowners  
**Sub-TOI:** 04.0000 Homeowners Sub-TOI Combinations  
**Filing Type:** Rate  
**Date Submitted:** 12/28/2012  
**SERFF Tr Num:** LBPM-128805197  
**SERFF Status:** Closed-Filed  
**State Tr Num:**  
**State Status:**  
**Co Tr Num:** AR HO SR 02 13  
  
**Effective Date** 02/21/2013  
**Requested (New):**  
**Effective Date** 03/28/2013  
**Requested (Renewal):**  
**Author(s):** Andrew Larson  
**Reviewer(s):** Becky Harrington (primary)  
**Disposition Date:** 01/11/2013  
**Disposition Status:** Filed  
**Effective Date (New):** 02/21/2013  
**Effective Date (Renewal):** 03/28/2013  
  
**State Filing Description:**

State: Arkansas First Filing Company: Liberty Mutual Fire Insurance Company, ...  
 TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
 Product Name: Home  
 Project Name/Number: AR HO SR 02 13/AR HO SR 02 13

### General Information

Project Name: AR HO SR 02 13 Status of Filing in Domicile: Not Filed  
 Project Number: AR HO SR 02 13 Domicile Status Comments:  
 Reference Organization: Reference Number:  
 Reference Title: Advisory Org. Circular:  
 Filing Status Changed: 01/11/2013  
 State Status Changed: 01/11/2013 Deemer Date:  
 Created By: Andrew Larson Submitted By: Andrew Larson  
 Corresponding Filing Tracking Number:

Filing Description:

In accordance with applicable "File & Use" provisions, Liberty Mutual Fire Insurance Company (LMFIC) and The First Liberty Insurance Corporation (TFLIC) respectfully submit the following revisions to their Homeowner Rating Program.

1. Revise the property base rates. An overall rate change of 10.0%.
2. Correct Rule manual, Section FR, endorsement list.

These changes will be effective for new business policies produced and effective on or after February 21, 2013, and renewal business policies produced and effective on or after March 28, 2013.

### Company and Contact

#### Filing Contact Information

Andrew Larson, Assistant Director Product Andrew.Larson@LibertyMutual.com  
 Management  
 175 Berkeley Street 617-574-5873 [Phone]  
 Mailstop 04G/H 617-654-3452 [FAX]  
 Boston, MA 02116

#### Filing Company Information

Liberty Mutual Fire Insurance Company	CoCode: 23035	State of Domicile: Wisconsin
175 Berkeley Street	Group Code: 111	Company Type:
Boston, MA 02116	Group Name: Liberty Mutual Group	State ID Number:
(617) 357-9500 ext. [Phone]	FEIN Number: 04-1924000	

The First Liberty Insurance Corporation	CoCode: 33588	State of Domicile: Illinois
175 Berkeley Street	Group Code: 111	Company Type:
Boston, MA 02116	Group Name: Liberty Mutual Group	State ID Number:
(617) 357-9500 ext. [Phone]	FEIN Number: 04-3058503	

### Filing Fees

Fee Required? No  
 Retaliatory? No  
 Fee Explanation:  
 Per Company: No

**State:** Arkansas **First Filing Company:** Liberty Mutual Fire Insurance Company, ...  
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**Product Name:** Home  
**Project Name/Number:** AR HO SR 02 13/AR HO SR 02 13

Company	Amount	Date Processed	Transaction #
Liberty Mutual Fire Insurance Company	\$100.00	01/02/2013	66191935

SERFF Tracking #:

LBPM-128805197

State Tracking #:

Company Tracking #:

AR HO SR 02 13

State: Arkansas

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Product Name: Home

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	01/11/2013	01/11/2013

### Objection Letters and Response Letters

#### Objection Letters

Status	Created By	Created On	Date Submitted
No response necessary	Becky Harrington	01/02/2013	01/02/2013
Pending Industry Response	Becky Harrington	01/02/2013	01/02/2013

#### Response Letters

Responded By	Created On	Date Submitted
Andrew Larson	01/02/2013	01/02/2013

**State:** Arkansas  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** Home  
**Project Name/Number:** AR HO SR 02 13/AR HO SR 02 13  
**First Filing Company:** Liberty Mutual Fire Insurance Company, ...

## Disposition

Disposition Date: 01/11/2013

Effective Date (New): 02/21/2013

Effective Date (Renewal): 03/28/2013

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):
Liberty Mutual Fire Insurance Company	31.900%	10.000%	\$561,334	5,147	\$5,630,935	14.300%	1.600%
The First Liberty Insurance Corporation	31.900%	10.000%	\$0	0	\$0	0.000%	0.000%

### Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing

31.900%

Overall Percentage Rate Impact For This Filing

10.000%

Effect of Rate Filing-Written Premium Change For This Program

\$561,334

Effect of Rate Filing - Number of Policyholders Affected

5,147

Schedule	Schedule Item	Schedule Item Status	Public Access
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	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Actuarial Justification	Filed	Yes
Supporting Document	Cover Letter	Filed	Yes

SERFF Tracking #:

LBPM-128805197

State Tracking #:

Company Tracking #:

AR HO SR 02 13

State:

Arkansas

First Filing Company:

Liberty Mutual Fire Insurance Company, ...

TOI/Sub-TOI:

04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name:

Home

Project Name/Number:

AR HO SR 02 13/AR HO SR 02 13

Schedule	Schedule Item	Schedule Item Status	Public Access
Rate	Rating Manual	Filed	Yes
Rate	Rating Manual	Filed	Yes

**State:** Arkansas **First Filing Company:** Liberty Mutual Fire Insurance Company, ...  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** Home  
**Project Name/Number:** AR HO SR 02 13/AR HO SR 02 13

## Objection Letter

Objection Letter Status	No response necessary
Objection Letter Date	01/02/2013
Submitted Date	01/02/2013
Respond By Date	

Dear Andrew Larson,

**Introduction:**

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

**Conclusion:**

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

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

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

Sincerely,  
Becky Harrington

**State:** Arkansas **First Filing Company:** Liberty Mutual Fire Insurance Company, ...  
**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** Home  
**Project Name/Number:** AR HO SR 02 13/AR HO SR 02 13

## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	01/02/2013
Submitted Date	01/02/2013
Respond By Date	

Dear Andrew Larson,

**Introduction:**

*This will acknowledge receipt of the captioned filing.*

**Objection 1**

*Comments: The \$100 filing fee was not submitted. Review is suspended until it has been 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."*

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

Sincerely,

Becky Harrington

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**TOI/Sub-TOI:** 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations  
**Product Name:** Home  
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## Response Letter

Response Letter Status	Submitted to State
Response Letter Date	01/02/2013
Submitted Date	01/02/2013

Dear Becky Harrington,

**Introduction:**

Thank you for reviewing this filing.

**Response 1**

**Comments:**

The \$100 filing fee has now been submitted. We apologize for any inconvenience.

**Related Objection 1**

Comments: The \$100 filing fee was not submitted. Review is suspended until it has been received.

**Changed Items:**

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

**Conclusion:**

Sincerely,

Andrew Larson

Sincerely,

Andrew Larson

SERFF Tracking #:

LBPM-128805197

State Tracking #:

Company Tracking #:

AR HO SR 02 13

State: Arkansas

First Filing Company: Liberty Mutual Fire Insurance Company, ...

TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name: Home

Project Name/Number: AR HO SR 02 13/AR HO SR 02 13

### Rate Information

Rate data applies to filing.

Filing Method: File and Use

Rate Change Type: Increase

Overall Percentage of Last Rate Revision: 10.000%

Effective Date of Last Rate Revision: 02/21/2012

Filing Method of Last Filing: File and Use

### Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Liberty Mutual Fire Insurance Company	31.900%	10.000%	\$561,334	5,147	\$5,630,935	14.300%	1.600%
The First Liberty Insurance Corporation	31.900%	10.000%	\$0	0	\$0	0.000%	0.000%

**SERFF Tracking #:**

LBPM-128805197

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

AR HO SR 02 13

**State:**

Arkansas

**First Filing Company:**

Liberty Mutual Fire Insurance Company, ...

**TOI/Sub-TOI:**

04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

**Product Name:**

Home

**Project Name/Number:**

AR HO SR 02 13/AR HO SR 02 13

## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 01/11/2013	Rating Manual	R-1	Replacement		R-1-Mock.pdf R-1-Proof.pdf
2	Filed 01/11/2013	Rating Manual	FR-3	Replacement		FR Page 3 Proof.pdf FR Page 3 Mock.pdf

**Arkansas**  
Homeowners Rating Manual

<b>Homeowner Base Rates</b>			
<b>Dwelling Territory</b>	<b>H3</b>	<b>H4</b>	<b>H6</b>
031	3241 3539	394 434	516 526
032	3420 3407	394 434	516 526
033	2580-2817	394 434	516 526
034	3394 3706	394 434	516 526
035	2783 3039	394 434	516 526
036	2505 2735	394 434	516 526
081	2257 2465	394 434	516 526
084	3460 3451	394 434	516 526
086	3235 3533	394 434	516 526
097	3580 3909	394 434	516 526
098	3235-3533	394 434	516 526

<b>Row or Town House</b>			
<b>Protection Class</b>	<b># of Units</b>		
	<b>1-2</b>	<b>3-4</b>	<b>5-8</b>
<b>1-8</b>	1.00	1.10	1.25
<b>9-10</b>	1.00	1.15	1.30

<b>Construction/Occupancy Charge</b>			
<b>Number Apts/ Firewalls</b>	<b>Construction</b>		
	<b>Frame</b>	<b>Masonry</b>	<b>Superior</b>
<b>4</b>	1.00	1.00	1.00
<b>9999999</b>	1.35	1.35	1.00

<b>Excess Dwelling</b>	
<b>Rate</b>	5

<b>Form Factor</b>	
<b>Form Type</b>	<b>Factor</b>
<b>H2</b>	.95
<b>H3</b>	1.00

**Arkansas**  
Homeowners Rating Manual

<b>Homeowner Base Rates</b>			
<b>Dwelling Territory</b>	<b>H3</b>	<b>H4</b>	<b>H6</b>
<b>031</b>	3539	434	526
<b>032</b>	3407	434	526
<b>033</b>	2817	434	526
<b>034</b>	3706	434	526
<b>035</b>	3039	434	526
<b>036</b>	2735	434	526
<b>081</b>	2465	434	526
<b>084</b>	3451	434	526
<b>086</b>	3533	434	526
<b>097</b>	3909	434	526
<b>098</b>	3533	434	526

<b>Row or Town House</b>			
<b>Protection Class</b>	<b># of Units</b>		
	<b>1-2</b>	<b>3-4</b>	<b>5-8</b>
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<b>Rate</b>	5

<b>Form Factor</b>	
<b>Form Type</b>	<b>Factor</b>
<b>H2</b>	.95
<b>H3</b>	1.00

**LIBERTY MUTUAL INSURANCE GROUP**  
**HOMEOWNERS FORMS AND ENDORSEMENTS FOR ARKANSAS**

**ENDORSEMENTS (LIBERTY MUTUAL)**

Form Number*	Description
IJF 1012 2340	Jewelry in Vault Form Liberty Mutual Holding Company
FMHO 547	Optional Loss Settlement
FMHO 660	Inflation Protection - HO 00 04 and HO 00 06
FMHO 687	Personal Gun Form
FMHO 696	Small Boat and Motor Form
FMHO 746	Home Computer Endorsement
FMHO 751	Guaranteed Replacement Cost
FMHO 752	Replacement Cost Contents - HO 00 03 and HO 00 06
FMHO 753	Replacement Cost Contents - HO 00 04
FMHO 839	Scheduled Glass
FMHO 938	Watercraft
FMHO 970	Theft of Building Materials and Supplies Endorsement
FMHO 976**	Lead Poisoning Exclusion
FMHO 1097	Underground Fuel Storage Tank Exclusion
FMHO 1144	Functional Replacement Cost Loss Settlement
FMHO 2023	Home Protector Plus
FMHO 2030	Excess Dwelling Coverage
FMHO 2062	Back Up of Sewer and Sump Pump Overflow Coverage
FMHO 2382	Identity Fraud Expense Coverage
FMHO 2437	Loss Assessment Coverage – HO 00 03 only
FMHO 2493**	Homeowner Amendatory Endorsement – HO 00 03 only
FMHO 2835	Inflation Protection – HO 00 02 and HO 00 03
FMHO 2934	Amendment Policy-Definitions
FMHO 3072	Amendment Policy-Conditions
FMHO 3366	Windstorm or Hail Deductible
FMHO 3391**	H3 Seepage Exclusion Endorsement
FMHO 3392**	H6 Seepage Exclusion Endorsement
FMHO 3429**	Special Provisions – Arkansas

\*: These forms have edition dates, which are shown on the forms themselves and on the policy declaration.

\*\* : These are mandatory forms and must be attached to all Homeowners policies without exception.

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**LIBERTY MUTUAL INSURANCE GROUP**  
**HOMEOWNERS FORMS AND ENDORSEMENTS FOR ARKANSAS**

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FMHO 751	Guaranteed Replacement Cost
FMHO 752	Replacement Cost Contents - HO 00 03 and HO 00 06
FMHO 753	Replacement Cost Contents - HO 00 04
FMHO 839	Scheduled Glass
FMHO 938	Watercraft
FMHO 970	Theft of Building Materials and Supplies Endorsement
FMHO 976**	Lead Poisoning Exclusion
FMHO 1097	Underground Fuel Storage Tank Exclusion
FMHO 1144	Functional Replacement Cost Loss Settlement
FMHO 2023	Home Protector Plus
FMHO 2030	Excess Dwelling Coverage
FMHO 2062	Back Up of Sewer and Sump Pump Overflow Coverage
FMHO 2382	Identity Fraud Expense Coverage
FMHO 2437	Loss Assessment Coverage – HO 00 03 only
FMHO 2493**	Homeowner Amendatory Endorsement – HO 00 03 only
FMHO 2835	Inflation Protection – HO 00 02 and HO 00 03
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FMHO 3072	Amendment Policy-Conditions
FMHO 3366	Windstorm or Hail Deductible
FMHO 3391**	H3 Seepage Exclusion Endorsement
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SERFF Tracking #:

LBPM-128805197

State Tracking #:

Company Tracking #:

AR HO SR 02 13

State: Arkansas

First Filing Company: Liberty Mutual Fire Insurance Company, ...

TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name: Home

Project Name/Number: AR HO SR 02 13/AR HO SR 02 13

## Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	H-1 Homeowners Abstract	Filed	01/11/2013
Comments:			
Attachment(s):			
H-1 Homeowners Abstract.pdf			

		Item Status:	Status Date:
Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey	Filed	01/11/2013
Comments:			
Attachment(s):			
HO Survey FORM HPCS-LMFIC.pdf HO Survey FORM HPCS-LMFIC.xls HO Survey FORM HPCS-TFLIC.pdf HO Survey FORM HPCS-TFLIC.xls			

		Item Status:	Status Date:
Satisfied - Item:	NAIC loss cost data entry document	Filed	01/11/2013
Comments:			
Attachment(s):			
NAIC Loss Cost Data LMFIC-2013.pdf NAIC Loss Cost Data TFLIC-2013.pdf			

		Item Status:	Status Date:
Satisfied - Item:	Actuarial Justification	Filed	01/11/2013
Comments:			
Attachment(s):			
Actuarial Justification.pdf			

Item Status:

Status Date:

**SERFF Tracking #:**

LBPM-128805197

**State Tracking #:**

**Company Tracking #:**

AR HO SR 02 13

**State:**

Arkansas

**First Filing Company:**

Liberty Mutual Fire Insurance Company, ...

**TOI/Sub-TOI:**

04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

**Product Name:**

Home

**Project Name/Number:**

AR HO SR 02 13/AR HO SR 02 13

Satisfied - Item:	Cover Letter	Filed	01/11/2013
Comments:			
Attachment(s):			
AR HO SR Cover Letter 2013.pdf			

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 Liberty Mutual Fire Insurance Company and The First Liberty Insurance Corporation

NAIC # (including group #) LMFIC-23035 and TFLIC-33588 Group # 0111

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

Not Applicable-no impact

- 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.

In 2004, we implemented a new cost estimator from an outside vendor, Marshall Swift & Boeckh. Estimated impact: the current evaluator collects more detailed information about our policyholders' homes than our previous estimator. The impact on the policyholder is a more detailed and more accurate home evaluation.

- 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.

At the option of the insured, a Homeowners Policy may be endorsed to provide for automatic increase in the limits of liability on Coverages A, B, C, D during the term of the policy. Guide factors are developed based on information provided by an outside vendor, Marshall Swift & Boeckh, for forms HO 00 02 and HO 00 03; or by the U.S. Consumer Price Index for Forms HO 00 04 and HO 00 06.

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

- a. Fire Extinguisher 6 %
b. Burglar Alarm 5-10 %
c. Smoke Alarm 6 %
d. Insured who has both homeowners and auto with your company 10 %

- e. Deadbolt Locks 6 %
f. Window or Door Locks N/A %
g. Other (specify) %

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, not applicable.

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

Form	Premium Volume
H2, H3	5,269,691 12 months ending November 20, 2012
H4	340,097
H6	21,147

8. Do you write homeower 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 Not Applicable  
 Does the surcharge apply to conventional fire places? Not Applicable  
 If yes, state the surcharge Not Applicable

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

Digitally signed by caitlin.mcardle@libertymutual.com  
 DN: cn=caitlin.mcardle@libertymutual.com  
 Date: 2012.12.12 09:19:23 -0500

caitlin.mcardle@libertymutual.com  
 \_\_\_\_\_  
 Signature

Caitlin McArdle  
 \_\_\_\_\_  
 Printed Name

Associate II, Product  
 \_\_\_\_\_  
 Title

(617) 357-9500 x42026  
 \_\_\_\_\_  
 Telephone Number

Caitlin.McArdle@libertymutual.com  
 \_\_\_\_\_  
 Email address

NAIC Number: 23035  
 Company Name: Liberty Mutual Fire Insurance Company  
 Contact Person: Caitlin McArdle  
 Telephone No.: 617-357-9500 x42026  
 Email Address: Caitlin.McArdle@LibertyMutual.com  
 Effective Date: 2/21/2013

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

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

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$760.00	\$841.00	\$760.00	\$841.00	\$1,143.00	\$1,264.00	\$1,089.00	\$1,204.00	\$1,089.00	\$1,204.00	\$1,051.00	\$1,162.00	\$1,205.00	\$1,333.00	\$845.00	\$933.00	\$1,091.00	\$1,206.00
	\$120,000	\$1,084.00	\$1,199.00	\$1,177.00	\$1,302.00	\$1,631.00	\$1,804.00	\$1,554.00	\$1,718.00	\$1,554.00	\$1,718.00	\$1,499.00	\$1,658.00	\$1,721.00	\$1,902.00	\$1,204.00	\$1,331.00	\$1,557.00	\$1,722.00
	\$160,000	\$1,448.00	\$1,602.00	\$1,448.00	\$1,602.00	\$2,179.00	\$2,409.00	\$2,076.00	\$2,297.00	\$2,076.00	\$2,297.00	\$2,003.00	\$2,216.00	\$2,298.00	\$2,542.00	\$1,608.00	\$1,777.00	\$2,081.00	\$2,301.00
6	\$80,000	\$894.00	\$1,002.00	\$894.00	\$1,002.00	\$1,344.00	\$1,506.00	\$1,281.00	\$1,435.00	\$1,281.00	\$1,435.00	\$1,237.00	\$1,384.00	\$1,418.00	\$1,589.00	\$992.00	\$1,111.00	\$1,284.00	\$1,439.00
	\$120,000	\$1,685.00	\$1,551.00	\$1,385.00	\$1,551.00	\$1,919.00	\$2,149.00	\$1,828.00	\$2,047.00	\$1,828.00	\$2,047.00	\$1,764.00	\$1,976.00	\$2,024.00	\$2,266.00	\$1,416.00	\$1,586.00	\$1,832.00	\$2,052.00
	\$160,000	\$1,705.00	\$1,909.00	\$1,705.00	\$1,909.00	\$2,563.00	\$2,871.00	\$2,443.00	\$2,736.00	\$2,443.00	\$2,736.00	\$2,356.00	\$2,639.00	\$2,704.00	\$3,029.00	\$1,891.00	\$2,119.00	\$2,448.00	\$2,742.00
9	\$80,000	\$1,663.00	\$1,923.00	\$1,663.00	\$1,923.00	\$2,501.00	\$2,891.00	\$2,384.00	\$2,755.00	\$2,384.00	\$2,755.00	\$2,299.00	\$2,657.00	\$2,638.00	\$3,049.00	\$1,845.00	\$2,133.00	\$2,389.00	\$2,761.00
	\$120,000	\$2,576.00	\$2,978.00	\$2,576.00	\$2,978.00	\$3,568.00	\$4,125.00	\$3,401.00	\$3,931.00	\$3,401.00	\$3,931.00	\$3,280.00	\$3,792.00	\$3,764.00	\$4,351.00	\$2,633.00	\$3,044.00	\$3,407.00	\$3,940.00
	\$160,000	\$3,170.00	\$3,665.00	\$3,170.00	\$3,665.00	\$4,767.00	\$5,512.00	\$4,544.00	\$5,253.00	\$4,544.00	\$5,253.00	\$4,383.00	\$5,066.00	\$5,029.00	\$5,813.00	\$3,519.00	\$4,067.00	\$4,553.00	\$5,262.00

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

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00
	\$15,000	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00
	\$25,000	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00
6	\$5,000	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00
	\$15,000	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00
	\$25,000	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00
9	\$5,000	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00
	\$15,000	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00
	\$25,000	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00

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

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

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

**HO3 and HO4 only**

Fire Extinguisher	<input type="text" value="6"/>	%	Deadbolt Lock	<input type="text" value="6"/>	%
Burglar Alarm	<input type="text" value="5-10"/>	%	Window Locks	<input type="text" value="0"/>	%
Smoke Alarm	<input type="text" value="1-2"/>	%	\$1,000 Deductible	<input type="text" value="26-30"/>	%
			Other (specify)		

**EARTHQUAKE INSURANCE**

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?  
 (yes or no)

WHAT IS YOUR PERCENTAGE DEDUCTIBLE?  
 %

Zone Brick Frame

NAIC Number: 33588  
 Company Name: The First Liberty Insurance Corporation  
 Contact Person: Caitlin McArdle  
 Telephone No.: 617-357-9500 x42026  
 Email Address: Caitlin.McArdle@LibertyMutual.com  
 Effective Date: 2/21/2013

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

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

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

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

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$760.00	\$841.00	\$760.00	\$841.00	\$1,143.00	\$1,264.00	\$1,089.00	\$1,204.00	\$1,089.00	\$1,204.00	\$1,051.00	\$1,162.00	\$1,205.00	\$1,333.00	\$845.00	\$933.00	\$1,091.00	\$1,206.00
	\$120,000	\$1,084.00	\$1,199.00	\$1,177.00	\$1,302.00	\$1,631.00	\$1,804.00	\$1,554.00	\$1,718.00	\$1,554.00	\$1,718.00	\$1,499.00	\$1,658.00	\$1,721.00	\$1,902.00	\$1,204.00	\$1,331.00	\$1,557.00	\$1,722.00
	\$160,000	\$1,448.00	\$1,602.00	\$1,448.00	\$1,602.00	\$2,179.00	\$2,409.00	\$2,076.00	\$2,297.00	\$2,076.00	\$2,297.00	\$2,003.00	\$2,216.00	\$2,298.00	\$2,542.00	\$1,608.00	\$1,777.00	\$2,081.00	\$2,301.00
6	\$80,000	\$894.00	\$1,002.00	\$894.00	\$1,002.00	\$1,344.00	\$1,506.00	\$1,281.00	\$1,435.00	\$1,281.00	\$1,435.00	\$1,237.00	\$1,384.00	\$1,418.00	\$1,589.00	\$992.00	\$1,111.00	\$1,284.00	\$1,439.00
	\$120,000	\$1,685.00	\$1,551.00	\$1,385.00	\$1,551.00	\$1,919.00	\$2,149.00	\$1,828.00	\$2,047.00	\$1,828.00	\$2,047.00	\$1,764.00	\$1,976.00	\$2,024.00	\$2,266.00	\$1,416.00	\$1,586.00	\$1,832.00	\$2,052.00
	\$160,000	\$1,705.00	\$1,909.00	\$1,705.00	\$1,909.00	\$2,563.00	\$2,871.00	\$2,443.00	\$2,736.00	\$2,443.00	\$2,736.00	\$2,356.00	\$2,639.00	\$2,704.00	\$3,029.00	\$1,891.00	\$2,119.00	\$2,448.00	\$2,742.00
9	\$80,000	\$1,663.00	\$1,923.00	\$1,663.00	\$1,923.00	\$2,501.00	\$2,891.00	\$2,384.00	\$2,755.00	\$2,384.00	\$2,755.00	\$2,299.00	\$2,657.00	\$2,638.00	\$3,049.00	\$1,845.00	\$2,133.00	\$2,389.00	\$2,761.00
	\$120,000	\$2,576.00	\$2,978.00	\$2,576.00	\$2,978.00	\$3,568.00	\$4,125.00	\$3,401.00	\$3,931.00	\$3,401.00	\$3,931.00	\$3,280.00	\$3,792.00	\$3,764.00	\$4,351.00	\$2,633.00	\$3,044.00	\$3,407.00	\$3,940.00
	\$160,000	\$3,170.00	\$3,665.00	\$3,170.00	\$3,665.00	\$4,767.00	\$5,512.00	\$4,544.00	\$5,253.00	\$4,544.00	\$5,253.00	\$4,383.00	\$5,066.00	\$5,029.00	\$5,813.00	\$3,519.00	\$4,067.00	\$4,553.00	\$5,262.00

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

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00
	\$15,000	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00	\$271.00
	\$25,000	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00	\$360.00
6	\$5,000	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00	\$176.00
	\$15,000	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00
	\$25,000	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00	\$391.00
9	\$5,000	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00	\$246.00
	\$15,000	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00	\$412.00
	\$25,000	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00	\$547.00

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

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

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

**HO3 and HO4 only**

Fire Extinguisher	6	%	Deadbolt Lock	6	%
Burglar Alarm	5-10	%	Window Locks	0	%
Smoke Alarm	1-2	%	\$1,000 Deductible	26-30	%
			Other (specify)		%

**EARTHQUAKE INSURANCE**

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	Yes	(yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	10-25	%

Zone Brick Frame

		8.13	%	WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Highest Risk	\$	0.71	\$	0.58
	Maximum Credit Allowed		%		Lowest Risk	\$	0.21	\$	0.18

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### NAIC LOSS COST DATA ENTRY DOCUMENT

<b>1.</b>	This filing transmittal is part of Company Tracking #	<b>AR HO SR 02 13</b>
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<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	<b>N/A</b>
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Company Name		Company NAIC Number		
<b>3.</b>	<b>A.</b>	<b>Liberty Mutual Fire Insurance Company</b>	<b>B.</b>	<b>23035</b>

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
<b>4.</b>	<b>A.</b>	<b>Homeowner</b>	<b>B.</b>	<b>N/A</b>

<b>5.</b>			<b>FOR LOSS COSTS ONLY</b>				
(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
<b>H3</b>	<b>31.9%</b>	<b>10.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>H4</b>	<b>31.9%</b>	<b>10.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>H6</b>	<b>31.9%</b>	<b>1.9%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL OVERALL EFFECT</b>	<b>31.9%</b>	<b>10.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

<b>6.</b>		5 Year History	Rate Change History				
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
<b>2006</b>	<b>2,400</b>	<b>--</b>	<b>--</b>	<b>\$2,796</b>	<b>\$1,502</b>	<b>53.7%</b>	<b>56.6%</b>
<b>2007</b>	<b>2,382</b>	<b>--</b>	<b>--</b>	<b>\$2,834</b>	<b>\$1,544</b>	<b>54.8%</b>	<b>47.7%</b>
<b>2008</b>	<b>2,466</b>	<b>+3.9%</b>	<b>11/12/08</b>	<b>\$2,838</b>	<b>\$3,778</b>	<b>133.1%</b>	<b>64.3%</b>
<b>2009</b>	<b>2,392</b>	<b>+11.9%</b>	<b>10/26/09</b>	<b>\$3,049</b>	<b>\$2,629</b>	<b>86.2%</b>	<b>67.3%</b>
<b>2010</b>	<b>3,201</b>	<b>+0.0%</b>	<b>--</b>	<b>\$3,594</b>	<b>\$2,572</b>	<b>71.6%</b>	<b>54.2%</b>
<b>2011</b>	<b>3,858</b>	<b>+10.1%</b>	<b>3/28/11</b>	<b>\$4,312</b>	<b>\$4,739</b>	<b>109.9%</b>	<b>59.2%</b>
<b>2012</b>	<b>4,491</b>	<b>+10.0%</b>	<b>2/21/12</b>				

<b>7.</b>	
Expense Constants	Selected Provisions
A. Total Production Expense	<b>N/A</b>
B. General Expense	<b>20.2%</b>
C. Taxes, License & Fees	<b>3.3%</b>
D. Underwriting Profit & Contingencies	<b>16.6%</b>
E. Other (explain)	<b>0.0%</b>
F. TOTAL	<b>40.1%</b>

- 8.**   N/A   Apply Lost Cost Factors to Future filings? (Y or N)
- 9.**   14.3%   Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):                     All Territories
- 10.**   0%   Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable):                     N/A

**NAIC LOSS COST DATA ENTRY DOCUMENT**

1.	This filing transmittal is part of Company Tracking #	AR HO SR 02 13
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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	N/A
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Company Name		Company NAIC Number	
3.	A. <b>The First Liberty Insurance Corporation</b>	B.	<b>33588</b>

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
4.	A. <b>Homeowner</b>	B.	<b>N/A</b>

(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
H3	31.9%	10.0%	N/A	N/A	N/A	N/A	N/A
H4	31.9%	10.0%	N/A	N/A	N/A	N/A	N/A
H6	31.9%	1.9%	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT	31.9%	10.0%	N/A	N/A	N/A	N/A	N/A

Year	5 Year History		Rate Change History				
	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2006	2,400	--	--	0	0	N/A	56.6%
2007	2,382	--	--	0	0	N/A	47.7%
2008	2,466	+3.9%	11/12/08	0	0	N/A	64.3%
2009	2,392	+11.9%	10/26/09	0	0	N/A	67.3%
2010	3,201	+0.0%	--	0	0	N/A	54.2%
2011	3,858	+10.1%	3/28/11	0	0	N/A	59.2%
2012	4,491	+10.0%	2/21/12				

Expense Constants	Selected Provisions
A. Total Production Expense	N/A
B. General Expense	20.2%
C. Taxes, License & Fees	3.3%
D. Underwriting Profit & Contingencies	16.6%
E. Other (explain)	0.0%
F. TOTAL	40.1%

8.   N/A   Apply Lost Cost Factors to Future filings? (Y or N)
9.   N/A   Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_ All Territories \_\_\_\_\_
10.   N/A   Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_ N/A \_\_\_\_\_



**Liberty Mutual Insurance**  
**Arkansas**  
**Liberty Mutual Fire Insurance Company (LMFIC)**  
**The First Liberty Insurance Corporation (TFLIC)**  
**Homeowners**

**Summary of Rate Indications**

**Narrative**

The most current rate level indication using all companies combined data for Arkansas Homeowners is +31.9% with a new business effective date of February 21, 2013 and a renewal business effective date of March 28, 2013. The overall rate change proposed in this filing is +10.0% (+10.0% for Form 3, +10.0% for Form 4, and +1.9% for Form 6) in LMFIC and TFLIC.

**Past and Prospective Experience Within and Outside the State**

Calendar year earned premiums and accident year incurred losses are utilized in the indication. Five years of experience is used beginning April 1, 2007 and ending March 31, 2012. Losses are evaluated as of March 31, 2012. The Combined Dwelling forms rate level indication is +31.9% (See Exhibit I). This indication serves as justification for all forms, as our experience for Contents forms does not have significant credibility and, hence, is not reliable as an indicator of the adequacy of the company's current rates.

Direct earned premiums for the latest five calendar years are brought to current level by means of the parallelogram method (See Exhibit II). Premium is then adjusted to reflect changes in the amounts of insurance purchased due to inflation, shifts towards higher deductibles, changes in territory mix, etc. The calculation of the actual trend factors involves regression analysis on a state-specific basis of the latest five calendar years of average earned premium at current rate level (See Exhibit IV).

Statewide total reported losses (excluding tornado/hail/severe storm/fire following losses and excluding catastrophes) capped for the five accident years are developed to their ultimate value by use of loss development factors (See Exhibit III). The selected loss development factors are based on an analysis of Countrywide capped accident year losses evaluated at common ages and the patterns exhibited as these losses change from their initial valuation to final settlement. Losses are then adjusted to reflect the impact of inflation of past claim costs.

A two-step trending procedure is used to project both premiums and losses. The historical trend factor brings data from the average date of each year used in the experience period to the average date in the latest experience period (October 1, 2011). The projected trend

factor brings data from the average date in the latest experience period to one year beyond the proposed effective date (March 28, 2014). The loss trend selections are based upon a review of least squares fitted trend lines to the last five years of both Liberty Mutual Fast Track data and are shown in Exhibit IV.

The data used to develop the indication is 50.0% credible, based on the full credibility standard of 80,000 earned exposures (See Exhibit VII). The product of Liberty Mutual's Southwest Region ex-catastrophe ex-severe storm pure premium and the number of Liberty's earned exposures in the state of Arkansas is used as the Loss Complement (See Exhibit I, Item 12a). The Trended and Developed Normal Losses are credibility weighted with the Loss Complement to determine the Credibility Adjusted Normal Losses (See Exhibit I, Item 12b).

The Weighted Normal Loss Ratio is the result of multiplying each year's Normal Loss Ratio by its respective weight and adding the products. This Loss Ratio is then projected to the future period via the premium and loss projection factors to arrive at the Projected Normal Loss Ratio (See Exhibit I, Item 20).

### **Catastrophic Hazards**

Because of the low frequency and high severity nature of catastrophes, catastrophe losses could significantly impact the financial results of an insurer from one year to another. To properly reflect the catastrophe hazard, it is appropriate to eliminate actual catastrophe losses from the experience period and to include a catastrophe provision in the rates which represents expected catastrophic loss.

The Provision for Non-Modeled Catastrophes is for any expected catastrophic activity excluding hurricane, severe storm, and fire following earthquake. The factor is selected based upon the long term observed average ratio of Liberty Mutual historical non-modeled catastrophe losses to amount of insurance (in thousands) in the state of Arkansas (See Exhibit V).

The provision for Tornado/Hail/Severe Thunderstorm Wind Losses is based upon the long term observed average ratio of Liberty Mutual historical Tornado/Hail/Severe Thunderstorm Wind catastrophe losses to amount of insurance (in thousands) in the state of Arkansas (See Exhibit V).

The provision for Hurricane Wind losses is 0%, as no Hurricane provision is allowed in Arkansas.

The provisions are the ratios of Liberty Mutual's expected annual loss to the most recent year's projected earned premium at current level (See Exhibit V, Sheet 1), and are then added to the Projected Normal Loss Ratio (See Exhibit I).

## **Insurer Operating Expenses**

Incurring losses are adjusted to include all loss adjustment expenses. Based on a 3-Year average of Liberty Mutual Southwest Regional loss adjustment expense factors we have selected an LAE load of +12.2% (as a percentage of Earned Premium).

General and acquisition expenses are selected based on a 3-Year average of Liberty Mutual Southwest Regional expense projections (See Exhibit VI). Fixed expenses are then calculated as a percent of Earned Premium and added to the developed and trended loss ratio to determine the overall indicated loss, loss adjustment expense, fixed expense, and reinsurance ratio (See Exhibit I, Item 31). Liberty Mutual uses an annual trend of +1.8% to trend its fixed expense ratio.

Variable expenses include taxes, licenses, fees, profit and contingency, and variable general and acquisition expenses. These items vary directly with premium (See Exhibit VI).

The projected permissible loss, loss adjustment expense, fixed expense, and reinsurance ratio is +74.6% (See Exhibit I, Item 32).

## **Reasonable Profit Margin**

Our selected margin of 16.6% for profit and contingencies is calculated to allow a return on surplus of 15%, with a 1.25:1 premium-to-surplus model (See Appendix A).

## **Index of Exhibits**

<b>Exhibit</b>	<b>Description</b>
<b>I</b>	Homeowners Rate Level Indication – Dwelling Forms
<b>II</b>	Rate Change History and On-Level Factors
<b>III</b>	Loss Development Triangle
<b>IV</b>	Trend Analysis
<b>V</b>	Catastrophe Provision Calculation
<b>VI</b>	Expense Calculation
<b>VII</b>	Credibility Standard
<b>VIII</b>	Loss Capping Exhibit
<b>Appendix A</b>	Homeowners Profit Provision

**Liberty Mutual Group**  
**Homeowners**  
**Arkansas**  
**Accident Period: 04/01/07 to 03/31/12**  
**Data Evaluated as of: 3/31/12**

**Statewide Indicated Rate Level Change**

Dwellings										
(1)	(2)	(3)	(4)	(5)	(6)					
Experience Period	Earned Exposures	Earned Premium @ Collected Level	On-Level Factors	Earned Premium @ Current Level	Historical Premium Trend Factor	Trended Earned Premium @ Current Level				
04/01/07 to 03/31/08	2,589	2,709,421	1.408	3,815,067	0.941	3,591,262				
04/01/08 to 03/31/09	2,633	2,726,290	1.404	3,827,838	0.956	3,658,156				
04/01/09 to 03/31/10	2,785	3,008,388	1.350	4,061,286	0.970	3,940,361				
04/01/10 to 03/31/11	3,084	3,562,662	1.232	4,390,527	0.985	4,324,669				
04/01/11 to 03/31/12	3,526	4,196,846	1.152	4,833,364	1.000	4,833,364				
5 Year Total	14,616	16,203,608		20,928,081		20,347,811				

  

(7)	(8)	(9)	(10)	(11)	(12a)	(12b)	(13)	(14)	
Experience Period	xCAT xSS Capped Incurred Loss	Uncapped Loss Factor	Loss Development Factor	Historical Loss Trend Factor	Trended Developed Normal Losses	Loss Complement Regional PP Exposures * (\$335)	Cred. Adjusted Normal Losses	Normal Loss Ratio	Loss Ratio Weights
04/01/07 to 03/31/08	1,539,614	1.100	1.006	1.311	2,232,241	867,177	1,549,709	43.2%	20.0%
04/01/08 to 03/31/09	919,507	1.114	1.010	1.225	1,267,169	882,222	1,074,696	29.4%	20.0%
04/01/09 to 03/31/10	1,508,562	1.116	1.016	1.145	1,958,638	932,828	1,445,733	36.7%	20.0%
04/01/10 to 03/31/11	777,578	1.130	1.029	1.070	967,304	1,033,027	1,000,165	23.1%	20.0%
04/01/11 to 03/31/12	2,339,523	1.143	1.098	1.000	2,936,410	1,181,132	2,058,771	42.6%	20.0%
5 Year Total	7,084,785				9,361,763	4,896,386	7,129,074		

  

(15) House Years in Experience Period	14,616
(16) Credibility = Square root of [(15)/80,000] (min = 0.5, max = 1.0)	50.0%
(17) Weighted Normal Loss Ratio	35.0%
(18) Premium Projection Factor	0.927
(19) Loss Projection Factor	1.156
(20) Projected Normal Loss Ratio = (17) x (19) / (18)	43.6%
(21) Provision for Non-modeled Catastrophes	0.6%
(22) Provision for Tornado/Hail/Severe Thunderstorm Losses	25.5%
(23) Provision for Hurricane Wind Losses	0.0%
(24) Provision for Fire Following Earthquake Losses	0.0%
(25) Loss Adjustment Expense Factor	17.5%
(26) Loss Adjustment Factor (as % of premium) = (25) x Sum [ (20) : (24) ]	12.2%
(27) Projected Total Loss and LAE Ratio = Sum [ (20) : (24) ] + (26)	81.9%
(28) Provision for Fixed Expense	15.7%
(29) Provision for Reinsurance Cost	0.0%
(30) Provision for Variable Expense	25.4%
(31) Indicated Loss, LAE, Fixed Expense, and Reinsurance Ratio = (27) + (28) + (29)	98.4%
(32) Permissible Loss, LAE, Fixed Expense, and Reinsurance Ratio = 1.0 - (30)	74.6%
(33) Indicated Rate Change = (31) / (32) - 1	31.9%

**Liberty Mutual Group  
Homeowners  
Arkansas  
Rate Change History and On-Level Factors**

**Rate Change History**

Renewal Business	
Effective Date	Dwelling
11/12/2008	3.9%
10/26/2009	11.9%
3/28/2011	10.1%
3/28/2012	10.0%

**On-Level Factors**

Experience Period	Dwelling
04/01/07 to 03/31/08	1.408
04/01/08 to 03/31/09	1.404
04/01/09 to 03/31/10	1.350
04/01/10 to 03/31/11	1.232
04/01/11 to 03/31/12	1.152

**Liberty Mutual Group**  
**All US States Homeowners**  
**Dwelling Forms**  
**Incurred Losses Excluding Catastrophes and Severe Storms (in thousands)**  
**Capped at \$250,000 per Occurrence**

Acc Period	Maturity										
	12	24	36	48	60	72	84	96	108	120	132
Apr2001-Mar2002	229,742	249,773	250,424	251,883	251,481	252,233	252,508	252,462	252,588	252,596	252,734
Apr2002-Mar2003	233,490	249,410	252,200	253,726	253,883	253,659	253,586	253,642	253,934	253,912	
Apr2003-Mar2004	218,317	232,415	235,905	236,576	236,394	237,128	237,592	237,911	237,865		
Apr2004-Mar2005	285,505	308,642	313,920	316,195	316,866	317,201	318,055	318,309			
Apr2005-Mar2006	356,160	380,764	385,285	384,943	386,013	387,631	387,550				
Apr2006-Mar2007	391,066	412,813	417,205	417,769	420,062	421,609					
Apr2007-Mar2008	426,198	443,227	443,982	447,635	449,894						
Apr2008-Mar2009	471,586	495,554	502,313	506,354							
Apr2009-Mar2010	518,484	557,129	569,507								
Apr2010-Mar2011	545,657	587,601									
Apr2011-Mar2012	531,732										

  

	Age to Age Factors										
	12 - 24	24 - 36	36 - 48	48 - 60	60 - 72	72 - 84	84 - 96	96 - 108	108 - 120	120 - 132	132-ult
Apr2001-Mar2002	1.087	1.003	1.006	0.998	1.003	1.001	1.000	1.001	1.000	1.001	
Apr2002-Mar2003	1.068	1.011	1.006	1.001	0.999	1.000	1.000	1.001	1.000		
Apr2003-Mar2004	1.065	1.015	1.003	0.999	1.003	1.002	1.001	1.000			
Apr2004-Mar2005	1.081	1.017	1.007	1.002	1.001	1.003	1.001				
Apr2005-Mar2006	1.069	1.012	0.999	1.003	1.004	1.000					
Apr2006-Mar2007	1.056	1.011	1.001	1.005	1.004						
Apr2007-Mar2008	1.040	1.002	1.008	1.005							
Apr2008-Mar2009	1.051	1.014	1.008								
Apr2009-Mar2010	1.075	1.022									
Apr2010-Mar2011	1.077										
Selected	1.067	1.013	1.006	1.004	1.003	1.001	1.001	1.000	1.000	1.000	1.000
To Ultimate	1.098	1.029	1.016	1.010	1.006	1.003	1.001	1.000	1.000	1.000	1.000

**Liberty Mutual Group  
Arkansas  
Calculation of Premium Trend Factors**

**Historical Premium Factors**

Selected Annual Historical Premium Trend :				Dwelling -1.5%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Premium Trend Factor
04/01/07 to 03/31/08	10/1/2007	10/1/2011	4.00	0.941
04/01/08 to 03/31/09	10/1/2008	10/1/2011	3.00	0.956
04/01/09 to 03/31/10	10/1/2009	10/1/2011	2.00	0.970
04/01/10 to 03/31/11	10/1/2010	10/1/2011	1.00	0.985
04/01/11 to 03/31/12	10/1/2011	10/1/2011	0.00	1.000

**Premium Projection Factors**

Selected Annual Projected Premium Trend :				Dwelling -3.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Premium Trend Factor
All	10/1/2011	3/28/2014	2.49	0.927

**Liberty Mutual Group  
Homeowners  
Arkansas  
Development of Historical Premium Trend**

**On-Level Average Earned Premium**

Experience Period	Dwelling
04/01/07 to 03/31/08	1,474
04/01/08 to 03/31/09	1,454
04/01/09 to 03/31/10	1,459
04/01/10 to 03/31/11	1,424
04/01/11 to 03/31/12	1,371

1-Yr	-3.7%
2-Yr	-3.1%
3-Yr	-2.0%
4-Yr	-1.6%

Selected Historical Trend	-1.5%
Selected Projected Trend	-3.0%

**Liberty Mutual Group  
Arkansas  
Calculation of Loss Trend Factors**

**Historical Loss Trend Factors**

Selected Annual Historical Pure Premium Trend :	Dwelling 7.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Loss Trend Factor
04/01/07 to 03/31/08	10/1/2007	10/1/2011	4.00	1.311
04/01/08 to 03/31/09	10/1/2008	10/1/2011	3.00	1.225
04/01/09 to 03/31/10	10/1/2009	10/1/2011	2.00	1.145
04/01/10 to 03/31/11	10/1/2010	10/1/2011	1.00	1.070
04/01/11 to 03/31/12	10/1/2011	10/1/2011	0.00	1.000

**Loss Projection Factors**

Selected Annual Projected Pure Premium Trend :	Dwelling 6.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Loss Trend Factor
All	10/1/2011	3/28/2014	2.49	1.156

**Liberty Mutual**  
**Fast Track Trend Data**  
Excluding Catastrophes

Prior 4 Qtrs Ending Year Qtr.		Southwest		
		Paid Severity	Paid Freq.	Paid Pure Premium
2008	1	7,184	4.00	287.26
2008	2	7,737	3.70	286.55
2008	3	7,942	3.56	282.82
2008	4	8,602	3.42	294.58
2009	1	9,016	3.37	303.59
2009	2	9,402	3.40	319.43
2009	3	9,558	3.72	355.89
2009	4	9,239	3.99	368.30
2010	1	9,149	4.09	373.78
2010	2	9,196	4.12	378.72
2010	3	9,222	3.92	361.86
2010	4	9,506	3.72	354.07
2011	1	9,659	3.57	345.22
2011	2	9,741	3.59	349.59
2011	3	10,542	3.61	380.68
2011	4	10,465	3.73	390.11
2012	1	10,456	3.81	397.86
1-Yr (5 pts)		9.65%	6.74%	17.04%
2-Yr (9 pts)		8.43%	-5.11%	2.89%
3-Yr (13 pts)		4.76%	0.86%	5.67%
4-Yr (17 pts)		7.81%	0.61%	8.47%

Selected Historical Trend	7.0%
Selected Projected Trend	6.0%

**Liberty Mutual Group**  
**Homeowners**  
**Arkansas**  
**Accident Period: 04/01/07 to 03/31/12**  
**Data Evaluated as of: 3/31/12**

**Calculation of Catastrophe Loads**

**Dwellings**

Loss Type	Latest Year Earned AOI (000s)*	AOI Projection Factor	Projected Earned AOI	Expected Loss per \$1000 AOI	Projected On-Level Earned Premium	CAT Load
Non-Modeled CAT	610,024	1.060	646,752	0.040	4,480,341	0.6%
Severe Storm	610,024	1.060	646,752	1.766	4,480,341	25.5%
Hurricane	610,024	1.060	646,752	0.000	4,480,341	0.0%
Fire Following	610,024	1.060	646,752	0.000	4,480,341	0.0%

**Liberty Mutual Group**  
**Homeowners**  
**Arkansas**  
**Accident Period: 04/01/07 to 03/31/12**  
**Data Evaluated as of: 3/31/12**

**Calculation of AOI Projection Factor**

**Dwellings**

1) Annual AOI Trend	1.024
2) Average Earned Date of Last Year of Experience Period	10/01/11
3) Effective Date for Proposed Rates	03/28/13
4) Average Earned Date Under Proposed Rates	03/28/14
5) Number of Years Between (2) And (4)	2.49
6) AOI Projection Factor = (1)^(5)	1.060

**Liberty Mutual Group**  
**Homeowners**  
**Arkansas**  
**Historical Non-Modeled CAT Loads**  
**Accident Years 1993 - 2011**  
**Data Evaluated as of: 12/31/11**

**Dwellings**

(1) AY Ending	(2) Non-Modeled CAT Incurred Loss	(3) CY AOI (000s)	(4) Non-Modeled CAT Inc Loss / \$1000 AOI
12/31/1993	0	56,442	0.0%
12/31/1994	0	67,973	0.0%
12/31/1995	0	76,112	0.0%
12/31/1996	0	84,122	0.0%
12/31/1997	1,035	99,138	1.0%
12/31/1998	0	121,171	0.0%
12/31/1999	0	148,498	0.0%
12/31/2000	0	179,640	0.0%
12/31/2001	510	212,877	0.2%
12/31/2002	0	236,705	0.0%
12/31/2003	0	269,593	0.0%
12/31/2004	500	323,572	0.2%
12/31/2005	0	397,155	0.0%
12/31/2006	7,087	429,474	1.7%
12/31/2007	18,171	448,778	4.0%
12/31/2008	40,440	464,398	8.7%
12/31/2009	166,740	489,797	34.0%
12/31/2010	40,452	542,660	7.5%
12/31/2011	114,950	605,654	19.0%

(5) Average Non-Modeled CAT Inc Loss/ \$1000 AOI [Average of (4)] 4.0%

(6) Selected Non-Modeled CAT MDR 4.0%

**Liberty Mutual Group  
Homeowners  
Arkansas  
Historical Severe Storm Load  
Accident Years 1993 - 2011**

**Dwellings**

AY Ending	CY AOI (000s)	Severe Storm Incurred Loss	Severe Storm Loss per \$1000 AOI
1993	56,442	42,150	0.747
1994	67,973	54,934	0.808
1995	76,112	68,976	0.906
1996	84,122	103,418	1.229
1997	99,138	524,005	5.286
1998	121,171	77,483	0.639
1999	148,498	435,882	2.935
2000	179,640	578,691	3.221
2001	212,877	148,840	0.699
2002	236,705	124,561	0.526
2003	269,593	167,358	0.621
2004	323,572	106,176	0.328
2005	397,155	154,328	0.389
2006	429,474	416,730	0.970
2007	448,778	239,113	0.533
2008	464,398	1,686,690	3.632
2009	489,797	1,812,065	3.700
2010	542,660	1,181,344	2.177
2011	605,654	2,549,637	4.210

Average Severe Storm Inc Loss/AOI 1.766

Selected Severe Storm Inc Loss/AOI 1.766

**Liberty Mutual Group  
Homeowners  
Arkansas  
Projected Expenses  
(As Percent of Earned Premium)**

**Dwellings**

	Total	Variable	Fixed
General & Acquisition	20.2%	5.5%	14.7%
Tax	3.3%	3.3%	0.0%
Profit	15.6%	15.6%	0.0%
Contingency	1.0%	1.0%	0.0%
Total Expense Ratio	40.1%	25.4%	14.7%
Total Trended Expense Ratio	41.1%	25.4%	15.7%

Calculation of Annual Fixed Expense Ratio Trend Factor	
Projected Annual Fixed Expense Ratio Trend	1.018
Average Date of Experience Period	7/1/2010
Average Fixed Expense Incurred Date Under Proposed Rates	3/28/2014
Length of Trend Period in Years	3.7
Fixed Expense Ratio Trend Factor	1.069

**Liberty Mutual Group  
Homeowners  
Credibility Standard  
Dwelling Forms**

The company endorses a conservative approach to Homeowners marketing, including pricing. To this end, we use a full credibility standard of 80,000 earned house-years in the experience period.

This standard is based upon the intent to have 99.5% confidence that the calculated value is within 5.0% of the true value of the statistic. According to Longley-Cook's 1962 PCAS paper, 3,163 claims are needed.

To translate this into an exposure standard, we reviewed our countrywide claim frequency figures excluding catastrophic claims for Dwelling Forms. For the last five years, they show:

2005	3.89 claims/100 house-years
2006	3.73 claims/100 house-years
2007	3.56 claims/100 house-years
2008	3.54 claims/100 house-years
2009	3.80 claims/100 house-years

5 year mean of frequencies:  
3.70 claims/100 house-years

Dividing the claims necessary for full credibility by the experience claim frequency produces the house-years full standard.

$$\frac{3,163}{0.037} = 85,377$$

For convenience sake, a full credibility standard of 80,000 house-years was used.

**Liberty Mutual Group**  
**Homeowners**  
**Uncapped Loss Factors**  
**All US States ex-CA, FL, GA, MA, NJ, NY, PA, TX**  
**Excluding Catastrophes Excluding Severe Storms**  
**Data Evaluated as of: 03/31/2012**

**Dwellings**

Experience Period	Uncapped Losses	\$250K Capped Losses	Uncapped Loss Factor
04/01/07 to 03/31/08	214,587,088	195,111,660	1.100
04/01/08 to 03/31/09	236,683,426	212,538,064	1.114
04/01/09 to 03/31/10	265,478,878	237,874,100	1.116
04/01/10 to 03/31/11	293,513,038	259,738,890	1.130
04/01/11 to 03/31/12	314,838,266	275,469,386	1.143

## Liberty Mutual Insurance

### Homeowners

#### Countrywide Profit Provision

As Liberty Mutual Insurance is organized under a mutual holding company system, our company has limited recourse to stock market capitalization to generate needed surplus funds, unlike a publicly-traded insurance company or an insurance company with a publicly-traded parent. Any increase in surplus must come from (1) underwriting profit, (2) investment income, (3) realized capital gains, or (4) unrealized capital gains. In the following analysis, Liberty Mutual selects provisions for underwriting profit which will ensure that anticipated income from all sources produces net income after taxes that is commensurate with the risk assumed in the business of property/casualty insurance. Furthermore, these provisions ensure that projected changes in policyholder surplus are sufficiently similar (in direction and magnitude) to changes in premium accounts so that confidence in the Companies' financial integrity can be maintained.

Exhibit A shows a history of calendar year rates of return for investment income expressed as a percentage of mean invested assets. The primary source is interest, dividends, and real estate income shown in column (3). Based on the current market yield, it is reasonable to anticipate before tax returns of 4.0% from interest, dividends, and real estate income during the time rates are effective. Historically, realized capital gains have contributed very little to earnings. For the prospective period, we select 0.2% from this source. In total, our anticipated pre-tax return is 4.2%. We believe this a reasonable return given the current interest rate environment. After federal income taxes, the total anticipated rate of return is 3.1% of invested assets.

Exhibit B presents the investment income derived from unearned premium reserves. The model uses historical information, modified for the current tax rate. This income is separated into two categories. First, there are premium finance charges [Line 10] collected by allowing policyholders to pay their premiums in installments over the 12-month policy term. Line 3 is the corresponding portion of the unearned premium reserve representing the premium which is being financed by the company. Second, there is the remaining reserve, after prepaid expense and taxes, [Line 7] which develops income based on the anticipated rate of return.

Exhibit C applies the rate of return to mean loss and loss adjustment expense reserves. These exhibits relate investment income to premium earned. Exhibit D provides pertinent expense data. Exhibit E deals with the calculation of federal income taxes applicable to unearned premium and loss reserves.

We have determined that, related to surplus, 15.0% is an appropriate and fair rate of return for property-casualty insurers in comparison with other industries, given the variability in the overall return. The profit provision of 15.6% is derived using an iterative method to yield the appropriate rate of return.

Income from all of the above sources is combined with our selected underwriting profit provisions in the following 1.25 to 1 premium-to-surplus model:

Let Premium = \$100; Surplus = \$80

	<u>Homeowners</u>
1) Investment Income on Unearned Premium Reserves \$100 x (Exhibit B, Table 1, Item 12)	\$0.96
2) Investment Income on Loss Reserves \$100 x (Exhibit C, Table 1, Item 5)	\$0.77
3) Investment Income on Surplus \$80 x (Exhibit A, Table 1, Column 7)	\$2.48
4) Underwriting Income After Tax \$100 x (1-.35) x Profit Provision (Exhibit D, Item 5 + Item 6)	\$10.79
5) Total Expected Return [1]+[2]+[3]+[4]	\$15.00
6) Expected Return on Surplus [5]/Premium:Surplus Ratio x 100%	18.8%
7) GAAP Adjusted Return [6]/GAAP Adj. Factor (Exhibit F, Item 6)	15.0%

The end product is an anticipated return of 15.00% on earned premium, after tax. Related to surplus, these underwriting profit provisions develop an anticipated 15.0% GAAP adjusted rate of return.

**Exhibit A: Effective Rate of Return on Investable Assets**

Table 1: Historical Investments Returns 1986-2010

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Calendar Year	Mean Invested Assets (a)	Net Investment Income (b)	Net Inv. Inc. % of (2)	Net Realized Capital Gains (c)	Net Realized Cap. Gains % of (2)	Total Return
1986	8,118,335,491	638,231,286	7.9	306,142,812	3.8	
1987	9,808,729,009	733,126,525	7.5	117,222,704	1.2	
1988	11,272,895,755	868,278,838	7.7	34,851,447	0.3	
1989	12,415,308,080	965,013,926	7.8	45,991,686	0.4	
1990	13,727,246,565	1,040,182,466	7.6	43,141,539	0.3	
1991	14,085,608,244	1,084,863,706	7.7	16,195,685	0.1	
1992	14,872,603,927	1,078,372,300	7.3	356,556,819	2.4	
1993	15,380,644,905	1,019,000,685	6.6	192,575,284	1.3	
1994	15,728,080,374	1,000,703,107	6.4	42,091,361	0.3	
1995	16,644,320,729	1,004,243,423	6.4	58,061,803	0.3	
1996	17,754,458,149	1,024,976,627	5.8	80,172,253	0.5	
1997	19,051,878,513	1,049,458,975	5.5	112,763,515	0.6	
1998	20,008,196,638	1,114,613,916	5.6	199,016,656	1.0	
1999	21,692,869,206	1,259,013,722	5.8	559,579,315	2.6	
2000	23,097,086,037	1,249,282,280	5.4	336,548,991	1.5	
2001	22,316,155,306	1,180,115,309	5.3	295,996,921	1.3	
2002	22,117,700,188	1,149,160,133	5.2	236,186,278	1.1	
2003	24,593,328,553	1,213,180,583	4.9	186,183,583	0.8	
2004	28,362,100,873	1,278,067,945	4.5	411,926,118	1.5	
2005	31,616,013,191	1,277,698,305	4.0	273,728,472	0.9	
2006	35,560,878,142	1,370,600,938	3.9	106,166,957	0.3	
2007	40,342,136,927	1,668,935,624	4.1	189,655,540	0.5	
2008	44,670,013,186	2,071,514,943	4.6	(48,560,181)	-0.1	
2009	47,693,589,467	1,792,955,767	3.8	(28,910,232)	-0.1	
2010	49,579,139,343	1,721,410,847	3.5	202,759,385	0.4	
Latest 10 Years	346,851,055,176	14,723,640,394	4.4	1,825,132,841	0.7	
Latest 5 Years	217,845,757,065	8,625,418,119	4.0	421,111,469	0.2	
Anticipated Returns (Before Tax)			4.0		0.2	4.2
2010 Federal Tax Rate (Exhibit A, Table 2)			0.2527		0.3500	
Anticipated Returns (After Tax)			3.0		0.1	3.1

(a) Mean of current and prior year Annual Statements: Page 2, Line 12 Less Page SI04, Column (2), Lines 12, 18 and 24.

(b) 2010 Annual Statement: Page 4, Line 9 less Page 12, Part 1, Column (2), Lines 1.3, 2.11, 2.21, and 8.

(c) 2010 Annual Statement: Page 4, Line 10.

**Exhibit A: Effective Rate of Return on Investable Assets**

Table 2: Effective Federal Tax Rate

	<u>Earned</u> <u>Income</u>		<u>Distribution</u>	Federal Tax <u>Rate</u>
BONDS (Ex Tax Exempt)	\$1,310,960,104	(a)	0.762	0.3500
BONDS (Tax Exempt)				
Acquired Before 8/7/86	\$1,758,989		0.001	0.0000
Acquired After 8/7/86	\$533,575,661		0.310	0.0525
STOCKS				
Acquired Before 8/7/86				
Non-Affiliated	\$495,262		0.000	0.1050
Foreign	\$0		0.000	0.3500
Total	<u>\$495,262</u>			
Acquired After 8/7/86				
Non-Affiliated	\$38,463,137		0.022	0.1418
Foreign	<u>\$1,982,397</u>		0.001	0.3500
Total	<u>\$40,445,534</u>			
All Other Investment Income (b)	(\$165,824,703)	(c)	-0.096	0.3500
Net Investment Income Gain/(Loss)	\$1,721,410,847	(d)	1.000	0.2527 (e)

(a) 2010 Annual Statement: Page 12, Part 1, Column (2), Lines 1 + 1.2  
(Excludes bonds of affiliates)

(b) Reduced by investment expenses and depreciation on real estate

(c) 2010 Annual Statement: Page 12, Part 1, Column (2), lines 3, 4, 6, 7, and 9 less line 16

(d) Exhibit A, Table 1, Column 3

(e) Weighted average rate using "Distribution" column

**Exhibit B: Investment Income from Unearned Premium Reserves**

Table 1: Investment Income from Unearned Premium Reserves as Factor of Earned Premium

	Homeowners
1) Earned Premium	\$100.00
2) Mean Unearned Premium Reserve Ratio of Mean Direct Unearned Premium Reserve to Direct Earned Premium x [1]	52.8
3) Mean Premium Subject to Installment Payment Finance Plan Ratio of Mean Premium Financed to Mean Direct Unearned Reserve x [2]	\$16.05
4) Funds Available for Prepaid Expense, Tax, and Investment [2] - [3]	\$36.75
5) Prepaid Expense Sum of Acquisition, Taxes, and One-Half General Expenses x (2)	\$13.83
6) Federal Tax - 1986 Reform Act Ratio of Tax Payable to Mean Net Unearned Premium Reserve x [2]	\$0.26
7) Funds Available for Investment [4] - [5] - [6]	\$22.66
8) Rate of Return, After Tax	3.1%
9) Income on Invested Reserve [7] x [8]	\$0.70
10) Income from Installment Payment Premium Finance Plan Ratio of Investment Income to Mean Premium Financed x (3)	\$0.26
11) Total Investment Income [9] + [10]	\$0.96
12) Investment Income as a Factor of Earned Premium [11] / [1]	0.0096

Notes

Lines [2], [3], and [10]: Exhibit B, Table 2, Columns [9], [10] and [6], 'Selected'

Line [5]: Exhibit D - Acquisition, 50% of General, and Taxes

Line [6]: Exhibit E, Section A, Line [5]

Line [8]: Exhibit A, Table 1

**Exhibit B: Investment Income from Unearned Premium Reserves**

Table 2: Investment Income from Installment Payment Premium Finance Plan (\$000)  
(Homeowner's Insurance)

<u>Year</u>	[1] Premium Finance <u>Charges</u>	[2] Premium <u>Charged-Off</u>	[3]=[1]-[2] Net Investment <u>Income</u>
2001	\$5,398	\$449	\$4,949
2002	\$6,970	\$790	\$6,180
2003	\$8,919	\$726	\$8,193
2004	\$9,778	\$1,040	\$8,738
2005	\$11,506	\$2,111	\$9,396
2006	\$12,392	\$2,334	\$10,059
2007	\$14,137	\$3,573	\$10,564
2008	\$13,395	\$4,317	\$9,078
2009	\$12,066	\$4,655	\$7,411
2010	\$10,922	\$4,070	\$6,852

<u>Year</u>	[4]=[3]*0.65 After-Tax Investment <u>Income</u>	[5] Mean Premium <u>Financed</u>	[6]=[4]/[5] Ratio of Investment Income to Mean <u>Premium Financed</u>
2001	\$3,217	\$67,910	0.047
2002	\$4,017	\$82,183	0.049
2003	\$5,326	\$108,101	0.049
2004	\$5,680	\$138,091	0.041
2005	\$6,107	\$180,942	0.034
2006	\$6,538	\$228,417	0.029
2007	\$6,867	\$268,226	0.026
2008	\$5,901	\$293,077	0.020
2009	\$4,817	\$313,837	0.015
2010	\$4,454	\$336,197	0.013

Selected

0.016
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<u>Year</u>	[7] Direct Earned <u>Premium</u>	[8] Mean Direct Unearned <u>Premium Reserve</u>	[9]=[8]/[7] Unearned Premium to Earned Premium <u>Ratio</u>	[10]=[5]/[8] Premium Financed to Earned Premium <u>Ratio</u>
2001	\$585,606	\$335,806	0.573	0.202
2002	\$605,146	\$326,325	0.539	0.252
2003	\$785,092	\$389,129	0.496	0.278
2004	\$1,215,035	\$560,232	0.461	0.246
2005	\$1,372,622	\$732,281	0.533	0.247
2006	\$1,519,257	\$813,361	0.535	0.281
2007	\$1,699,204	\$899,324	0.529	0.298
2008	\$1,825,083	\$957,790	0.525	0.306
2009	\$1,935,763	\$1,028,410	0.531	0.305
2010	\$2,120,662	\$1,118,697	0.528	0.301

Selected

0.528	0.304
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## Exhibit C: Investment Income from Loss Reserves

Table 1: Investment Income from Loss Reserves as a Factor of Premium

	<u>Homeowners</u>
1) Ratio of Loss & LAE Reserves to Incurred Loss & LAE	0.477
2) Ratio of Federal Tax Payable to Incurred Loss & LAE	0.002
3) Permissible Loss & LAE Ratio	0.525
4) Net Effective Rate of Return After Tax	0.031
5) Investment Income as a Factor of Premium {[(1) - (2)] * (3) * (4)}	0.008

### Notes

Line [1]: Exhibit C, Table 2, Column [9]

Line [2]: Exhibit E, Section B, Line [11]

Line [3]: Exhibit D

Line [4]: Exhibit A, Table 1

**Exhibit C: Investment Income from Loss Reserves**

Table 2: Ratio of Loss and LAE Reserves to Loss and LAE Incurred  
Homeowners  
(\$000)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
<u>Year</u>	<u>Year-End Net Loss Reserve</u>	<u>Prior Year Net Loss Reserve</u>	<u>Mean Net Loss Reserve</u>	<u>Year End Net LAE Reserve</u>	<u>Prior Year Net LAE Reserve</u>	<u>Mean Net LAE Reserve</u>	<u>Net Incurred Losses</u>	<u>Net Incurred LAE</u>	<u>Ratio of Reserves to Incurred</u>
2001	147,845	183,292	165,569	33,451	49,226	41,338	454,057	66,314	0.398
2002	176,393	147,845	162,119	31,405	33,451	32,428	384,098	64,543	0.434
2003	201,479	176,393	188,936	36,122	31,405	33,763	467,271	86,178	0.402
2004	367,575	201,479	284,527	82,857	36,122	59,490	790,683	155,126	0.364
2005	568,616	367,575	468,095	115,338	82,857	99,098	1,080,477	181,149	0.450
2006	498,140	568,616	533,378	110,387	115,338	112,863	779,062	141,784	0.702
2007	446,319	498,140	472,230	106,062	110,387	108,225	757,842	136,861	0.649
2008	560,636	446,319	503,478	107,054	106,062	106,558	1,209,511	161,740	0.445
2009	475,877	560,636	518,257	116,129	107,054	111,591	1,011,135	174,545	0.531
2010	571,906	475,877	523,891	121,935	116,129	119,032	1,232,504	177,916	0.456
Selected									0.477

## Exhibit D: Expense Ratios

	<u>Homeowners</u>
1) Acquisition	21.3%
2) General	4.4%
3) Taxes	2.7%
4) Reinsurance	2.4%
5) Profit	15.6%
6) Contingency	1.0%
7) Total	47.5%
8) Permissible Loss and LAE Ratio	52.5%

### Notes

Data from 2010 Insurance Expense Exhibit (Direct)

**Exhibit E: Federal Income Tax Payable Due to Tax Reform Act of 1986**

**A. Tax on Unearned Premium Reserves (\$000)**

	<u>Homeowners</u>
1) Net Unearned Premium Reserve 12/31/09	\$1,080,414
2) Net Unearned Premium Reserve 12/31/10	\$1,156,981
3) Mean Net Unearned Premium Reserve $\{[1] + [2]\} / 2$	\$1,118,697
4) Federal Tax Payable on Change in Net Unearned Premium Reserve $\{[2]-[1]\} \times 20\% \times 0.35$	\$5,360
5) Ratio of Tax Payable to Mean Net Unearned Premium Reserve $[4] / [3]$	0.005

**B. Loss & LAE Reserve Discounting (\$000,000)**

	<u>Homeowners</u>	
1) Net Reserve at 12/31/09	\$592.01	(a)
2) Net Reserve at 12/31/10	\$693.84	(a)
3) Discounted Net Reserve at 12/31/09	\$558.22	(b)
4) Discounted Net Reserve at 12/31/10	\$651.80	(b)
5) Change in Net Reserve $[2]-[1]$	\$101.84	
6) Change in Discounted Net Reserve $[4]-[3]$	\$93.59	
7) Additional Taxable Income $[5]-[6]$	\$8.25	
8) Federal Tax Payable $[7] \times 0.35$	\$2.89	
9) 2010 Incurred Loss & LAE (Insurance Expense Exhibit)	\$1,410.42	(c)
10) Ratio of Federal Tax Payable to Incurred Loss & LAE $[8] / [9]$	0.002	
11) Selected	0.002	

- (a) Insurance Expense Exhibit, Part II, Columns 13 + 15 + 17
- (b) Discount ratios are provided internally by the Financial Department
- (c) Insurance Expense Exhibit, Part II, Columns 7, 9 and 11 divided by 1,000.

**Exhibit F: Expected Total Return - Adjustment to GAAP**

**Expected Total Return - Adjustment to GAAP**

Amounts in Millions

Item	2008	2009	2010	Source
(1) Policyholders Surplus	12,330	14,704	16,038	Annual Statement: Page 3, Column (1), line 35
(2) Non-Admitted Assests	2,518	1,138	1,119	Annual Statement: Page 2, Column (2), line 26
(3) Equity in the UPR [= (h) calculated below]	2,285	2,333	2,441	calculated field
(4) Total Adjustments (2)+(3)	4,803	3,471	3,560	calculated field
(5) GAAP Surplus Adjustment Factor [(4)+(1)]/(1)	1.390	1.236	1.222	calculated field
(6) Selected GAAP Surplus Adjustment Factor		1.250		

**Calculation of Equity in UPR**

Item	2008	2009	2010	Source
(a) Commissions and Brokerage Expense Incd	2,462	2,415	2,473	IEE: Page 7, Part 3, Column (23), Totals
(b) Taxes, License & Fees	776	710	777	IEE: Page 7, Part 3, Column (25), Totals
(c) Other Acquisition Expenses Incd	2,268	2,079	2,111	IEE: Page 7, Part 3, Column (27), Totals
(d) General Expense Incd	1,633	1,864	1,803	IEE: Page 7, Part 3, Column (29), Totals
(e) Total of (a) + (b) + (c) + 0.5(d)	6,323	6,136	6,263	calculated field
(f) Written Premium	26,329	24,773	25,318	IEE: Page 6, Part 3, Column (1), Totals
(g) Ending UPR	9,516	9,418	9,868	IEE: Page 6, Part 3, Column (19), Totals
(h) Equity in UPR (g)*(e)/(f)	2,285	2,333	2,441	calculated field



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December 11, 2012

Honorable Jay Bradford  
Arkansas Insurance Department  
Property & Casualty Division  
1200 W 3rd Street  
Little Rock, AR 72201-1904

**RE: Homeowner Rate Revision**  
**Company Tracking No. AR HO SR 03 13**  
**Liberty Mutual Fire Insurance Company, NAIC #111-23035**  
**The First Liberty Insurance Corporation, NAIC #111-33588**

Dear Commissioner Bradford:

In accordance with applicable "File & Use" provisions, Liberty Mutual Fire Insurance Company (LMFIC) and The First Liberty Insurance Corporation (TFLIC) respectfully submit the following revisions to their Homeowner Rating Program. These changes will be effective for new business policies produced and effective on or after **February 21, 2013**, and renewal business policies produced and effective on or after **March 28, 2013**.

**Summary of Changes**

1. Revise property base rates.
2. Correct Section FR endorsement list. We will not be introducing any new forms. We will only be adding forms that were mistakenly left off in the past.

**Rate Effect**

<b>Homeowner State Review Rate Impact</b>				
<b>Form</b>	<b>LMFIC</b>	<b>TFLIC</b>	<b>LIC</b>	<b>Overall Effect</b>
H3 Dwelling	10.0%	10.0%	0.0%	10.0%
H4 Tenant	10.0%	10.0%	0.0%	10.0%
H6 Condo	1.9%	1.9%	0.0%	1.9%
Total	10.0%	10.0%	0.0%	10.0%

## **Rating Manual**

- Section R, Page 1 – Revise Property base rates
- Section FR, Page 3 – Correct endorsement list

## **Filing Information**

This filing is being submitted electronically through SERFF. Thank you for your consideration of our submission. As always, if you have any questions or concerns, please feel free to contact our product manager for Arkansas, Andy Larson, at 617-574-5873 or by email at [Andrew.Larson@LibertyMutual.com](mailto:Andrew.Larson@LibertyMutual.com).

Caitlin McArdle  
Associate II, Product  
Industry and Regulatory Relations