

**State:** Arkansas **Filing Company:** American Modern Select Insurance Company  
**TOI/Sub-TOI:** 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability  
**Product Name:** 085 AR Dwelling  
**Project Name/Number:** Rate and Rule Filing/20130626-03

## Filing at a Glance

Company: American Modern Select Insurance Company  
Product Name: 085 AR Dwelling  
State: Arkansas  
TOI: 30.1 Dwelling Fire/Personal Liability  
Sub-TOI: 30.1000 Dwelling Fire/Personal Liability  
Filing Type: Rate/Rule  
Date Submitted: 11/04/2013  
SERFF Tr Num: AMMH-129276888  
SERFF Status: Closed-Filed  
State Tr Num:  
State Status:  
Co Tr Num: 20130626-03  
  
Effective Date: 03/18/2014  
Requested (New):  
Effective Date: 03/24/2014  
Requested (Renewal):  
Author(s): Michelle Warren  
Reviewer(s): Becky Harrington (primary)  
Disposition Date: 11/06/2013  
Disposition Status: Filed  
Effective Date (New): 03/18/2014  
Effective Date (Renewal): 03/24/2014

State Filing Description:

**State:** Arkansas **Filing Company:** American Modern Select Insurance Company  
**TOI/Sub-TOI:** 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability  
**Product Name:** 085 AR Dwelling  
**Project Name/Number:** Rate and Rule Filing/20130626-03

## General Information

Project Name: Rate and Rule Filing Status of Filing in Domicile: Not Filed  
 Project Number: 20130626-03 Domicile Status Comments:  
 Reference Organization: Reference Number:  
 Reference Title: Advisory Org. Circular:  
 Filing Status Changed: 11/06/2013  
 State Status Changed: Deemer Date:  
 Created By: Michelle Warren Submitted By: Michelle Warren  
 Corresponding Filing Tracking Number:

### Filing Description:

American Modern Select Insurance Company is submitting a rate and rule revision filing for its previously approved Dwelling DP-1, DP-3 and Vacant Programs. Please see the Explanatory Memorandum under the Supporting Documentation tab for additional details about the filing.

## Company and Contact

### Filing Contact Information

Michelle Warren, Sales Administrator II mwarren@amig.com  
 7000 Midland Blvd 800-759-9008 [Phone] 5265 [Ext]  
 Amelia, OH 45102 513-947-4181 [FAX]

### Filing Company Information

American Modern Select CoCode: 38652 State of Domicile: Ohio  
 Insurance Company Group Code: 361 Company Type:  
 7000 Midland Blvd. Group Name: Munich Re Group Property/Casualty  
 Amelia, OH 45102 FEIN Number: 38-2342976 State ID Number:  
 (513) 759-9008 ext. [Phone]

## Filing Fees

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

Company	Amount	Date Processed	Transaction #
American Modern Select Insurance Company	\$100.00	11/04/2013	76219096

SERFF Tracking #:

AMMH-129276888

State Tracking #:

Company Tracking #:

20130626-03

State: Arkansas

Filing Company:

American Modern Select Insurance Company

TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability

Product Name: 085 AR Dwelling

Project Name/Number: Rate and Rule Filing/20130626-03

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	11/06/2013	11/06/2013

### Objection Letters and Response Letters

#### Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	11/04/2013	11/04/2013

#### Response Letters

Responded By	Created On	Date Submitted
Michelle Warren	11/06/2013	11/06/2013

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**Product Name:** 085 AR Dwelling  
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## Disposition

Disposition Date: 11/06/2013  
 Effective Date (New): 03/18/2014  
 Effective Date (Renewal): 03/24/2014  
 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):
American Modern Select Insurance Company	6.090%	5.000%	\$73,402	1,819	\$1,467,471	29.760%	-52.270%

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		Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Explanatory Memorandum	Filed	Yes
Supporting Document	Indications	Filed	Yes
Supporting Document	Files for Objection dated 11-04, Obj 1	Filed	Yes
Supporting Document	Files for Objection dated 11-04, Obj 2	Filed	Yes
Rate	Proposed manual pages	Filed	Yes

**State:** Arkansas **Filing Company:** American Modern Select Insurance Company  
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**Product Name:** 085 AR Dwelling  
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## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 11/04/2013  
Submitted Date 11/04/2013  
Respond By Date

Dear Michelle Warren,

**Introduction:**

*This will acknowledge receipt of the captioned filing.*

**Objection 1**

*- Explanatory Memorandum (Supporting Document)*

*Comments: Please provide details regarding territory changes and the relativity factors. Indicate the impact and provide additional supporting documentation.*

**Objection 2**

*Comments: Please provide a disruption chart.*

**Conclusion:**

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

*Arkansas does not allow 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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## Response Letter

Response Letter Status	Submitted to State
Response Letter Date	11/06/2013
Submitted Date	11/06/2013

Dear Becky Harrington,

### Introduction:

Good morning,

### Response 1

#### Comments:

Please see the attached exhibits in the Supporting Documentation tab.

### Related Objection 1

Applies To:

- Explanatory Memorandum (Supporting Document)

Comments: Please provide details regarding territory changes and the relativity factors. Indicate the impact and provide additional supporting documentation.

### Changed Items:

Supporting Document Schedule Item Changes	
<b>Satisfied - Item:</b>	Files for Objection dated 11-04, Obj 1
<b>Comments:</b>	
<b>Attachment(s):</b>	Arkansas DW 085 AMS Current Territories.pdf Arkansas DW 085 AMS Proposed Territories.pdf

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

### Response 2

#### Comments:

Please see the attached exhibits in the Supporting Documentation tab.

### Related Objection 2

SERFF Tracking #:

AMMH-129276888

State Tracking #:

Company Tracking #:

20130626-03

**State:** Arkansas **Filing Company:** American Modern Select Insurance Company  
**TOI/Sub-TOI:** 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability  
**Product Name:** 085 AR Dwelling  
**Project Name/Number:** Rate and Rule Filing/20130626-03

*Comments: Please provide a disruption chart.*

**Changed Items:**

Supporting Document Schedule Item Changes	
<b>Satisfied - Item:</b>	Files for Objection dated 11-04, Obj 2
<b>Comments:</b>	
<b>Attachment(s):</b>	Item 2 Response.pdf

*No Form Schedule items changed.*

*No Rate/Rule Schedule items changed.*

**Conclusion:**

*Please let me know if you have any questions.*

*Thank you for your time and consideration,*

*Michelle Warren*

*Sincerely,*

*Michelle Warren*

SERFF Tracking #:

AMMH-129276888

State Tracking #:

Company Tracking #:

20130626-03

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### Rate Information

Rate data applies to filing.

**Filing Method:** File & Use  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** 7.000%  
**Effective Date of Last Rate Revision:** 01/01/2013  
**Filing Method of Last Filing:** File & Use

### Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
American Modern Select Insurance Company	6.090%	5.000%	\$73,402	1,819	\$1,467,471	29.760%	-52.270%

**SERFF Tracking #:**

AMMH-129276888

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

20130626-03

**State:**

Arkansas

**Filing Company:**

American Modern Select Insurance Company

**TOI/Sub-TOI:**

30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability

**Product Name:**

085 AR Dwelling

**Project Name/Number:**

Rate and Rule Filing/20130626-03

## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 11/06/2013	Proposed manual pages	T-1; D-1;DP1U-1; VU-1;DP1R-1; DP3R-1; DPVR-1;CS-1;PP-1;	Replacement	AMMH-128670924	Proposed manual pages.pdf

**ARKANSAS**  
**AMERICAN MODERN SELECT INSURANCE COMPANY**  
**DP1 and DP3 PROGRAMS**

**TERRITORY DEFINITION**

Unless otherwise indicated, the rates and/or premiums apply to the entire state.

Territory 60	Territory 61	Territory 62	Territory 63	Territory 64	Territory 65
Remainder of State	Baxter Benton Boone Carroll Cleburne Conway Faulkner Franklin Fulton Independence Izard Johnson Logan Madison Marion Newton Perry Pope Searcy Sharp Stone Van Buren Washington Yell	Jefferson Pulaski	City of N. Little Rock City of Little Rock City of Pine Bluff	Clay Crittenden Cross Desha Jackson Lee Mississippi Poinsett	Ashley Chicot Craighead Greene Lawrence Phillips Randolph St. Francis Woodruff

**ARKANSAS**  
**AMERICAN MODERN SELECT INSURANCE COMPANY**  
**DP1 and DP3 PROGRAMS**

**DEDUCTIBLES**

The rates and/or premiums shown herein for all coverages on the dwelling are subject to a \$500 All Peril Deductible.

The deductible may be changed on the dwelling by applying the following credit or surcharge to Coverage A premium. The change in deductible does not apply to any coverages with specific deductible limits listed in the endorsement.

**The Deductible is applicable per home, per loss occurrence**

<b>Optional Deductible Coverages</b>			
<b>By Peril</b>	<b>Add On Codes</b>	<b>Deductible Amount</b>	<b>Rate</b>
All Other Perils	H8	\$500	Included
		\$1,000	-5%
		\$2,500	-10%
		\$5,000	-15%
Wind and Hail*	WH	\$500	Included
		\$1,000	-5%

\* The Wind and Hail Deductible cannot be lower than the All Other Perils Deductible. The Wind and Hail Deductible credit will only apply if the All Other Perils Deductible is less than \$1,000

**ARKANSAS  
AMERICAN MODERN SELECT INSURANCE COMPANY  
DP1 and DP3 PROGRAMS**

**DP1 UVRC RELATIVITY TABLE**

For Dwellings valued in excess of the maximum Dwelling Limit indicated, add the Greater Than Factor for each additional \$1,000 to the maximum relativity listed in each table.

Value	UVRC 386
\$5,000	1.200
\$6,000	1.250
\$7,000	1.300
\$8,000	1.350
\$9,000	1.400
\$10,000	1.450
\$11,000	1.500
\$12,000	1.550
\$13,000	1.600
\$14,000	1.650
\$15,000	1.700
\$16,000	1.750
\$17,000	1.800
\$18,000	1.850
\$19,000	1.900
\$20,000	1.950
\$21,000	2.000
\$22,000	2.050
\$23,000	2.100
\$24,000	2.150
\$25,000	2.200
\$26,000	2.250
\$27,000	2.300
\$28,000	2.350
\$29,000	2.400
\$30,000	2.450
\$31,000	2.500
\$32,000	2.550
\$33,000	2.600
\$34,000	2.650
\$35,000	2.700
\$36,000	2.750
\$37,000	2.800
\$38,000	2.850

Value	UVRC 386
\$39,000	2.900
\$40,000	2.950
\$41,000	3.000
\$42,000	3.050
\$43,000	3.100
\$44,000	3.150
\$45,000	3.200
\$46,000	3.250
\$47,000	3.300
\$48,000	3.350
\$49,000	3.400
\$50,000	3.450
\$51,000	3.500
\$52,000	3.550
\$53,000	3.600
\$54,000	3.650
\$55,000	3.700
\$56,000	3.750
\$57,000	3.800
\$58,000	3.850
\$59,000	3.900
\$60,000	3.950
\$61,000	4.000
\$62,000	4.050
\$63,000	4.100
\$64,000	4.150
\$65,000	4.200
\$66,000	4.250
\$67,000	4.300
\$68,000	4.350
\$69,000	4.400
\$70,000	4.450
\$71,000	4.500
\$72,000	4.550

Value	UVRC 386
\$73,000	4.600
\$74,000	4.650
\$75,000	4.700
\$76,000	4.750
\$77,000	4.800
\$78,000	4.850
\$79,000	4.900
\$80,000	4.957
\$81,000	5.014
\$82,000	5.071
\$83,000	5.128
\$84,000	5.185
\$85,000	5.242
\$86,000	5.299
\$87,000	5.356
\$88,000	5.413
\$89,000	5.470
\$90,000	5.527
\$91,000	5.584
\$92,000	5.641
\$93,000	5.698
\$94,000	5.755
\$95,000	5.812
\$96,000	5.869
\$97,000	5.926
\$98,000	5.983
\$99,000	6.040
\$100,000	6.097
\$101,000	6.154
\$102,000	6.211
\$103,000	6.268
\$104,000	6.325
Greater Than Factor:	0.052

**ARKANSAS  
AMERICAN MODERN SELECT INSURANCE COMPANY  
DP1 and DP3 PROGRAMS**

**DP1 VACANT UVRC RELATIVITY TABLE**

UVRC uses values every \$5,000 and interpolates to increments of \$1,000.

Value	UVRC 387
\$5,000	1.500
\$10,000	2.000
\$15,000	3.000
\$20,000	4.000
\$25,000	4.750
\$30,000	5.500
\$35,000	6.250
\$40,000	7.000
\$45,000	7.750
\$50,000	8.500
\$55,000	9.250
\$60,000	10.000
\$65,000	10.750
\$70,000	11.500
\$75,000	12.250
\$80,000	13.000
\$85,000	13.750
\$90,000	14.500
\$95,000	15.250
\$100,000	16.000
\$105,000	16.750
\$110,000	17.500
\$115,000	18.250
\$120,000	19.000
\$125,000	19.750
\$130,000	20.500
\$135,000	21.250
\$140,000	22.000
\$145,000	22.750
\$150,000	23.500
\$155,000	24.250
\$160,000	25.000
\$165,000	25.750
\$170,000	26.500

Value	UVRC 387
\$175,000	27.250
\$180,000	28.000
\$185,000	28.750
\$190,000	29.500
\$195,000	30.250
\$200,000	31.000
\$205,000	31.750
\$210,000	32.500
\$215,000	33.250
\$220,000	34.000
\$225,000	34.750
\$230,000	35.500
\$235,000	36.250
\$240,000	37.000
\$245,000	37.750
\$250,000	38.500
\$255,000	39.500
\$260,000	40.250
\$265,000	41.000
\$270,000	41.750
\$275,000	42.500
\$280,000	43.250
\$285,000	44.000
\$290,000	44.750
\$295,000	45.500
\$300,000	46.250
\$305,000	47.000
\$310,000	47.750
\$315,000	48.500
\$320,000	49.250
\$325,000	50.000
\$330,000	50.750
\$335,000	51.500
\$340,000	52.250

Value	UVRC 387
\$345,000	53.000
\$350,000	53.750
\$355,000	54.500
\$360,000	55.250
\$365,000	56.000
\$370,000	56.750
\$375,000	57.500
\$380,000	58.250
\$385,000	59.000
\$390,000	59.750
\$395,000	60.500
\$400,000	61.250
\$405,000	62.000
\$410,000	62.750
\$415,000	63.500
\$420,000	64.250
\$425,000	65.000
\$430,000	65.750
\$435,000	66.500
\$440,000	67.250
\$445,000	68.000
\$450,000	68.750
\$455,000	69.500
\$460,000	70.250
\$465,000	71.000
\$470,000	71.750
\$475,000	72.500
\$480,000	73.250
\$485,000	74.000
\$490,000	74.750
\$495,000	75.500
\$500,000	76.250
Inc. Factor:	0.120

**ARKANSAS**  
**AMERICAN MODERN SELECT INSURANCE COMPANY**  
**DP1 and DP3 PROGRAMS**

**OWNER OCCUPIED, RENTAL OCCUPIED AND SEASONAL OCCUPIED**

**DP1 Program (4V1/4V2/4V3)**

Fire and Extended Coverage

Product	Flat Base Rate	Cov Relativity	Covg Incr	Base Rate per Incr	Min Prem Amount	Min Rate Value	Min Val Accept	UVRC Code
4V1	\$249.26	1.000	N/A	N/A	\$100	\$20,000	\$20,000	386
4V2	\$220.33	1.000	N/A	N/A	\$100	\$20,000	\$20,000	386
4V3	\$196.09	1.000	N/A	N/A	\$100	\$5,000	\$5,000	386

Territory Relativity Table					
60	61	62	63	64	65
1.00	1.00	1.50	1.50	1.40	1.10

Construction Type Relativity Table	
Frame	Masonry
1.000	0.920

Protection Class Relativity Table									
Class	Factor	Class	Factor	Class	Factor	Class	Factor	Class	Factor
PC 1-6	1.000	PC 7	1.500	PC 8	1.500	PC 8B & 9	1.800	PC 10	2.300

Owner / Seasonal Insurance Score Relativity Table	
Score	Factor
1-479	1.649
480-509	1.487
510-539	1.275
540-559	1.190
560-589	1.105
0, 590-709, No Hit / Thin	1.000
710-744	0.782
745-997	0.722

Rental Insurance Score Relativity Table	
Score	Factor
1-569	1.150
570-599	1.100
600-619	1.050
0, 620-649, No Hit / Thin	1.000
650-689	0.900
690-734	0.850
735-997	0.800

Age of Home Relativity Table	
Age of Home	Relativity
1-60 yrs	1.000
61-80 yrs	1.075
81+ yrs	1.150

Age of Insured Relativity Table	
Age of Insured	Relativity
1-64 yrs	1.000
65+ yrs	0.900

**ARKANSAS**  
**AMERICAN MODERN SELECT INSURANCE COMPANY**  
**DP1 and DP3 PROGRAMS**

**OWNER OCCUPIED, RENTAL OCCUPIED AND SEASONAL OCCUPIED**

**DP3 Program (407/408/409)**

Fire and Extended Coverage (Includes Water Damage and Mold limit of 10%, not to exceed \$20,000)

Included Coverages with Optional Increase:

Coverage	Included Amount
Other Structures	10% of Coverage A
ALE or Fair Rental Value	10% of Coverage A

Product	Flat Base Rate	Cov Relativity	Covg Incr	Base Rate per Incr	Min Prem Amount	Min Rate Value	Min Val Accept	UVRC Code
407	\$227.45	1.000	N/A	N/A	\$100	\$50,000	\$50,000	MB
408	\$194.00	1.000	N/A	N/A	\$100	\$50,000	\$50,000	MB
409	\$194.00	1.000	N/A	N/A	\$100	\$50,000	\$50,000	MB

Territory Relativity Table					
60	61	62	63	64	65
1.00	0.90	1.60	1.50	1.30	1.15

Construction Type Relativity Table	
Frame	Masonry
1.000	0.900

Protection Class Relativity Table									
Class	Factor	Class	Factor	Class	Factor	Class	Factor	Class	Factor
PC 1-6	1.000	PC 7	1.100	PC 8	1.300	PC 8B & 9	1.800	PC 10	2.300

Owner / Seasonal Insurance Score	
Score	Factor
1-479	1.649
480-509	1.487
510-539	1.275
540-559	1.190
560-589	1.105
0, 590-709, No Hit / Thin	1.000
710-744	0.782
745-997	0.722

Rental Insurance Score	
Score	Factor
1-569	1.150
570-599	1.100
600-619	1.050
0, 620-649, No Hit / Thin	1.000
650-689	0.900
690-734	0.850
735-997	0.800

Age of Home Relativity Table	
Age of Home	Relativity
1-60 yrs	1.000
61-80 yrs	1.050
81+ yrs	1.100

**ARKANSAS**  
**AMERICAN MODERN SELECT INSURANCE COMPANY**  
**DP1 and DP3 PROGRAMS**

**DP1 VACANT Program** (3-month 324/325/326, 6-month 334/335/336, 12-month 354/355/356)  
 Fire and Extended Coverage

All premiums and rates contained in the Rate Section of this manual are annual.  
 We also offer the DP1 Vacant program for either a three (3) or six (6) month term.  
 Premium is pro-rated in the 3 and 6 Month DP1 Vacant Program

Product	Flat Base Rate	Cov Relativity	Base Rate per Incr	Covg Incr	Min Prem Amount	Min Rate Value	Min Value Accept	UVRC Code
354 12 Mo	See Table Below	1.000	N/A	N/A	\$100	\$5,000	\$5,000	387
355 12 Mo	See Table Below	1.000	N/A	N/A	\$100	\$5,000	\$5,000	387
356 12 Mo	See Table Below	1.000	N/A	N/A	\$100	\$5,000	\$5,000	387

Protection Class Flat Base Rate Table							
Class	Rate	Class	Rate	Class	Rate	Class	Rate
PC 1-6	\$68.00	PC 7	\$77.00	PC 8	\$93.00	PC 8B, 9, 10	\$144.00

**ARKANSAS  
AMERICAN MODERN SELECT INSURANCE COMPANY  
DP1 and DP3 PROGRAMS**

**CREDITS & SURCHARGES**

The following credits may be applied:

Credits			
PROTECTIVE DEVICE*	Risk Codes	Description	Credit
Central Station Fire & Smoke Alarm	72	This system is connected to an independent and fully staffed security agent from which trained operators are available to act in case of a fire.	5%
Central Station Burglar Alarm	73	This system is connected to an independent and fully staffed security agent from which trained operators are available to act in case of a break in.	5%
Remote Station Burglar Alarm	E5	This system sounds a local alarm and alerts the local police and/or fire department at the same time through receiving equipment at the police station and/or fire department.	2%
Remote Station Fire & Smoke Alarm	E4	This system sounds a local alarm and alerts the local police and/or fire department at the same time through receiving equipment at the police station and/or fire department.	2%
Deadbolts, Smoke Alarm & Fire Extinguisher	D6		5%

\* Credits not to total more than 10%.  
Copies of alarm system certificates are required for a credit.

The following surcharges may be applied:

Surcharges		
Surcharges	Risk Codes	Relativity / Rate
<b>Number of Families</b>		
1 Family	27	1.00
2 Family	28	1.00
3 Family	29	1.50
4 Family	43	1.50
<b>Row/Town Home</b>	U3	1.25
<b>Supplemental Heating Device</b>	Add On H2	\$50.00
<b>Wood/Wood Shake Shingle Surcharge</b>	P6	1.25
<b>Roof Layer Tracking</b>	H9	1.00

Credits			
Credit Name	Codes	Important Information	Credit
Association / Affinity Discount	Risk Code AG	A discount will be applied if the insured is a member of an approved association/affinity group.	5% credit per home per year

**ARKANSAS**  
**AMERICAN MODERN SELECT INSURANCE COMPANY**  
**DP1 and DP3 PROGRAMS**

**PERSONAL PROPERTY**

(Support Product: DP1 - 7M1/7M2/7M3, DP3 - 7O7/7O8/7O9, 3-Month DP1 Vacant - 744/745, 6-Month DP1 Vacant - 774/775, 12-Month DP1 Vacant - 784/785)

**All premiums and rates contained in the Rate Section of this manual are annual.  
Premium is pro-rated in the 3 and 6 Month DP1 Vacant Program**

Support Product	Flat Base Rate	Base Rate per Incr		Covg Incr	Min Prem Amount	Min Rate Value	Min Value Accept	UVRC Code	Cov Relativity
		PC 1-8	PC 8B 9-10						
7M1/7M2/7M3	N/A	\$5.00	\$5.00	\$1,000	N/A	\$1,000	\$1,000	N/A	1.000
7O7/7O8/7O9	N/A	\$5.00	\$5.00	\$1,000	N/A	\$1,000	\$1,000	N/A	1.000
784/785	N/A	\$1.36	\$2.40	\$100	N/A	\$1,000	\$1,000	N/A	1.000

**State:** Arkansas **Filing Company:** American Modern Select Insurance Company  
**TOI/Sub-TOI:** 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability  
**Product Name:** 085 AR Dwelling  
**Project Name/Number:** Rate and Rule Filing/20130626-03

## Supporting Document Schedules

<b>Satisfied - Item:</b>	NAIC loss cost data entry document
<b>Comments:</b>	Please see the attached.
<b>Attachment(s):</b>	AR 085 DWFORM RF-1 Rate Filing Abstract.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	11/06/2013

<b>Satisfied - Item:</b>	Explanatory Memorandum
<b>Comments:</b>	Please see the attached.
<b>Attachment(s):</b>	Explanatory Memorandum - Rates & Rules.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	11/06/2013

<b>Satisfied - Item:</b>	Indications
<b>Comments:</b>	Please see the attached.
<b>Attachment(s):</b>	DP-1_AR_085_1Q13_filing.pdf DP-3_AR_085_1Q13_filing.pdf VACANT_AR_085_1Q13_filing.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	11/06/2013

<b>Satisfied - Item:</b>	Files for Objection dated 11-04, Obj 1
<b>Comments:</b>	
<b>Attachment(s):</b>	Arkansas DW 085 AMS Current Territories.pdf Arkansas DW 085 AMS Proposed Territories.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	11/06/2013

SERFF Tracking #:

AMMH-129276888

State Tracking #:

Company Tracking #:

20130626-03

State:

Arkansas

Filing Company:

American Modern Select Insurance Company

TOI/Sub-TOI:

30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability

Product Name:

085 AR Dwelling

Project Name/Number:

Rate and Rule Filing/20130626-03

<b>Satisfied - Item:</b>	Files for Objection dated 11-04, Obj 2
<b>Comments:</b>	
<b>Attachment(s):</b>	Item 2 Response.pdf
<b>Item Status:</b>	Filed
<b>Status Date:</b>	11/06/2013

## NAIC LOSS COST DATA ENTRY DOCUMENT

<b>1.</b>	This filing transmittal is part of Company Tracking #	<b>20130626-03</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>American Modern Select Insurance Company</b>	<b>B.</b>	<b>38652</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>30.1</b>	<b>B.</b>	<b>30.1000</b>

<b>5.</b>			FOR LOSS COSTS ONLY				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
COVERAGE (See Instructions)	Indicated % Rate Level Change	Requested % Rate Level Change	Expected Loss Ratio	Loss Cost Modification Factor	Selected Loss Cost Multiplier	Expense Constant (If Applicable)	Co. Current Loss Cost Multiplier
<b>DP-1</b>	<b>15.2%</b>	<b>9.99%</b>					
<b>DP-3</b>	<b>-2.8%</b>	<b>-2.80%</b>					
<b>Vacant</b>	<b>-0.4%</b>	<b>-0.40%</b>					
TOTAL OVERALL EFFECT	<b>6.09%</b>	<b>5.00%</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>2008</b>	<b>1033</b>	<b>N/A</b>	<b>N/A</b>	<b>755</b>	<b>740</b>	<b>97.9%</b>	<b>56.9%</b>
<b>2009</b>	<b>1082</b>	<b>2.25%</b>	<b>11/1/09</b>	<b>787</b>	<b>537</b>	<b>68.3%</b>	<b>42.9%</b>
<b>2010</b>	<b>1471</b>	<b>N/A</b>	<b>N/A</b>	<b>939</b>	<b>221</b>	<b>23.5%</b>	<b>45.2%</b>
<b>2011</b>	<b>1707</b>	<b>4.03%</b>	<b>12/18/11</b>	<b>1239</b>	<b>1025</b>	<b>82.8%</b>	<b>58.0%</b>
<b>2012</b>	<b>1803</b>	<b>7.00%</b>	<b>1/1/13</b>	<b>1387</b>	<b>638</b>	<b>46.0%</b>	<b>55.7%</b>

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

- 8. NA – This is not a Loss Cost Filing** Apply Lost Cost Factors to Future filings? (Y or N)
- 9. 29.76%** Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 61
- 10. -52.27%** Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): 62

**ARKANSAS  
AMERICAN MODERN SELECT INSURANCE COMPANY  
DWELLING DP -1, DP – 3, and VACANT PROGRAM  
FILING MEMORANDUM – RATES & RULES**

American Modern Select Insurance Company is pleased to present revisions to its Dwelling DP – 1, DP – 3, and Vacant Programs. We are requesting approval for an effective date of March 18, 2014 for new business and an effective date of March 24, 2014 for renewal business.

We are making revisions to our current rates and rules, as shown below.

**Territory Definitions**

- Added a new Territory 65
- Revised the alignment in other Territories

**Deductibles**

- Revising the wording regarding the deductible rating

**DP1 UVRC**

- Revised the UVRC Code and the factors

**Vacant UVRC**

- Revised the UVRC Code

**DP – 1 Rate**

- Increased Owner, Rental and Seasonal base rates
- Revised the UVRC Code listed in table
- Revised the Masonry factor in the Construction Type Relativity Table
- Added new territory and changed relativities in the Territory Relativity Table
- Revised the factors in the Age of Home Relativity Table
- Corrected heading in the Age of Insured Relativity Table. It has shown “Age of Home” in error.

**DP – 3 Rates**

- Decreased Rental and Seasonal base rates
- Added new territory and changed relativities in the Territory Relativity Table

**Vacant Rate**

- Decreased rates for PC 7, PC8 and PC8B, 9, 10
- Revised the UVRC Code listed in the table

**Credit & Surcharges**

- Introducing an Association/Affinity Discount credit

**Personal Property Rates**

- Correcting the Min Rate Value listed for 784/785 on the tab. Was incorrectly showing as \$100

To the best of our knowledge and belief, this filing is in compliance with the pertinent statutes and regulations of the state of Arkansas.

**American Modern Select Insurance Company**  
**Arkansas**  
**Dwelling DP-1**

**Exhibit 1**  
**Page 1**

Proposed Effective Date: 1/1/2014

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	<b>Premium in Force at 3/31/2013</b>	<b>Premium in Force Distribution</b>	<b>Indication</b>
Dwelling DP-1	\$727,928	100.0%	15.2%

## **Explanatory Memorandum**

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The purpose of the indication is to evaluate the rate level adequacy of the above captioned program in this state. In the evaluation, we take historical premiums and losses from our experience period and project them into a future effective period - our estimate of the time period the proposed rates will be in effect. Data shown is on a direct basis, and is organized on a 12 month rolling accident year basis.

### **Assumptions and Methodologies**

1. On Exhibits 1 and 2 we show the overall rate level indication for this product. The data adjustments used and calculations are described in the following paragraphs.
2. Earned Premiums are adjusted to current rate levels by program and then trended using the factors described below.
  - a. Rate Level Adjustment Factors take into account any approved rate changes that have an impact on the experience period. Quarterly factors (rather than annual factors) are calculated to improve accuracy. We use the average policy term length of each program, and assume the premium is earned equally throughout experience quarters. The calculated factor reflects the final rate level divided by the average rate level for each quarter. These are weighted together to obtain the annual adjustments shown here. By applying this factor to past premium, the adjustment reflects the amount of premium earned at the current rate level. Exhibit 3 outlines the Rate Level History and Rate Level Adjustment Factors.
  - b. The Premium Trend projects the current level premium in our experience periods to the average date the proposed rates will be in effect. We estimate the change in premium values over time by fitting exponential curves to various periods of current level average earned premiums by program or coverage for the state. Historical and Prospective Premium Trend Factors are selected taking into consideration the number of years experience used in the indication. The Historical Trend selection is applied using a time period from the mid-point of the experience period to the midpoint of the latest quarter of data available. The Prospective Trend selection is applied using a time period starting where the historical factor ended to the midpoint of the time the rates are anticipated to be in effect. Please see Exhibit 4.
3. Incurred Losses and ALAE are adjusted using the factors described below.
  - a. If appropriate for the indication in question, catastrophe losses are subtracted from the total losses and treated separately.
  - b. The Loss & ALAE Trend Factor projects the value of losses in our experience periods to the average date the proposed rates will be in effect. We estimate the change in loss values over time by fitting exponential curves to 5 years (20 groups of rolling 4 quarters) of Accident Year frequency and severity data. We select historical and prospective frequency and severity trends taking into consideration the number of years experience used in the indication. These are multiplied together to obtain the pure premium trend. The Historical Pure Premium Trend is applied using a time period from the mid-point of the experience period to the mid-point of the latest quarter of data used. The Prospective Pure Premium Trend is applied using a time period starting where the historical period ends, to the midpoint of the time the rates are anticipated to be in effect. Please see Exhibit 5.

## **Explanatory Memorandum**

- c. Accident Year Incurred Losses & ALAE are used in the rate indication; therefore, losses for each year may not be fully developed. The Loss & ALAE Development Factor estimates the further development of these losses by analyzing historical patterns of American Modern Insurance Group non-catastrophe losses. We calculate quarterly factors and weight them together using each year's latest incurred losses to obtain annual numbers. Please see Exhibit 6.
  - d. A ULAE Factor is applied to the Incurred Loss & ALAE to obtain Incurred Losses & LAE. The factor is calculated based on the average ratio of historical ULAE to historical Incurred Loss & ALAE in the latest 2 years. Please see Exhibit 8.
  - e. The Catastrophe Load allows us to use a longer experience period to control our response to unpredictable large loss events. We rely on ISO to identify catastrophes. That definition is any event that causes a loss of at least \$25 million to the insurance industry and has a sufficient number of claims. Our adjustment involves removing such losses and applying a historical average. This provides incurred losses indicative of normal catastrophic activity for our experience period. Please see Exhibit 7 for a further description of the method used.
  - f. The Cat Factor is applied to the Trended, Adjusted Non-Cat IL & LAE to obtain the Catastrophe IL & LAE.
  - g. The Total Adjusted Incurred Loss and LAE is the sum of the Trended Adjusted IL & LAE Excl Cat and the Trended Adjusted Cat Incurred Loss & LAE .
- 4. The Adjusted Loss and LAE Ratio is the Total Trended Adjusted Incurred Loss & LAE divided by the Trended Current Level Earned Premium.
  - 5. Normally, Accident Year weights are judgmentally selected to place greater weight on the more recent year's experience. However, when a program is growing rapidly, accident year weights may be based on Earned Premiums to avoid having an earlier year affecting the indication more than it should. Consideration may also be given to using even weights on all years when the Adjusted Loss and LAE Ratio are extremely volatile by year.
  - 6. The Weighted Experience Loss and LAE Ratio is the weighted average of the individual years Adjusted Loss and LAE Ratios and the Accident Year Weights.

## **Explanatory Memorandum**

7. The Permissible Loss and LAE Ratio Fixed Expense Ratio and Variable Permissible Loss Ratio Calculations may be found in Exhibit 9. This calculation includes determination of a profit provision.
  - a. The derivation of the Pre-Paid Commissions and Taxes, Licenses and Fees may be found at the bottom of this exhibit. Other Acquisition and General Expenses are based on Countrywide, Company Data for the Program being evaluated. The Reinsurance Expense is designed to cover the cost of our catastrophe and excess of loss experience contracts. It is a net provision determined by reinsurance premium minus estimated reinsurance recoveries.
  - b. The Profit Provision is based on a 15% Targeted After Tax Return on Equity and a 1.8:1 Targeted Premium to Surplus Ratio.
  - c. Return on Investment Income is based on the Clifford/Sterling Formula. This calculation, and an explanation of the calculation, may be found in Exhibit 10.
8. The Complement of Credibility is the Trended Permissible Loss Ratio. A Loss Ratio Trend is determined based on the prospective premium and loss trends. A time exponent based on the time from our last revision to the proposed effective date, capped at 1 years, is applied. Exhibit 11 contains the calculations.
9. Credibility is based on the square root rule, with full credibility at 25000 Earned Exposures.
10. The Credibility Weighted Loss and LAE Ratio is calculated by credibility weighting the Weighted Experience Loss & LAE Ratio and the Complement of Credibility - Trended Permissible.
11. The Indicated Rate Level Change is calculated as the  $((\text{Credibility Weighted Loss \& LAE Ratio} + \text{Fixed Expense Ratio}) / \text{Variable Expense Ratio}) - 1$

**Rate Level Indications**

	<b>Accident Year Ending</b>				
	<b>3/31/2009</b>	<b>3/31/2010</b>	<b>3/31/2011</b>	<b>3/31/2012</b>	<b>3/31/2013</b>
(1) Earned Exposures	523	628	792	957	1,027
(2) Earned Premium	308,526	359,738	467,873	563,687	653,038
(3) Rate Level Adjustment Factor	1.303	1.290	1.221	1.203	1.128
(4) Current Level Earned Premium	402,107	464,162	571,445	677,951	736,512
(5) Premium Trend Factor	1.004	1.004	1.004	1.005	1.005
(6) Trended Current Level Earned Premium	403,716	466,018	573,730	681,340	740,195
(7) Total Incurred Losses & ALAE	449,233	197,471	230,319	728,803	236,891
(8) Catastrophe Incurred Losses and ALAE	214,424	82,302	21,274	66,537	10,531
(9) IL & ALAE Excl Cat	234,809	115,170	209,045	662,266	226,360
(10) Incurred Loss & ALAE Trend Factor	1.136	1.113	1.090	1.068	1.046
(11) Incurred Loss & ALAE Development Factor	0.998	0.996	0.987	0.992	1.053
(12) ULAE Factor (to IL & ALAE)	1.011	1.011	1.011	1.011	1.011
(13) Trended Adjusted IL & LAE Excl Cat	269,137	129,075	227,371	709,359	252,064
(14) Catastrophe Factor	0.289	0.289	0.289	0.289	0.289
(15) Trended Adjusted Cat Incurred Loss & LAE	77,781	37,303	65,710	205,005	72,847
(16) Total Trended Adjusted Incurred Loss & LAE	346,918	166,378	293,081	914,364	324,911
(17) Adjusted Loss & LAE Ratio *	0.859	0.357	0.511	1.342	0.439
(18) Accident Year Weights	0.10	0.15	0.20	0.25	0.30
(19) Non-Catastrophe Reported Claim Counts	36	29	31	69	48
(20) Weighted Experience Loss & LAE Ratio					0.709
(21) Permissible Loss & LAE Ratio					0.519
(22) Fixed Expense Ratio					0.006
(23) Variable Expense Ratio					0.475
(24) Complement of Credibility - Trended Permissible					0.527
(25) Credibility (Square Root Rule, Full Credibility = 25000 Earned Exposures)					0.396
(26) Credibility Weighted Loss & LAE Ratio					0.599
(27) <b>Credibility Weighted Indicated Rate Level Change</b>					<b>15.2%</b>

Rate History

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Rate Changes

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Effective Date	DP-1
1/15/2013	10.6%
12/24/2011	8.9%
11/1/2009	7.1%
12/15/2007	1.2%

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Rate Level Adjustment Factor

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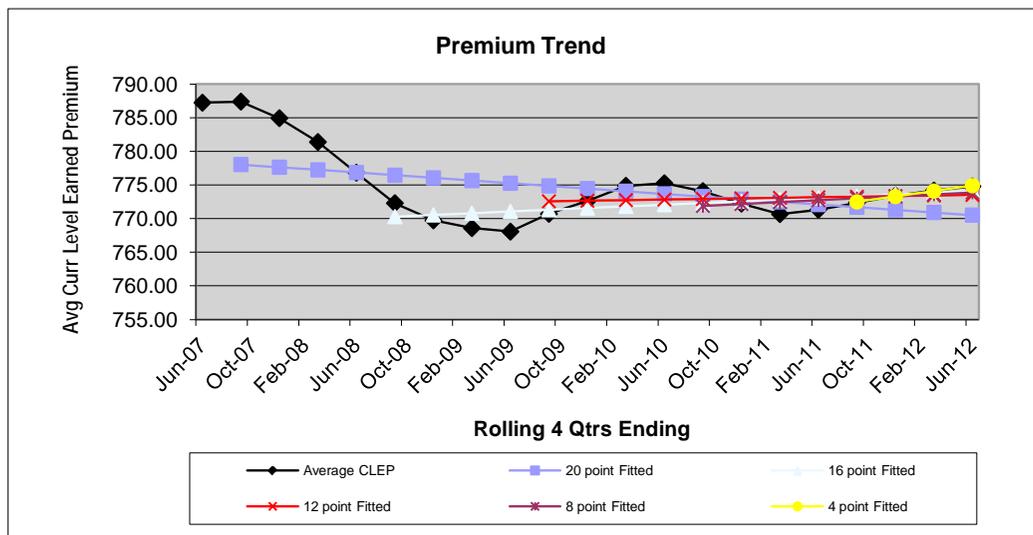
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Accident Year Ending	DP-1
3/31/2009	1.303
3/31/2010	1.290
3/31/2011	1.221
3/31/2012	1.203
3/31/2013	1.128

Premium Trend

4 Qtrs Ending	Current Level Earned Premium	Earned Exposures	Average CLEP	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
6/30/2007	6,523,145	8,286	787.22					
9/30/2007	7,942,574	10,087	787.38	778.03				
12/31/2007	9,222,588	11,750	784.92	777.63				
3/31/2008	10,307,689	13,192	781.38	777.24				
6/30/2008	11,248,551	14,480	776.82	776.84				
9/30/2008	12,093,941	15,660	772.29	776.44	770.29			
12/31/2008	12,865,671	16,714	769.73	776.05	770.54			
3/31/2009	13,601,478	17,697	768.58	775.65	770.79			
6/30/2009	14,371,879	18,712	768.06	775.25	771.05			
9/30/2009	15,236,966	19,770	770.70	774.86	771.30	772.56		
12/31/2009	16,152,535	20,907	772.60	774.46	771.55	772.65		
3/31/2010	17,161,972	22,148	774.87	774.06	771.81	772.73		
6/30/2010	18,319,219	23,630	775.24	773.67	772.06	772.82		
9/30/2010	19,582,038	25,297	774.07	773.27	772.32	772.90	771.88	
12/31/2010	20,984,698	27,174	772.23	772.88	772.57	772.99	772.16	
3/31/2011	22,477,386	29,166	770.67	772.48	772.82	773.08	772.45	
6/30/2011	23,945,187	31,045	771.32	772.09	773.08	773.16	772.73	
9/30/2011	25,359,475	32,834	772.35	771.69	773.33	773.25	773.02	772.47
12/31/2011	26,646,549	34,453	773.43	771.30	773.59	773.33	773.30	773.28
3/31/2012	27,890,433	36,026	774.17	770.91	773.84	773.42	773.59	774.08
6/30/2012	29,225,286	37,721	774.78	770.51	774.09	773.51	773.87	774.89

Annual Premium Trend	
20 point fit	-0.2%
16 point fit	0.1%
12 point fit	0.0%
8 point fit	0.1%
4 point fit	0.4%
<b>Historical Selected</b>	<b>0.0%</b>
<b>Prospective Selected</b>	<b>0.3%</b>



Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
3/31/2009	9/30/2008	2/15/2013	4.375	2/15/2013	1/1/2015	1.878	1.004
3/31/2010	9/30/2009	2/15/2013	3.375	2/15/2013	1/1/2015	1.878	1.004
3/31/2011	9/30/2010	2/15/2013	2.375	2/15/2013	1/1/2015	1.878	1.004
3/31/2012	9/30/2011	2/15/2013	1.375	2/15/2013	1/1/2015	1.878	1.005
3/31/2013	9/30/2012	2/15/2013	0.375	2/15/2013	1/1/2015	1.878	1.005

Loss Trend

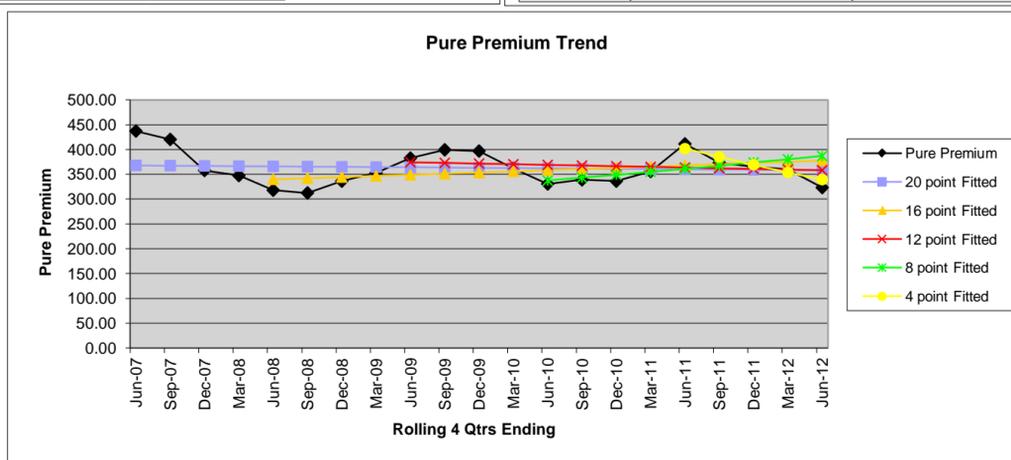
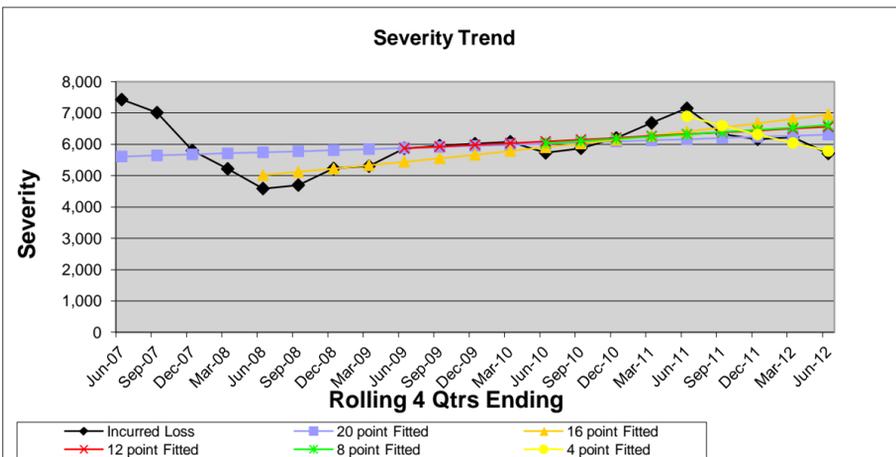
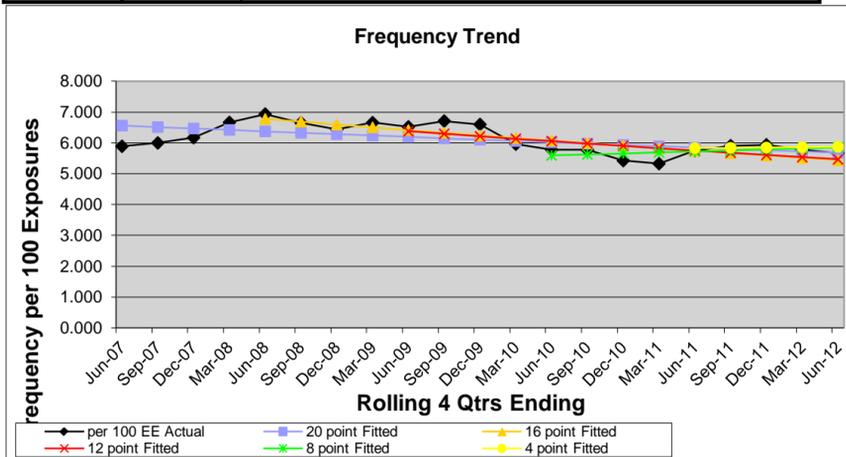
Loss Trend Based on Central Region Excluding Texas - American Modern Insurance Group Insurance Score Data Excluding Catastrophe Losses

Accident Period 4 Qtrs Ending	Ultimate Reported Claim Counts	Ultimate Non-Cat Incurred Loss & ALAE	Earned Exposures	Frequency					Severity					
				Frequency per 100 EE Actual	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted	Average Incurred Loss	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted
6/30/2007	488	3,623,414	8,286	5.889	6.560					7,425	5,611			
9/30/2007	605	4,240,754	10,087	5.998	6.513					7,010	5,644			
12/31/2007	725	4,205,305	11,750	6.170	6.466					5,800	5,677			
3/31/2008	879	4,585,204	13,192	6.663	6.420					5,216	5,710			
6/30/2008	1,004	4,606,183	14,480	6.934	6.374	6.780				4,588	5,744	5,015		
9/30/2008	1,042	4,895,564	15,660	6.654	6.328	6.687				4,698	5,777	5,118		
12/31/2008	1,075	5,621,140	16,714	6.432	6.283	6.595				5,229	5,811	5,224		
3/31/2009	1,178	6,247,883	17,697	6.657	6.237	6.505				5,304	5,845	5,331		
6/30/2009	1,220	7,163,557	18,712	6.520	6.193	6.416	6.376			5,872	5,880	5,441	5,873	
9/30/2009	1,326	7,898,028	19,770	6.708	6.148	6.329	6.294			5,955	5,914	5,553	5,928	
12/31/2009	1,379	8,300,431	20,907	6.598	6.104	6.242	6.214			6,018	5,949	5,667	5,982	
3/31/2010	1,320	8,023,124	22,148	5.959	6.060	6.157	6.135			6,079	5,984	5,784	6,037	
6/30/2010	1,365	7,813,681	23,630	5.776	6.017	6.073	6.056	5.593		5,725	6,019	5,903	6,093	6,033
9/30/2010	1,460	8,574,934	25,297	5.772	5.974	5.989	5.979	5.625		5,873	6,054	6,024	6,149	6,102
12/31/2010	1,474	9,138,229	27,174	5.425	5.931	5.908	5.903	5.657		6,199	6,090	6,148	6,206	6,172
3/31/2011	1,553	10,376,447	29,166	5.326	5.888	5.827	5.827	5.690		6,680	6,126	6,275	6,263	6,243
6/30/2011	1,787	12,771,523	31,045	5.756	5.846	5.747	5.753	5.723	5.830	7,147	6,162	6,404	6,321	6,314
9/30/2011	1,940	12,263,515	32,834	5.909	5.804	5.669	5.680	5.755	5.840	6,321	6,198	6,536	6,379	6,386
12/31/2011	2,045	12,599,785	34,453	5.937	5.763	5.591	5.607	5.788	5.850	6,160	6,234	6,670	6,438	6,459
3/31/2012	2,082	12,971,392	36,026	5.780	5.721	5.515	5.536	5.822	5.860	6,229	6,271	6,807	6,497	6,533
6/30/2012	2,137	12,197,738	37,721	5.666	5.680	5.439	5.465	5.855	5.870	5,708	6,308	6,947	6,557	6,608

Accident Period 4 Qtrs Ending	Pure Premium					
	Pure Premium	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
6/30/2007	437.28	368.05				
9/30/2007	420.40	367.55				
12/31/2007	357.91	367.06				
3/31/2008	347.58	366.57				
6/30/2008	318.10	366.07	340.02			
9/30/2008	312.62	365.58	342.27			
12/31/2008	336.30	365.09	344.53			
3/31/2009	353.05	364.60	346.82			
6/30/2009	382.83	364.11	349.11	374.47		
9/30/2009	399.49	363.62	351.42	373.10		
12/31/2009	397.02	363.13	353.75	371.73		
3/31/2010	362.25	362.65	356.09	370.37		
6/30/2010	330.66	362.16	358.45	369.01	337.44	
9/30/2010	338.96	361.67	360.82	367.66	343.26	
12/31/2010	336.28	361.19	363.21	366.31	349.18	
3/31/2011	355.77	360.70	365.62	364.97	355.20	
6/30/2011	411.39	360.22	368.04	363.63	361.32	401.73
9/30/2011	373.50	359.74	370.48	362.30	367.55	385.17
12/31/2011	365.71	359.25	372.93	360.97	373.89	369.29
3/31/2012	360.05	358.77	375.40	359.65	380.34	354.07
6/30/2012	323.37	358.29	377.89	358.33	386.89	339.48

	Annual Loss Trend		
	Frequency	Severity	Pure Premium
20 point fit	-2.8%	2.4%	-0.5%
16 point fit	-5.4%	8.5%	2.7%
12 point fit	-5.0%	3.7%	-1.5%
8 point fit	2.3%	4.7%	7.1%
4 point fit	0.7%	-16.1%	-15.5%
Historical Selected	-3.2%	5.5%	2.1%
Prospective Selected	2.0%	0.0%	2.0%

Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
3/31/2009	9/30/2008	11/15/2012	4.125	11/15/2012	1/1/2015	2.128	1.136
3/31/2010	9/30/2009	11/15/2012	3.125	11/15/2012	1/1/2015	2.128	1.113
3/31/2011	9/30/2010	11/15/2012	2.125	11/15/2012	1/1/2015	2.128	1.090
3/31/2012	9/30/2011	11/15/2012	1.125	11/15/2012	1/1/2015	2.128	1.068
3/31/2013	9/30/2012	11/15/2012	0.125	11/15/2012	1/1/2015	2.128	1.046



Loss & ALAE Development

Data shown is Countrywide Consolidated American Modern Insurance Group DP-1

Cumulative Incurred Loss and ALAE Development

Accident Qtr Ending	Development Age																					
	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66
Sep-06	5,666,588	5,475,350	5,524,300	5,468,576	5,838,630	5,872,143	5,851,860	5,907,771	5,934,195	5,944,846	5,949,846	5,945,635	5,820,196	5,811,491	5,795,257	5,791,898	5,792,358	5,794,584	5,794,584	5,794,584	5,796,584	5,796,584
Dec-06	5,295,254	5,648,707	5,617,729	5,634,882	5,731,751	5,809,583	5,810,199	5,781,337	5,723,295	5,687,702	5,685,981	5,686,552	5,688,142	5,627,198	5,664,998	5,664,998	5,663,408	5,650,799	5,651,119	5,651,319	5,651,319	5,651,319
Mar-07	6,608,339	6,718,911	6,825,824	6,767,169	6,663,872	6,651,717	6,541,874	6,649,761	6,607,426	6,607,426	6,657,426	6,605,159	6,596,421	6,488,111	6,523,499	6,480,648	6,468,567	6,468,567	6,468,567	6,468,567	6,468,567	6,468,567
Jun-07	6,118,648	5,949,688	6,063,238	5,779,105	5,584,084	5,623,803	5,624,489	5,571,102	5,627,358	5,611,215	5,616,215	5,616,096	5,616,657	5,663,123	5,664,986	5,664,986	5,696,173	5,661,173	5,651,095	5,658,047	5,658,047	
Sep-07	5,241,063	5,632,071	5,458,353	5,392,461	5,392,990	5,345,945	5,479,102	5,425,075	5,425,166	5,237,022	5,208,255	5,208,415	5,189,420	5,208,473	5,208,633	5,208,633	5,208,793	5,208,793	5,208,793	5,208,805	5,209,225	
Dec-07	4,380,754	4,763,476	4,904,965	4,997,828	4,825,925	4,953,560	4,893,110	4,924,937	5,043,405	5,052,828	5,013,741	5,017,467	5,013,827	4,999,055	4,954,044	4,954,044	4,954,063	5,029,389	4,985,475			
Mar-08	5,901,553	5,966,341	6,010,908	5,928,052	5,749,880	5,798,374	5,832,858	5,835,626	5,820,873	5,822,968	5,798,736	5,796,993	5,700,000	5,695,263	5,695,263	5,695,263	5,695,263	5,695,263				
Jun-08	5,833,649	6,066,629	6,144,766	6,356,021	6,419,181	6,391,425	6,371,437	6,379,806	6,334,934	6,338,309	6,338,749	6,309,599	6,311,864	6,311,864	6,312,236	6,312,396	6,312,396					
Sep-08	6,634,506	6,358,779	6,643,771	6,614,928	6,974,743	6,960,242	6,946,411	7,068,113	7,153,109	7,110,489	7,025,382	7,014,703	6,915,121	7,020,121	7,024,341	6,905,461						
Dec-08	5,961,729	6,503,395	6,515,505	6,736,656	6,691,372	6,803,772	6,741,890	6,752,197	6,666,331	6,800,170	6,794,804	6,807,522	6,722,614	6,676,391	6,606,537							
Mar-09	7,259,942	7,718,216	8,209,137	8,448,714	8,754,679	9,119,399	9,045,555	8,948,499	8,707,080	8,720,463	8,779,156	8,757,885	8,644,086	8,578,619								
Jun-09	6,298,765	6,331,261	6,428,732	6,554,280	6,564,970	6,567,826	6,594,505	6,646,711	6,798,665	6,762,514	6,713,673	6,713,673	6,709,043									
Sep-09	6,158,393	6,519,730	6,818,354	7,112,893	7,092,383	7,153,997	7,117,469	7,097,174	7,087,292	7,091,956	7,197,493	7,315,153										
Dec-09	5,860,664	6,188,993	6,118,589	6,050,532	6,156,419	6,178,449	6,144,872	6,144,872	6,117,103	6,120,122	6,096,763											
Mar-10	6,833,030	7,479,801	7,551,307	7,371,207	7,354,414	7,376,845	7,450,580	7,519,034	7,769,272	7,801,595												
Jun-10	6,295,815	6,643,147	6,702,446	6,728,702	6,731,330	6,779,258	6,818,674	6,900,103	7,029,100													
Sep-10	7,318,223	7,508,350	7,692,187	8,015,870	8,133,081	8,143,414	8,101,962	8,039,951														
Dec-10	7,305,686	7,704,420	8,494,069	9,006,756	9,006,756	9,187,649	9,185,540	9,043,905														
Mar-11	8,378,199	8,979,014	9,375,737	9,707,883	9,774,827	10,120,612																
Jun-11	8,744,317	9,278,356	9,748,623	9,992,969	10,142,191																	
Sep-11	6,454,244	6,922,506	7,243,196	7,550,534																		
Dec-11	8,854,092	9,031,672	9,014,952																			
Mar-12	8,724,380	9,485,852																				
Jun-12	9,276,793																					

Historical Development Factors

Accident Qtr Ending	Development Age																					
	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to 63	63 to 66	
Sep-06	0.966	1.009	0.990	1.068	1.006	0.997	1.010	1.004	1.002	1.001	0.999	0.979	0.999	0.997	0.999	1.000	1.000	1.000	1.000	1.000	1.000	
Dec-06	1.067	0.995	1.003	1.017	1.014	1.000	0.995	0.990	0.994	1.000	1.000	1.000	0.989	1.007	1.000	0.998	1.000	1.000	1.000	1.000	1.000	
Mar-07	1.017	1.016	0.991	0.985	0.998	0.983	1.016	0.994	1.000	1.008	0.992	0.999	0.984	1.005	0.993	0.998	1.000	1.000	1.000	1.000	1.000	
Jun-07	0.972	1.019	0.953	0.966	1.007	1.000	0.991	1.010	0.997	1.001	1.000	1.000	1.008	1.000	1.000	1.006	0.994	0.998	1.001	1.000	1.000	
Sep-07	1.075	0.969	0.988	1.000	0.991	1.025	0.990	1.000	0.965	0.995	1.000	0.996	1.004	1.000	1.000	1.000	1.000	1.000	1.000			
Dec-07	1.087	1.030	1.019	0.966	1.026	0.988	1.007	1.024	1.002	0.992	1.001	0.999	0.997	0.991	1.000	1.000	1.015	0.991				
Mar-08	1.011	1.007	0.986	0.970	1.008	1.006	1.000	0.997	1.000	0.996	1.000	0.983	0.999	1.000	1.000	1.000	1.000	1.000				
Jun-08	1.040	1.013	1.034	1.010	0.996	0.997	1.001	0.993	1.001	1.000	0.995	1.000	1.000	1.000	1.000	1.000						
Sep-08	0.958	1.045	0.996	1.054	0.998	0.998	1.018	1.012	0.994	0.988	0.998	0.986	1.015	1.001	0.983							
Dec-08	1.091	1.002	1.034	0.993	1.017	0.991	1.002	0.987	1.020	0.999	1.002	0.988	0.993	0.990								
Mar-09	1.063	1.064	1.029	1.036	1.042	0.992	0.989	0.973	1.002	1.007	0.998	0.987	0.992									
Jun-09	1.005	1.015	1.020	1.002	1.000	1.004	1.008	1.023	0.995	0.993	1.000	0.999										
Sep-09	1.059	1.046	1.043	0.997	1.009	0.995	0.997	0.999	1.001	1.015	1.016											
Dec-09	1.056	0.989	0.989	1.018	1.004	0.995	0.984	1.011	1.000	0.996												
Mar-10	1.095	1.010	0.976	0.998	1.003	1.010	1.009	1.033	1.004													
Jun-10	1.055	1.009	1.004	1.000	1.007	1.006	1.012	1.019														
Sep-10	1.026	1.024	1.042	1.015	1.001	0.995	0.992															
Dec-10	1.055	1.102	1.060	1.020	1.000	0.985																
Mar-11	1.072	1.044	1.035	1.007	1.035																	
Jun-11	1.061	1.051	1.025	1.015																		
Sep-11	1.073	1.046	1.042																			
Dec-11	1.020	0.998																				
Mar-12	1.087																					

Averages	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to 63	63 to 66	66 to Ult
4 Qtrs Average	1.060	1.035	1.041	1.014	1.011	0.999	0.999	1.016	1.000	1.003	1.004	0.990	1.000	0.998	0.996	1.000	1.002	0.997	1.000	1.000		
8 Qtrs Average	1.056	1.036	1.022	1.009	1.007	0.998	0.999	1.007	1.002	0.999	1.001	0.992	1.001	0.998	0.997	1.001						
12 Qtrs Average	1.055	1.033	1.025	1.013	1.009	0.998	1.002	1.006	0.998	0.999	1.000	0.993										
8 Qtrs Average ex H/L	1.057	1.031	1.023	1.009	1.004	0.998	1.000	1.009	1.001	0.999	1.000	0.993	1.000	0.999	0.999	1.000						
8 Qtrs Vol Weighted	1.056	1.036	1.024	1.009	1.008	0.997	0.999	1.006	1.002	1.000	1.001	0.992	1.001	0.998	0.997	1.000						
12 Qtrs Vol Weighted	1.056	1.034	1.026	1.013	1.011	0.997	1.001	1.005	0.999	1.000	1.000	0.993										
12 Qtr Avg ex H/L	1.054	1.031	1.026	1.011	1.007	0.998	1.002	1.007	1.000	0.999	0.999	0.994										

Selected Factors	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to 63	63 to 66	66 to Ult
Age to Age Factors	1.057	1.031	1.023	1.009	1.004	0.998	1.000	1.006	1.000	0.998	1.000	0.993	1.000	0.999	0.999	1.000	1.000	1.000	1.000	1.000	1.000	0.998

**American Modern Select Insurance Company**  
**Arkansas**  
**Dwelling DP-1**  
**All Classes**

**Catastrophe Factor**

Data shown is Arkansas American Modern Insurance Group - Site Built Dwelling & Homeowners

Accident Year Ending	(1) Catastrophe Losses*	(2) All Losses*	(3)=(2)-(1) All Losses* Less Catastrophe	(4)=(1)/(3) Catastrophe Ratio	(5) Capped Catastrophe Ratio **	(6)=(4)-(5) Excess Spread to 50 Years
6/30/1993	-	188,472	188,472	0.000	0.000	0.000
6/30/1994	4,407	260,325	255,918	0.017	0.017	0.000
6/30/1995	7,956	322,472	314,516	0.025	0.025	0.000
6/30/1996	18,236	170,684	152,448	0.120	0.120	0.000
6/30/1997	50,599	271,066	220,467	0.230	0.230	0.000
6/30/1998	3,260	142,036	138,776	0.023	0.023	0.000
6/30/1999	171,098	337,798	166,700	1.026	1.026	0.000
6/30/2000	3,191	94,583	91,393	0.035	0.035	0.000
6/30/2001	5,375	108,371	102,995	0.052	0.052	0.000
6/30/2002	10,735	82,023	71,288	0.151	0.151	0.000
6/30/2003	7,547	639,930	632,383	0.012	0.012	0.000
6/30/2004	47,763	435,321	387,558	0.123	0.123	0.000
6/30/2005	3,135	527,712	524,577	0.006	0.006	0.000
6/30/2006	63,040	424,905	361,865	0.174	0.174	0.000
6/30/2007	4,794	385,242	380,448	0.013	0.013	0.000
6/30/2008	828,515	1,339,396	510,881	1.622	1.180	0.442
6/30/2009	564,557	1,223,203	658,647	0.857	0.857	0.000
6/30/2010	42,715	670,384	627,668	0.068	0.068	0.000
6/30/2011	623,543	1,421,622	798,079	0.781	0.781	0.000
6/30/2012	-	1,381,323	1,381,323	0.000	0.000	0.000
Weighted Average***				0.289		
<b>Selected Catastrophe Factor:</b>				<b>0.289</b>		

\* Losses shown are Undeveloped Accident Year Incurred Losses and ALAE.

\*\*\* Capped at 1.18 (2 standard deviations above the mean) with excess spread to 50 years.

**Unallocated Loss Adjustment Expense**

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The ULAE Factor is calculated as a ratio to Incurred Loss and ALAE and is considered in the "loss" side of the indication.

**Consolidated American Modern Insurance Group Data**

<b>Calendar Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>ULAE Incurred</b>	12,288,732	8,611,126	2,723,316
<b>Adjusted Loss and ALAE Incurred</b>	521,315,563	501,701,035	686,413,201
<b>Ratio of ULAE to Incurred Loss &amp; ALAE</b>	2.4%	1.7%	0.4%
<b>2 Year Average</b>			1.1%
<b>Selected ULAE Factor</b>			<b>1.011</b>

**Determination of Permissible Loss Ratio**

	Calendar Year			Budget	Selected
	2009	2010	2011	2012	
(1) Pre-Paid Commissions	17.0%	17.1%	16.7%	16.6%	16.6%
(2) Contingent Commissions	2.9%	1.9%	1.5%	1.5%	1.5%
(3) Other Acquisition Expense	4.9%	4.4%	3.6%	4.4%	4.4%
(4) General Expense	13.1%	11.5%	9.5%	11.6%	11.6%
(5) Taxes, Licenses and Fees	2.8%	2.8%	3.1%		2.9%
(6) Reinsurance Expense				0.6%	0.6%
(7) Total Expense					37.6%

<b>Profit Loading Provision</b>		
(8a) After Tax Return on Equity Goal		15.0%
(8b) Target Premium to Surplus Ratio		1.8:1
(8c) After Tax Return on Premium [(a)/(b)]		8.3%
(8d) After Tax Return Generated by Inv Income		1.5%
(8e) After Tax Return Needed From Underwriting Profit [(c) - (d)]		6.9%
(8f) Before Tax Return Needed from Underwriting Profit [(e)/(1.00 - .35)]		10.5%
(8g) Selected Profit Provision		10.5%
(9) Total Expenses and Profit Provision [(7) + (8)]		48.1%
(10) Permissible Loss & LAE Ratio [(1.000 - (9))		51.9%
(11) Fixed Expense Ratio (100% of Reins Expense)		0.6%
(12) Variable Expense Ratio		47.5%

	Calendar Year		
	2009	2010	2011
Data applied to calculate commission ratio:			
AMS Arkansas Dwelling DP-1 Wr Prem	369,919	501,869	572,400
AMS Arkansas Dwelling DP-1 Pd Comm	62,964	86,065	95,596

	Calendar Year		
	2009	2010	2011
Data applied to calculate Taxes, Licenses and Fees:			
AMS Arkansas Written Premium from all AS Lines	1,324,449	1,797,927	2,159,118
AMS Arkansas Taxes, Licenses & Fees from all AS Lines	36,952	50,702	67,364

**Investment Income Calculation**

**Estimated Investment Earnings on Unearned Premium and Loss Reserves**

<b>A. Unearned Premium Reserve</b>		
(1)	Direct Earned Premium for 2011	\$ 452,518,807
(2)	Mean Unearned Premium Reserve Ratio	48.3%
(3)	Mean Unearned Premium Reserve (1) x (2)	\$ 218,698,028
(4)	Deduction for Prepaid Expenses and Federal Taxes Payable	
(a)	Commission	18.1%
(b)	50% of Other Acquisition	2.2%
(c)	50% of General Expenses	5.8%
(d)	Taxes, Licenses, and Fees	2.9%
(e)	Reinsurance Expense	0.6%
(f)	Subtotal	29.6%
(g)	Federal Taxes Payable	7.0%
(4T)	Total Deductions	36.6%
(5)	Unearned Premium Reserve Subject to Investment (3) x [1.0 - (4T)]	\$ 138,654,550
<b>B. Delayed Remission of Premium (Agent's Balances)</b>		
(1)	Agent's Balance or Uncollected Premium to Unearned Premium	
(a)	Average Agent's Balance	\$ 185,476,434
(b)	Direct Unearned Premium 2011 (All Lines)	\$ 502,468,432
(c)	Ratio (a) / (b)	36.9%
(d)	Direct Unearned Premium 2011 (ASLOB 1 & 2.1 - Fire & Allied Lines)	\$ 137,722,186
(2)	Delayed Remission (1c) x (1d)	\$ 50,837,462
<b>C. Loss and Loss Adjustment Expense Reserve</b>		
(1)	Expected Loss and Loss Adjustment Expense Ratio	51.9%
(2)	Expected Losses and Loss Adjustment Expenses (A.1) x (C.1)	\$ 234,857,261
(3)	Percent of Mean Loss & ALAE Reserves to Incurred Loss & ALAE	
(a)	2011 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	24.7%
(b)	2010 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	33.4%
(c)	Average of Mean Loss Reserve to Incurred Loss Ratios 1/2 x [(a) + (b)]	29.0%
(4)	Expected Mean Loss Reserves (2) x (3c) x .958	\$ 65,353,695
<b>D.</b>	<b>Net Subject to Investment</b>	\$ 153,170,782
	(A.5) - (B.2) + (C.4)	
<b>E.</b>	<b>Before Tax Rate of Return</b>	2.5%
	[Exhibit 10, Page 2]	
<b>F.</b>	<b>Average Rate of Return as a % of Direct Earned Premium</b>	0.8%
	[(D) x (E)] / (A.1)]	
<b>G.</b>	<b>Before Tax Investment Income Return (Including Surplus)</b>	2.2%
	(F) + [(E) x (1.0/Premium to Surplus Ratio)]	
<b>H.</b>	<b>After Tax Average Rate of Return as a Percent of Direct Earned Premium</b>	
(1)	Average Federal Tax Rate on Inv. Inc. (Exhibit 10, Page 2)	33.7%
(2)	After Tax Return Generated by Investment Income (G) x [1.0 - (H.1)]	1.5%

**Investment Income Calculation**

**Average Federal Tax Rate on Investment Income**

	(1) Investment Income 2009 - 2011 (A)	(2) Allocation	(3) Current Tax Rate (B)	(4) Total Tax (2)x(3)
Bonds				
- Taxable	\$79,106,546	93.9%	35.0%	32.9%
- Tax Exempt Municipal	\$3,369,190	4.0%	5.3%	0.2%
Stocks				
- Acquired Prior to 1987	\$0	0.0%	10.5%	0.0%
- Acquired After 1987	\$578,537	0.7%	14.2%	0.1%
Short Term Investments	\$1,167,269	1.4%	35.0%	0.5%
<b>Total</b>	<b>\$84,221,542</b>	<b>100.0%</b>		<b>33.7%</b>

Notes:

- (A) From American Modern Insurance Group Annual Statement, Part 1
- (B) Under the 1986 Tax Reform Act, 15% of formerly tax-exempt income from securities purchased after August 7, 1986 is now taxable. Thus the estimated effective tax rates in 2012 will be:

Ordinary Income =	35.0%
Tax Exempt Municipal - 35.0% x 15.0% =	5.3%
Stock Dividends (Acquired after 1987) - 40.5% x 35.0% =	14.2%
Stock Dividends (Acquired before 1987) - 30.0% x 35.0% =	10.5%

**Investment Income as a Percentage of Invested Assets**

2000	5.0%
2001	5.2%
2002	5.2%
2003	4.5%
2004	4.3%
2005	4.4%
2006	4.5%
2007	4.6%
2008	4.4%
2009	2.6%
2010	3.2%
2011	3.0%
Twelve Year Average	4.2%
Latest Six Year Average	3.7%
Latest Year	3.0%
Projected 2012 (12 Year Trend)	2.9%
Projected 2012 ( 6 Year Trend)	2.4%

**Selected 2012 Rate of Return**

Before Tax	2.5% *
After Tax [(1-0.337) x 2.5%]	1.7%

\* 2.5% selected based on change in investment philosophy due to the purchase of the American Modern Insurance Group by Munich Re. Specifically, Munich Re requires that investments for companies owned should not have "risk". This leads to a lower rate of return than we've seen in the past.

## By Line Explanation of Investment Income Calculation

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### Line A-1

Direct Earned Premium is total limits earned premium for the captioned program written by the American Modern Insurance Group for the latest accident year.

### Line A-2, A-3

The mean unearned premium reserve is determined by the average of the latest two years unearned premiums for the American Modern Insurance Group.

### Line A-4

Deductions for prepaid expenses:

Production costs and a large portion of other company expenses connected with the writing and handling of insurance policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before premium is paid. Therefore, the deduction of these expenses is determined by use of provisions for expenses used in our ratemaking procedures as shown. These provisions are based on the above referenced company's data as shown in Exhibit 9.

### Line A-4 Federal Taxes Payable

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 35%, this tax equals 7.0% ( $.20 \times .35 = .070$ ) of the unearned premium reserve.

### Line B-1

Delayed remission of premium:

This deduction is necessary due to the delay in collection and remission of premium to the company beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus, and are not available for investment.

### Line B-1(c)

Average agent's balances as a percentage of 2011 Direct Unearned Premium (All Lines)

### Line C-1

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing. See Exhibit 9.

### Line C-3

Mean loss reserve are determined by averaging the reserves at the beginning and ending of the year in question, and dividing by that year's loss and loss adjustment expenses. This ratio is based on countrywide data for the American Modern Insurance Group countrywide data for the American Modern Insurance Group.

### Line C-4

The expected mean loss reserve is determined by multiplying the expected incurred losses in Line C-2 by the average ratio of the mean loss & loss adjustment reserves to the incurred losses & loss adjustment expenses from Line C-4. Then an adjustment for the estimated Federal Income Taxes payable due to discounting of loss reserves is added. The estimated reserve discount is 12% (based on all company data provided by the A.M. Best Company), the federal taxes payable (expressed as a % of reserves) is 4.2% ( $.12 \times .35 = .042$ ), and the appropriate adjustment is .958 ( $1.000 - .042 = .958$ ).

### Line E

This rate of return in the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends and real estate income due and accrued) for the American Modern Insurance Group.

### Line H-1

The average rate of Federal Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2009 - 2011 for the American Modern Insurance Group. See Page 2 of this exhibit.

Complement of Credibility Calculation

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	DP-1
(1) Permissible Loss & LAE Ratio	0.519
(2) Proposed Renewal Effective Date	1/1/2014
(3) Effective Date of Current Rates	1/15/2013
(4) Time Period in Years $\{[(2) - (3)] / 365\}^{**}$	0.961
(5) Annual Premium Trend	0.3%
(6) Annual Loss Trend	2.0%
(7) Ann Loss Ratio Trend $\{[1 + (6)] / [1 + (5)] - 1\}$	1.7%
(8) Selected Trend Factor $\{[1 + (7)] ^ (4)\}$	1.016
(9) Complement of Credibility = $\{(1) * (8)\}$	0.527

\*\* Capped at a minimum of 0.5 and a maximum of 1 year(s)

**American Modern Select Insurance Company  
Arkansas  
Dwelling DP-3**

**Exhibit 1  
Page 1**

Proposed Effective Date: 1/1/2014

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	<b>Premium in Force at 3/31/2013</b>	<b>Premium in Force Distribution</b>	<b>Indication</b>
Dwelling DP-3	\$440,492	100.0%	-2.8%

## **Explanatory Memorandum**

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The purpose of the indication is to evaluate the rate level adequacy of the above captioned program in this state. In the evaluation, we take historical premiums and losses from our experience period and project them into a future effective period - our estimate of the time period the proposed rates will be in effect. Data shown is on a direct basis, and is organized on a 12 month rolling accident year basis.

### **Assumptions and Methodologies**

1. On Exhibits 1 and 2 we show the overall rate level indication for this product. The data adjustments used and calculations are described in the following paragraphs.
2. Earned Premiums are adjusted to current rate levels by program and then trended using the factors described below.
  - a. Rate Level Adjustment Factors take into account any approved rate changes that have an impact on the experience period. Quarterly factors (rather than annual factors) are calculated to improve accuracy. We use the average policy term length of each program, and assume the premium is earned equally throughout experience quarters. The calculated factor reflects the final rate level divided by the average rate level for each quarter. These are weighted together to obtain the annual adjustments shown here. By applying this factor to past premium, the adjustment reflects the amount of premium earned at the current rate level. Exhibit 3 outlines the Rate Level History and Rate Level Adjustment Factors.
  - b. The Premium Trend projects the current level premium in our experience periods to the average date the proposed rates will be in effect. We estimate the change in premium values over time by fitting exponential curves to various periods of current level average earned premiums by program or coverage for the state. Historical and Prospective Premium Trend Factors are selected taking into consideration the number of years experience used in the indication. The Historical Trend selection is applied using a time period from the mid-point of the experience period to the midpoint of the latest quarter of data available. The Prospective Trend selection is applied using a time period starting where the historical factor ended to the midpoint of the time the rates are anticipated to be in effect. Please see Exhibit 4.
3. Incurred Losses and ALAE are adjusted using the factors described below.
  - a. If appropriate for the indication in question, catastrophe losses are subtracted from the total losses and treated separately.
  - b. The Loss & ALAE Trend Factor projects the value of losses in our experience periods to the average date the proposed rates will be in effect. We estimate the change in loss values over time by fitting exponential curves to 5 years (20 groups of rolling 4 quarters) of Accident Year frequency and severity data. We select historical and prospective frequency and severity trends taking into consideration the number of years experience used in the indication. These are multiplied together to obtain the pure premium trend. The Historical Pure Premium Trend is applied using a time period from the mid-point of the experience period to the mid-point of the latest quarter of data used. The Prospective Pure Premium Trend is applied using a time period starting where the historical period ends, to the midpoint of the time the rates are anticipated to be in effect. Please see Exhibit 5.

## **Explanatory Memorandum**

- c. Accident Year Incurred Losses & ALAE are used in the rate indication; therefore, losses for each year may not be fully developed. The Loss & ALAE Development Factor estimates the further development of these losses by analyzing historical patterns of American Modern Insurance Group non-catastrophe losses. We calculate quarterly factors and weight them together using each year's latest incurred losses to obtain annual numbers. Please see Exhibit 6.
  - d. A ULAE Factor is applied to the Incurred Loss & ALAE to obtain Incurred Losses & LAE. The factor is calculated based on the average ratio of historical ULAE to historical Incurred Loss & ALAE in the latest 2 years. Please see Exhibit 8.
  - e. The Catastrophe Load allows us to use a longer experience period to control our response to unpredictable large loss events. We rely on ISO to identify catastrophes. That definition is any event that causes a loss of at least \$25 million to the insurance industry and has a sufficient number of claims. Our adjustment involves removing such losses and applying a historical average. This provides incurred losses indicative of normal catastrophic activity for our experience period. Please see Exhibit 7 for a further description of the method used.
  - f. The Cat Factor is applied to the Trended, Adjusted Non-Cat IL & LAE to obtain the Catastrophe IL & LAE.
  - g. The Total Adjusted Incurred Loss and LAE is the sum of the Trended Adjusted IL & LAE Excl Cat and the Trended Adjusted Cat Incurred Loss & LAE .
- 4. The Adjusted Loss and LAE Ratio is the Total Trended Adjusted Incurred Loss & LAE divided by the Trended Current Level Earned Premium.
  - 5. Normally, Accident Year weights are judgmentally selected to place greater weight on the more recent year's experience. However, when a program is growing rapidly, accident year weights may be based on Earned Premiums to avoid having an earlier year affecting the indication more than it should. Consideration may also be given to using even weights on all years when the Adjusted Loss and LAE Ratio are extremely volatile by year.
  - 6. The Weighted Experience Loss and LAE Ratio is the weighted average of the individual years Adjusted Loss and LAE Ratios and the Accident Year Weights.

## **Explanatory Memorandum**

7. The Permissible Loss and LAE Ratio Fixed Expense Ratio and Variable Permissible Loss Ratio Calculations may be found in Exhibit 9. This calculation includes determination of a profit provision.
  - a. The derivation of the Pre-Paid Commissions and Taxes, Licenses and Fees may be found at the bottom of this exhibit. Other Acquisition and General Expenses are based on Countrywide, Company Data for the Program being evaluated. The Reinsurance Expense is designed to cover the cost of our catastrophe and excess of loss experience contracts. It is a net provision determined by reinsurance premium minus estimated reinsurance recoveries.
  - b. The Profit Provision is based on a 15% Targeted After Tax Return on Equity and a 1.8:1 Targeted Premium to Surplus Ratio.
  - c. Return on Investment Income is based on the Clifford/Sterling Formula. This calculation, and an explanation of the calculation, may be found in Exhibit 10.
8. The Complement of Credibility is the Trended Permissible Loss Ratio. A Loss Ratio Trend is determined based on the prospective premium and loss trends. A time exponent based on the time from our last revision to the proposed effective date, capped at 1 years, is applied. Exhibit 11 contains the calculations.
9. Credibility is based on the square root rule, with full credibility at 25000 Earned Exposures.
10. The Credibility Weighted Loss and LAE Ratio is calculated by credibility weighting the Weighted Experience Loss & LAE Ratio and the Complement of Credibility - Trended Permissible.
11. The Indicated Rate Level Change is calculated as the  $((\text{Credibility Weighted Loss \& LAE Ratio} + \text{Fixed Expense Ratio}) / \text{Variable Expense Ratio}) - 1$

Rate Level Indications

	Accident Year Ending				
	3/31/2009	3/31/2010	3/31/2011	3/31/2012	3/31/2013
(1) Earned Exposures	139	173	256	322	358
(2) Earned Premium	135,438	168,066	251,001	322,643	389,784
(3) Rate Level Adjustment Factor	1.184	1.186	1.141	1.129	1.075
(4) Current Level Earned Premium	160,321	199,275	286,307	364,196	419,151
(5) Premium Trend Factor	0.875	0.896	0.916	0.938	0.960
(6) Trended Current Level Earned Premium	140,281	178,551	262,257	341,616	402,385
(7) Total Incurred Losses & ALAE	201,426	165,746	32,523	236,975	63,516
(8) Catastrophe Incurred Losses and ALAE	104,413	66,466	-	126,910	-
(9) IL & ALAE Excl Cat	97,013	99,281	32,523	110,065	63,516
(10) Incurred Loss & ALAE Trend Factor	1.049	1.039	1.030	1.021	1.012
(11) Incurred Loss & ALAE Development Factor	1.000	1.000	0.996	1.003	1.092
(12) ULAE Factor (to IL & ALAE)	1.011	1.011	1.011	1.011	1.011
(13) Trended Adjusted IL & LAE Excl Cat	102,886	104,287	33,732	113,953	70,964
(14) Catastrophe Factor	0.289	0.289	0.289	0.289	0.289
(15) Trended Adjusted Cat Incurred Loss & LAE	29,734	30,139	9,748	32,933	20,509
(16) Total Trended Adjusted Incurred Loss & LAE	132,620	134,426	43,480	146,886	91,473
(17) Adjusted Loss & LAE Ratio *	0.945	0.753	0.166	0.430	0.227
(18) Accident Year Weights	0.10	0.15	0.20	0.25	0.30
(19) Non-Catastrophe Reported Claim Counts	10	14	15	23	26
(20) Weighted Experience Loss & LAE Ratio					0.416
(21) Permissible Loss & LAE Ratio					0.522
(22) Fixed Expense Ratio					0.008
(23) Variable Expense Ratio					0.470
(24) Complement of Credibility - Trended Permissible					0.533
(25) Credibility (Square Root Rule, Full Credibility = 25000 Earned Exposures)					0.223
(26) Credibility Weighted Loss & LAE Ratio					0.507
(27) <b>Credibility Weighted Indicated Rate Level Change</b>					<b>-2.8%</b>

Rate History

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Rate Changes

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Effective Date	DP-3
1/15/2013	5.9%
12/24/2011	6.9%
11/1/2009	6.1%
12/15/2007	-0.5%

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Rate Level Adjustment Factor

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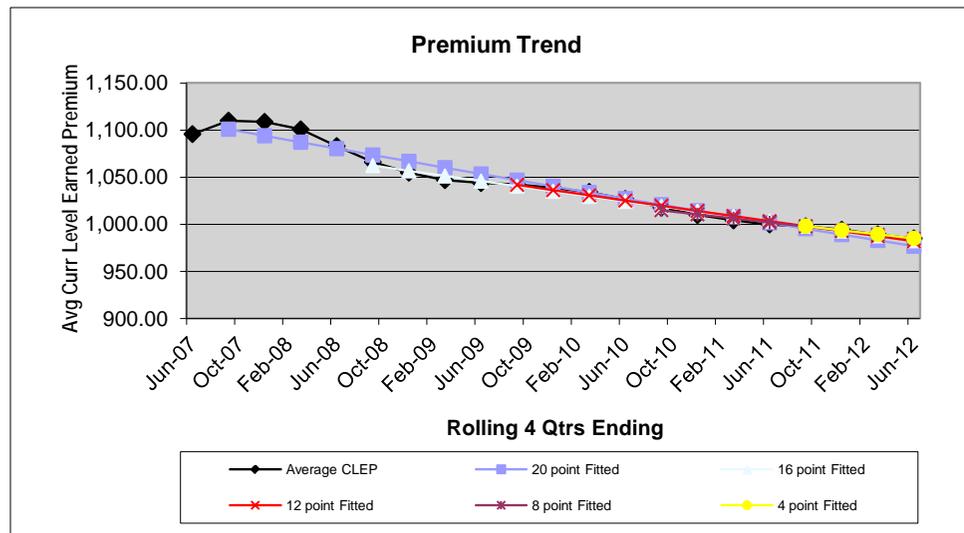
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Accident Year Ending	DP-3
3/31/2009	1.184
3/31/2010	1.186
3/31/2011	1.141
3/31/2012	1.129
3/31/2013	1.075

Premium Trend

4 Qtrs Ending	Current Level Earned Premium	Earned Exposures	Average CLEP	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
6/30/2007	873,418	797	1,095.60					
9/30/2007	1,154,487	1,040	1,109.92	1,100.80				
12/31/2007	1,470,517	1,326	1,108.60	1,093.89				
3/31/2008	1,803,719	1,639	1,100.65	1,087.02				
6/30/2008	2,138,645	1,975	1,082.89	1,080.19				
9/30/2008	2,521,145	2,365	1,065.93	1,073.41	1,062.14			
12/31/2008	2,932,847	2,781	1,054.67	1,066.67	1,056.63			
3/31/2009	3,394,588	3,243	1,046.74	1,059.97	1,051.16			
6/30/2009	3,955,866	3,790	1,043.66	1,053.31	1,045.71			
9/30/2009	4,605,607	4,420	1,042.03	1,046.70	1,040.29	1,041.73		
12/31/2009	5,327,962	5,130	1,038.62	1,040.12	1,034.89	1,036.13		
3/31/2010	6,134,528	5,932	1,034.21	1,033.59	1,029.53	1,030.57		
6/30/2010	7,010,253	6,828	1,026.74	1,027.10	1,024.19	1,025.04		
9/30/2010	7,935,546	7,799	1,017.53	1,020.65	1,018.88	1,019.54	1,014.77	
12/31/2010	8,931,150	8,846	1,009.66	1,014.24	1,013.60	1,014.07	1,010.39	
3/31/2011	9,937,370	9,898	1,003.99	1,007.87	1,008.34	1,008.63	1,006.03	
6/30/2011	10,956,511	10,960	999.72	1,001.54	1,003.12	1,003.21	1,001.70	
9/30/2011	12,027,111	12,055	997.70	995.25	997.92	997.83	997.38	997.98
12/31/2011	13,098,210	13,176	994.08	989.00	992.74	992.47	993.08	993.61
3/31/2012	14,189,154	14,345	989.14	982.79	987.60	987.15	988.80	989.26
6/30/2012	15,321,668	15,557	984.86	976.62	982.48	981.85	984.53	984.93

Annual Premium Trend	
20 point fit	-2.5%
16 point fit	-2.1%
12 point fit	-2.1%
8 point fit	-1.7%
4 point fit	-1.7%
<b>Historical Selected</b>	<b>-2.3%</b>
<b>Prospective Selected</b>	<b>-1.7%</b>



Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
3/31/2009	9/30/2008	2/15/2013	4.375	2/15/2013	1/1/2015	1.878	<b>0.875</b>
3/31/2010	9/30/2009	2/15/2013	3.375	2/15/2013	1/1/2015	1.878	<b>0.896</b>
3/31/2011	9/30/2010	2/15/2013	2.375	2/15/2013	1/1/2015	1.878	<b>0.916</b>
3/31/2012	9/30/2011	2/15/2013	1.375	2/15/2013	1/1/2015	1.878	<b>0.938</b>
3/31/2013	9/30/2012	2/15/2013	0.375	2/15/2013	1/1/2015	1.878	<b>0.960</b>

Loss Trend

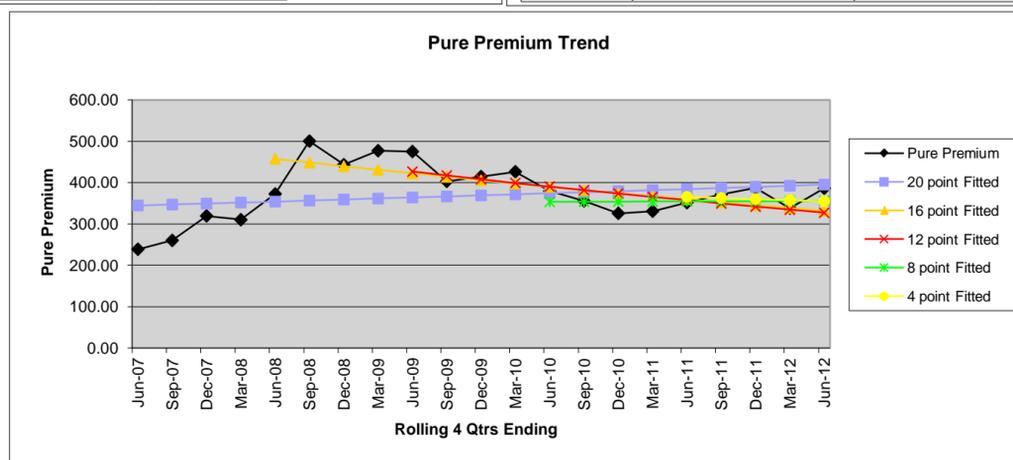
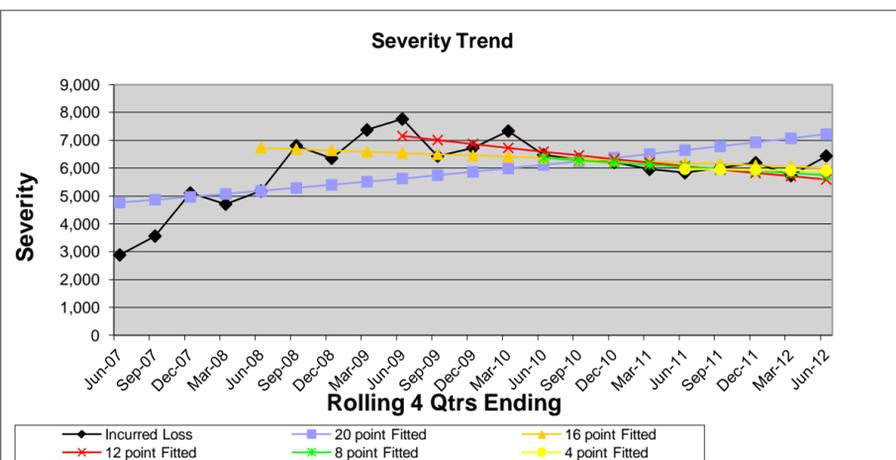
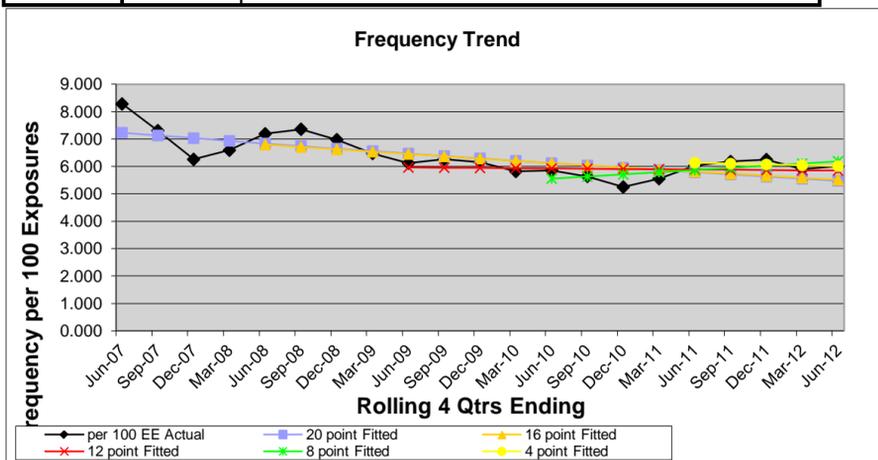
Loss Trend Based on Central Region - American Modern Insurance Group Data Excluding Catastrophe Losses

Accident Period 4 Qtrs Ending	Ultimate Reported Claim Counts	Ultimate Non-Cat Incurred Loss & ALAE	Earned Exposures	Frequency					Severity						
				Frequency per 100 EE Actual	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted	Average Incurred Loss	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
				6/30/2007	66	190,463	797	8.279	7.229					2,886	4,768
9/30/2007	76	270,731	1,040	7.307	7.129					3,562	4,867				
12/31/2007	83	423,819	1,326	6.257	7.031					5,106	4,969				
3/31/2008	108	508,449	1,639	6.590	6.934					4,708	5,074				
6/30/2008	142	735,879	1,975	7.190	6.838	6.799				5,182	5,180	6,731			
9/30/2008	174	1,183,655	2,365	7.357	6.744	6.711				6,803	5,289	6,684			
12/31/2008	194	1,232,908	2,781	6.976	6.650	6.624				6,355	5,399	6,637			
3/31/2009	210	1,547,713	3,243	6.475	6.559	6.537				7,370	5,513	6,591			
6/30/2009	232	1,800,889	3,790	6.121	6.468	6.452	5.963			7,762	5,628	6,545	7,154		
9/30/2009	277	1,781,623	4,420	6.267	6.379	6.369	5.953			6,432	5,746	6,499	7,009		
12/31/2009	316	2,126,582	5,130	6.160	6.291	6.286	5.944			6,730	5,866	6,454	6,866		
3/31/2010	345	2,529,448	5,932	5.816	6.204	6.204	5.934			7,332	5,989	6,409	6,727		
6/30/2010	400	2,591,435	6,828	5.861	6.118	6.124	5.925	5.553		6,476	6,115	6,364	6,590	6,362	
9/30/2010	440	2,774,077	7,799	5.636	6.034	6.044	5.915	5.629		6,311	6,243	6,320	6,457	6,282	
12/31/2010	464	2,881,444	8,846	5.248	5.951	5.965	5.905	5.706		6,207	6,374	6,276	6,326	6,203	
3/31/2011	550	3,274,936	9,898	5.553	5.868	5.888	5.886	5.784		5,958	6,507	6,232	6,197	6,125	
6/30/2011	660	3,853,618	10,960	6.025	5.787	5.811	5.886	5.862	6.133	5,836	6,644	6,189	6,071	6,048	
9/30/2011	745	4,478,341	12,055	6.177	5.708	5.736	5.877	5.942	6.102	6,014	6,783	6,146	5,948	5,972	
12/31/2011	823	5,101,108	13,176	6.250	5.629	5.661	5.867	6.023	6.072	6,195	6,925	6,103	5,827	5,897	
3/31/2012	847	4,854,178	14,345	5.902	5.551	5.588	5.858	6.105	6.041	5,733	7,070	6,060	5,709	5,823	
6/30/2012	934	6,010,699	15,557	6.005	5.474	5.515	5.848	6.189	6.011	6,434	7,219	6,018	5,593	5,907	

Accident Period 4 Qtrs Ending	Pure Premium					
	Pure Premium	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
6/30/2007	238.91	344.65				
9/30/2007	260.28	347.01				
12/31/2007	319.51	349.39				
3/31/2008	310.26	351.79				
6/30/2008	372.61	354.21	457.62			
9/30/2008	500.45	356.64	448.53			
12/31/2008	443.36	359.08	439.62			
3/31/2009	477.24	361.55	430.88			
6/30/2009	475.12	364.03	422.31	426.59		
9/30/2009	403.10	366.53	413.92	417.25		
12/31/2009	414.55	369.04	405.70	408.12		
3/31/2010	426.43	371.58	397.63	399.19		
6/30/2010	379.55	374.13	389.73	390.45	353.32	
9/30/2010	355.71	376.69	381.98	381.91	353.64	
12/31/2010	325.75	379.28	374.39	373.55	353.95	
3/31/2011	330.87	381.88	366.95	365.38	354.27	
6/30/2011	351.62	384.50	359.66	357.38	354.59	365.71
9/30/2011	371.50	387.14	352.51	349.56	354.90	363.02
12/31/2011	387.15	389.80	345.51	341.91	355.22	360.35
3/31/2012	338.39	392.48	338.64	334.43	355.54	357.70
6/30/2012	386.36	395.17	331.91	327.11	355.86	355.07

Annual Loss Trend			
	Frequency	Severity	Pure Premium
20 point fit	-5.4%	8.7%	2.8%
16 point fit	-5.1%	-2.8%	-7.7%
12 point fit	-0.6%	-7.9%	-8.5%
8 point fit	5.6%	-4.9%	0.4%
4 point fit	-2.0%	-0.9%	-2.9%
<b>Historical Selected</b>	<b>-2.0%</b>	<b>3.0%</b>	<b>0.9%</b>
<b>Prospective Selected</b>	<b>1.5%</b>	<b>-1.0%</b>	<b>0.5%</b>

Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
3/31/2009	9/30/2008	11/15/2012	4.125	11/15/2012	1/1/2015	2.128	<b>1.049</b>
3/31/2010	9/30/2009	11/15/2012	3.125	11/15/2012	1/1/2015	2.128	<b>1.039</b>
3/31/2011	9/30/2010	11/15/2012	2.125	11/15/2012	1/1/2015	2.128	<b>1.030</b>
3/31/2012	9/30/2011	11/15/2012	1.125	11/15/2012	1/1/2015	2.128	<b>1.021</b>
3/31/2013	9/30/2012	11/15/2012	0.125	11/15/2012	1/1/2015	2.128	<b>1.012</b>



Loss & ALAE Development

Data shown is Countrywide Consolidated American Modern Insurance Group DP-3

Cumulative Incurred Loss and ALAE Development

Accident Qtr Ending	Development Age																					
	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66
Sep-06	471,191	810,688	1,182,174	1,179,705	1,175,670	1,198,172	1,169,080	1,169,580	1,318,677	1,408,677	1,351,342	1,376,779	1,345,693	1,330,327	1,374,259	1,070,800	1,070,800	1,077,446	1,056,057	1,057,057	1,057,057	1,044,051
Dec-06	853,382	1,084,535	1,142,515	1,244,744	1,193,548	1,178,535	1,136,868	1,105,661	1,137,837	1,137,837	1,137,837	1,137,837	1,137,837	1,154,773	1,154,773	1,085,984	1,085,984	1,086,105	1,086,105	1,086,105	1,086,105	1,086,105
Mar-07	768,353	857,559	837,918	820,540	817,665	818,374	818,882	832,697	832,697	832,697	832,697	832,697	832,697	832,697	832,697	832,697	832,697	832,697	832,697	832,697	833,152	833,152
Jun-07	703,112	554,526	574,448	596,794	594,784	591,530	590,090	587,366	587,366	587,366	587,366	587,366	587,366	587,366	587,366	587,366	587,366	587,366	587,366	587,547	587,547	587,547
Sep-07	696,160	844,117	926,956	942,827	949,815	1,003,068	984,744	1,019,287	961,656	956,309	946,447	946,447	946,447	946,447	946,447	946,447	946,447	946,447	946,447	946,575	946,575	
Dec-07	1,275,876	1,391,527	1,418,860	1,447,119	1,510,312	1,501,182	1,501,182	1,600,492	1,448,179	1,448,179	1,448,179	1,457,629	1,457,629	1,457,629	1,457,629	1,457,629	1,457,629	1,457,629	1,457,629	1,457,629	1,457,629	
Mar-08	923,409	1,032,412	994,888	970,548	975,529	1,023,175	982,149	984,261	985,190	985,190	985,190	985,190	985,190	985,190	985,190	985,190	985,190	985,190	985,190	985,190	985,190	
Jun-08	1,001,608	940,225	918,399	888,694	882,078	894,009	962,831	965,986	1,228,908	1,278,455	1,215,275	1,190,434	1,179,444	1,179,444	1,141,944	1,141,944	1,126,090					
Sep-08	2,158,335	2,290,913	2,355,246	2,418,084	2,058,408	2,040,219	2,029,741	2,035,850	2,101,147	2,071,113	2,071,600	2,096,100	2,086,260	2,098,920	2,088,636	2,088,636						
Dec-08	1,821,517	1,714,993	1,740,531	1,770,273	1,760,969	1,755,189	1,758,978	1,750,398	1,884,898	1,884,898	1,884,898	1,884,898	1,884,898	1,884,898	1,884,898	1,885,058						
Mar-09	2,203,754	2,679,487	2,749,394	2,769,210	2,904,503	3,048,292	3,019,809	2,937,224	2,803,304	2,582,515	2,582,594	2,582,674	2,585,206	2,577,407								
Jun-09	1,415,766	1,633,017	1,709,005	1,639,616	1,685,476	1,676,263	1,644,561	1,694,881	1,774,881	1,726,170	1,673,665	1,706,894	1,716,257									
Sep-09	1,553,449	1,828,986	1,903,216	1,928,532	2,123,382	2,054,102	2,006,904	2,006,904	2,100,904	2,100,904	2,084,535	2,077,012										
Dec-09	2,130,318	2,743,636	2,798,096	2,843,378	2,760,079	2,774,842	2,745,382	2,774,842	2,734,248	2,734,248	2,735,795	2,723,261										
Mar-10	3,960,690	3,809,715	3,973,084	4,091,924	4,351,955	4,329,247	4,329,247	4,296,172	4,359,299	4,426,826												
Jun-10	2,231,305	2,331,753	2,364,717	2,432,917	2,482,099	2,452,932	2,480,546	2,538,130	2,570,977													
Sep-10	3,708,490	3,999,838	4,101,912	4,235,085	4,266,106	4,334,369	4,440,213	4,394,157														
Dec-10	3,886,394	4,868,504	4,953,551	4,995,249	5,201,318	5,340,745																
Mar-11	7,095,694	7,686,522	7,675,650	7,731,594	7,883,627	7,764,743																
Jun-11	4,507,024	5,299,230	5,200,538	5,288,966	5,370,722																	
Sep-11	4,221,011	4,632,808	4,929,299	5,000,502																		
Dec-11	4,195,652	4,413,845	4,583,712																			
Mar-12	5,142,085	5,624,022																				
Jun-12	7,475,097																					

Historical Development Factors

Accident Qtr Ending	Development Age																					
	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to 63	63 to 66	
Sep-06	1.721	1.458	0.998	0.997	1.019	0.976	1.000	1.127	1.068	0.959	1.019	0.977	0.989	1.033	0.779	1.000	1.006	0.980	1.001	1.000	0.988	
Dec-06	1.271	1.053	1.089	0.959	0.987	0.965	0.973	1.029	1.000	1.000	1.000	1.015	1.000	0.940	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Mar-07	1.116	0.977	0.979	0.996	1.001	1.001	1.017	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.001	1.000	1.000	1.000	
Jun-07	0.789	1.036	1.039	0.997	0.995	0.998	0.995	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Sep-07	1.213	1.098	1.017	1.007	1.056	0.982	1.035	0.943	0.994	0.990	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
Dec-07	1.091	1.020	1.020	1.044	0.994	1.000	1.066	0.905	1.000	1.000	1.007	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
Mar-08	1.118	0.964	0.976	1.005	1.049	0.960	1.002	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
Jun-08	0.939	0.977	0.968	0.993	1.014	1.077	1.003	1.272	1.040	0.951	0.980	0.991	1.000	0.968	1.000	0.986						
Sep-08	1.061	1.028	1.027	0.851	0.991	0.995	1.003	1.032	0.986	1.000	1.012	0.995	1.006	0.995	1.000							
Dec-08	0.942	1.015	1.017	0.995	0.997	1.002	0.995	1.077	1.000	1.000	1.000	1.000	1.000	1.000								
Mar-09	1.216	1.026	1.007	1.049	1.050	0.991	0.973	0.954	0.921	1.000	1.000	1.001	0.997									
Jun-09	1.153	1.047	0.959	1.028	0.995	0.981	1.031	1.047	0.973	0.970	1.020	1.005										
Sep-09	1.177	1.041	1.013	1.101	0.967	0.977	1.000	1.047	1.000	0.992	0.996											
Dec-09	1.288	1.020	1.016	0.971	1.005	0.989	0.996	1.000	1.001	0.995												
Mar-10	0.962	1.043	1.030	1.064	0.995	1.000	0.992	1.015	1.015													
Jun-10	1.045	1.014	1.029	1.020	0.988	1.011	1.023	1.013														
Sep-10	1.079	1.026	1.032	1.007	1.016	1.024	0.990															
Dec-10	1.253	1.017	1.008	1.041	1.023	1.004																
Mar-11	1.083	0.999	1.007	1.020	0.985																	
Jun-11	1.176	0.981	1.017	1.015																		
Sep-11	1.098	1.064	1.014																			
Dec-11	1.052	1.038																				
Mar-12	1.094																					

Averages	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to 63	63 to 66	66 to Ult
4 Qtrs Average	1.105	1.021	1.012	1.021	1.003	1.010	1.000	1.019	0.997	0.989	1.004	1.000	1.001	0.991	1.000	0.997	1.000	1.000	1.000	1.000		
8 Qtrs Average	1.110	1.023	1.019	1.030	0.997	0.997	1.000	1.023	0.992	0.989	1.002	0.999	1.000	0.995	1.000	0.998						
12 Qtrs Average	1.122	1.026	1.012	1.014	1.002	1.001	1.006	1.025	0.994	0.992	1.001	0.999										
8 Qtrs Average ex H/L	1.097	1.023	1.019	1.028	0.997	0.996	0.999	1.026	0.996	0.993	1.003	0.999	1.000	0.999	1.000	1.000						
8 Qtrs Vol Weighted	1.111	1.020	1.017	1.027	0.998	1.001	0.997	1.017	0.990	0.991	1.003	0.999	1.000	0.995	1.000	0.998						
12 Qtrs Vol Weighted	1.110	1.022	1.014	1.017	1.002	1.001	1.001	1.016	0.992	0.992	1.002	0.999										
12 Qtr Avg ex H/L	1.133	1.027	1.016	1.021	1.001	0.997	1.004	1.013	0.997	0.995	1.002	0.999										

Selected Factors	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to 63	63 to 66	66 to Ult
Age to Age Factors	1.097	1.023	1.019	1.028	0.998	0.996	0.999	1.017	0.996	0.993	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Quarterly Age to Ultimate Factors	3
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**American Modern Select Insurance Company**  
**Arkansas**  
**Dwelling DP-3**  
**All Classes**

Exhibit 7

Page 1

**Catastrophe Factor**

Data shown is Arkansas American Modern Insurance Group - Site Built Dwelling & Homeowners

Accident Year Ending	(1) Catastrophe Losses*	(2) All Losses*	(3)=(2)-(1) All Losses* Less Catastrophe	(4)=(1)/(3) Catastrophe Ratio	(5) Capped Catastrophe Ratio **	(6)=(4)-(5) Excess Spread to 50 Years
6/30/1993	-	188,472	188,472	0.000	0.000	0.000
6/30/1994	4,407	260,325	255,918	0.017	0.017	0.000
6/30/1995	7,956	322,472	314,516	0.025	0.025	0.000
6/30/1996	18,236	170,684	152,448	0.120	0.120	0.000
6/30/1997	50,599	271,066	220,467	0.230	0.230	0.000
6/30/1998	3,260	142,036	138,776	0.023	0.023	0.000
6/30/1999	171,098	337,798	166,700	1.026	1.026	0.000
6/30/2000	3,191	94,583	91,393	0.035	0.035	0.000
6/30/2001	5,375	108,371	102,995	0.052	0.052	0.000
6/30/2002	10,735	82,023	71,288	0.151	0.151	0.000
6/30/2003	7,547	639,930	632,383	0.012	0.012	0.000
6/30/2004	47,763	435,321	387,558	0.123	0.123	0.000
6/30/2005	3,135	527,712	524,577	0.006	0.006	0.000
6/30/2006	63,040	424,905	361,865	0.174	0.174	0.000
6/30/2007	4,794	385,242	380,448	0.013	0.013	0.000
6/30/2008	828,515	1,339,396	510,881	1.622	1.180	0.442
6/30/2009	564,557	1,223,203	658,647	0.857	0.857	0.000
6/30/2010	42,715	670,384	627,668	0.068	0.068	0.000
6/30/2011	623,543	1,421,622	798,079	0.781	0.781	0.000
6/30/2012	-	1,381,323	1,381,323	0.000	0.000	0.000
Weighted Average***				0.289		
<b>Selected Catastrophe Factor:</b>				<b>0.289</b>		

\* Losses shown are Undeveloped Accident Year Incurred Losses and ALAE.

\*\*\* Capped at 1.18 (2 standard deviations above the mean) with excess spread to 50 years.

**Unallocated Loss Adjustment Expense**

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The ULAE Factor is calculated as a ratio to Incurred Loss and ALAE and is considered in the "loss" side of the indication.

**Consolidated American Modern Insurance Group Data**

<b>Calendar Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>ULAE Incurred</b>	12,288,732	8,611,126	2,723,316
<b>Adjusted Loss and ALAE Incurred</b>	521,315,563	501,701,035	686,413,201
<b>Ratio of ULAE to Incurred Loss &amp; ALAE</b>	2.4%	1.7%	0.4%
<b>2 Year Average</b>			1.1%
<b>Selected ULAE Factor</b>			<b>1.011</b>

**Determination of Permissible Loss Ratio**

	Calendar Year			Budget	Selected
	2009	2010	2011	2012	
(1) Pre-Paid Commissions	16.6%	17.0%	16.5%	16.1%	16.1%
(2) Contingent Commissions	2.9%	1.9%	1.5%	1.5%	1.5%
(3) Other Acquisition Expense	5.3%	4.4%	3.6%	4.4%	4.4%
(4) General Expense	13.1%	11.5%	9.5%	11.6%	11.6%
(5) Taxes, Licenses and Fees	2.8%	2.8%	3.1%		2.9%
(6) Reinsurance Expense				0.8%	0.8%
(7) Total Expense					37.3%
<b>Profit Loading Provision</b>					
(8a) After Tax Return on Equity Goal				15.0%	
(8b) Target Premium to Surplus Ratio				1.8:1	
(8c) After Tax Return on Premium [(a)/(b)]				8.3%	
(8d) After Tax Return Generated by Inv Income				1.5%	
(8e) After Tax Return Needed From Underwriting Profit [(c) - (d)]				6.8%	
(8f) Before Tax Return Needed from Underwriting Profit [(e)/(1.00 - .35)]				10.5%	
(8g) Selected Profit Provision					10.5%
(9) Total Expenses and Profit Provision [(7) + (8)]					47.8%
(10) Permissible Loss & LAE Ratio [(1.000 - (9))					52.2%
(11) Fixed Expense Ratio (100% of Reins Expense)					0.8%
(12) Variable Expense Ratio					47.0%

	Calendar Year		
	2009	2010	2011
Data applied to calculate commission ratio:			
AMS Arkansas Dwelling DP-3 Wr Prem	172,813	285,058	334,399
AMS Arkansas Dwelling DP-3 Pd Comm	28,624	48,391	55,096

	Calendar Year		
	2009	2010	2011
Data applied to calculate Taxes, Licenses and Fees:			
AMS Arkansas Written Premium from all AS Lines	1,324,449	1,797,927	2,159,118
AMS Arkansas Taxes, Licenses & Fees from all AS Lines	36,952	50,702	67,364

**Investment Income Calculation**

**Estimated Investment Earnings on Unearned Premium and Loss Reserves**

<b>A. Unearned Premium Reserve</b>		
(1)	Direct Earned Premium for 2011	\$ 452,518,807
(2)	Mean Unearned Premium Reserve Ratio	48.3%
(3)	Mean Unearned Premium Reserve (1) x (2)	\$ 218,698,028
(4)	Deduction for Prepaid Expenses and Federal Taxes Payable	
(a)	Commission	17.6%
(b)	50% of Other Acquisition	2.2%
(c)	50% of General Expenses	5.8%
(d)	Taxes, Licenses, and Fees	2.9%
(e)	Reinsurance Expense	0.8%
(f)	Subtotal	29.3%
(g)	Federal Taxes Payable	7.0%
(4T)	Total Deductions	36.3%
(5)	Unearned Premium Reserve Subject to Investment (3) x [1.0 - (4T)]	\$ 139,310,644
<b>B. Delayed Remission of Premium (Agent's Balances)</b>		
(1)	Agent's Balance or Uncollected Premium to Unearned Premium	
(a)	Average Agent's Balance	\$ 185,476,434
(b)	Direct Unearned Premium 2011 (All Lines)	\$ 502,468,432
(c)	Ratio (a) / (b)	36.9%
(d)	Direct Unearned Premium 2011 (ASLOB 1 & 2.1 - Fire & Allied Lines)	\$ 137,722,186
(2)	Delayed Remission (1c) x (1d)	\$ 50,837,462
<b>C. Loss and Loss Adjustment Expense Reserve</b>		
(1)	Expected Loss and Loss Adjustment Expense Ratio	52.2%
(2)	Expected Losses and Loss Adjustment Expenses (A.1) x (C.1)	\$ 236,214,817
(3)	Percent of Mean Loss & ALAE Reserves to Incurred Loss & ALAE	
(a)	2011 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	24.7%
(b)	2010 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	33.4%
(c)	Average of Mean Loss Reserve to Incurred Loss Ratios 1/2 x [(a) + (b)]	29.0%
(4)	Expected Mean Loss Reserves (2) x (3c) x .958	\$ 65,731,462
<b>D.</b>	<b>Net Subject to Investment</b>	\$ 154,204,644
	(A.5) - (B.2) + (C.4)	
<b>E.</b>	<b>Before Tax Rate of Return</b>	2.5%
	[Exhibit 10, Page 2]	
<b>F.</b>	<b>Average Rate of Return as a % of Direct Earned Premium</b>	0.9%
	[(D) x (E)] / (A.1)]	
<b>G.</b>	<b>Before Tax Investment Income Return (Including Surplus)</b>	2.2%
	(F) + [(E) x (1.0/Premium to Surplus Ratio)]	
<b>H.</b>	<b>After Tax Average Rate of Return as a Percent of Direct Earned Premium</b>	
(1)	Average Federal Tax Rate on Inv. Inc. (Exhibit 10, Page 2)	33.7%
(2)	After Tax Return Generated by Investment Income (G) x [1.0 - (H.1)]	1.5%

**Investment Income Calculation**

**Average Federal Tax Rate on Investment Income**

	(1) Investment Income 2009 - 2011 (A)	(2) Allocation	(3) Current Tax Rate (B)	(4) Total Tax (2)x(3)
Bonds				
- Taxable	\$79,106,546	93.9%	35.0%	32.9%
- Tax Exempt Municipal	\$3,369,190	4.0%	5.3%	0.2%
Stocks				
- Acquired Prior to 1987	\$0	0.0%	10.5%	0.0%
- Acquired After 1987	\$578,537	0.7%	14.2%	0.1%
Short Term Investments	\$1,167,269	1.4%	35.0%	0.5%
<b>Total</b>	<b>\$84,221,542</b>	<b>100.0%</b>		<b>33.7%</b>

Notes:

- (A) From American Modern Insurance Group Annual Statement, Part 1
- (B) Under the 1986 Tax Reform Act, 15% of formerly tax-exempt income from securities purchased after August 7, 1986 is now taxable. Thus the estimated effective tax rates in 2012 will be:

Ordinary Income =	35.0%
Tax Exempt Municipal - 35.0% x 15.0% =	5.3%
Stock Dividends (Acquired after 1987) - 40.5% x 35.0% =	14.2%
Stock Dividends (Acquired before 1987) - 30.0% x 35.0% =	10.5%

**Investment Income as a Percentage of Invested Assets**

2000	5.0%
2001	5.2%
2002	5.2%
2003	4.5%
2004	4.3%
2005	4.4%
2006	4.5%
2007	4.6%
2008	4.4%
2009	2.6%
2010	3.2%
2011	3.0%
Twelve Year Average	4.2%
Latest Six Year Average	3.7%
Latest Year	3.0%
Projected 2012 (12 Year Trend)	2.9%
Projected 2012 ( 6 Year Trend)	2.4%

**Selected 2012 Rate of Return**

Before Tax	2.5% *
After Tax [(1-0.337) x 2.5%]	1.7%

\* 2.5% selected based on change in investment philosophy due to the purchase of the American Modern Insurance Group by Munich Re. Specifically, Munich Re requires that investments for companies owned should not have "risk". This leads to a lower rate of return than we've seen in the past.

## By Line Explanation of Investment Income Calculation

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### Line A-1

Direct Earned Premium is total limits earned premium for the captioned program written by the American Modern Insurance Group for the latest accident year.

### Line A-2, A-3

The mean unearned premium reserve is determined by the average of the latest two years unearned premiums for the American Modern Insurance Group.

### Line A-4

Deductions for prepaid expenses:

Production costs and a large portion of other company expenses connected with the writing and handling of insurance policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before premium is paid. Therefore, the deduction of these expenses is determined by use of provisions for expenses used in our ratemaking procedures as shown. These provisions are based on the above referenced company's data as shown in Exhibit 9.

### Line A-4 Federal Taxes Payable

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 35%, this tax equals 7.0% ( $.20 \times .35 = .070$ ) of the unearned premium reserve.

### Line B-1

Delayed remission of premium:

This deduction is necessary due to the delay in collection and remission of premium to the company beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus, and are not available for investment.

### Line B-1(c)

Average agent's balances as a percentage of 2011 Direct Unearned Premium (All Lines)

### Line C-1

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing. See Exhibit 9.

### Line C-3

Mean loss reserve are determined by averaging the reserves at the beginning and ending of the year in question, and dividing by that year's loss and loss adjustment expenses. This ratio is based on countrywide data for the American Modern Insurance Group countrywide data for the American Modern Insurance Group.

### Line C-4

The expected mean loss reserve is determined by multiplying the expected incurred losses in Line C-2 by the average ratio of the mean loss & loss adjustment reserves to the incurred losses & loss adjustment expenses from Line C-4. Then an adjustment for the estimated Federal Income Taxes payable due to discounting of loss reserves is added. The estimated reserve discount is 12% (based on all company data provided by the A.M. Best Company), the federal taxes payable (expressed as a % of reserves) is 4.2% ( $.12 \times .35 = .042$ ), and the appropriate adjustment is .958 ( $1.000 - .042 = .958$ ).

### Line E

This rate of return in the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends and real estate income due and accrued) for the American Modern Insurance Group.

### Line H-1

The average rate of Federal Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2009 - 2011 for the American Modern Insurance Group. See Page 2 of this exhibit.

Complement of Credibility Calculation

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	DP-3
(1) Permissible Loss & LAE Ratio	0.522
(2) Proposed Renewal Effective Date	1/1/2014
(3) Effective Date of Current Rates	1/15/2013
(4) Time Period in Years $\{[(2) - (3)] / 365\}$ **	0.961
(5) Annual Premium Trend	-1.7%
(6) Annual Loss Trend	0.5%
(7) Ann Loss Ratio Trend $\{[1 + (6)] / [1 + (5)] - 1\}$	2.3%
(8) Selected Trend Factor $\{[1 + (7)] ^ (4)\}$	1.022
(9) Complement of Credibility = $\{(1) * (8)\}$	0.533

\*\* Capped at a minimum of 0.5 and a maximum of 1 year(s)

**American Modern Select Insurance Company**  
**Arkansas**  
**Dwelling Vacant**

**Exhibit 1**  
**Page 1**

Proposed Effective Date: 1/1/2014

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	<b>Premium in Force at 3/31/2013</b>	<b>Premium in Force Distribution</b>	<b>Indication</b>
Dwelling Vacant	\$421,305	100.0%	-0.4%

## **Explanatory Memorandum**

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The purpose of the indication is to evaluate the rate level adequacy of the above captioned program in this state. In the evaluation, we take historical premiums and losses from our experience period and project them into a future effective period - our estimate of the time period the proposed rates will be in effect. Data shown is on a direct basis, and is organized on a 12 month rolling accident year basis.

### **Assumptions and Methodologies**

1. On Exhibits 1 and 2 we show the overall rate level indication for this product. The data adjustments used and calculations are described in the following paragraphs.
2. Earned Premiums are adjusted to current rate levels by program and then trended using the factors described below.
  - a. Rate Level Adjustment Factors take into account any approved rate changes that have an impact on the experience period. Quarterly factors (rather than annual factors) are calculated to improve accuracy. We use the average policy term length of each program, and assume the premium is earned equally throughout experience quarters. The calculated factor reflects the final rate level divided by the average rate level for each quarter. These are weighted together to obtain the annual adjustments shown here. By applying this factor to past premium, the adjustment reflects the amount of premium earned at the current rate level. Exhibit 3 outlines the Rate Level History and Rate Level Adjustment Factors.
  - b. The Premium Trend projects the current level premium in our experience periods to the average date the proposed rates will be in effect. We estimate the change in premium values over time by fitting exponential curves to various periods of current level average earned premiums by program or coverage for the state. Historical and Prospective Premium Trend Factors are selected taking into consideration the number of years experience used in the indication. The Historical Trend selection is applied using a time period from the mid-point of the experience period to the midpoint of the latest quarter of data available. The Prospective Trend selection is applied using a time period starting where the historical factor ended to the midpoint of the time the rates are anticipated to be in effect. Please see Exhibit 4.
3. Incurred Losses and ALAE are adjusted using the factors described below.
  - a. If appropriate for the indication in question, catastrophe losses are subtracted from the total losses and treated separately.
  - b. The Loss & ALAE Trend Factor projects the value of losses in our experience periods to the average date the proposed rates will be in effect. We estimate the change in loss values over time by fitting exponential curves to 5 years (20 groups of rolling 4 quarters) of Accident Year frequency and severity data. We select historical and prospective frequency and severity trends taking into consideration the number of years experience used in the indication. These are multiplied together to obtain the pure premium trend. The Historical Pure Premium Trend is applied using a time period from the mid-point of the experience period to the mid-point of the latest quarter of data used. The Prospective Pure Premium Trend is applied using a time period starting where the historical period ends, to the midpoint of the time the rates are anticipated to be in effect. Please see Exhibit 5.

## **Explanatory Memorandum**

- c. Accident Year Incurred Losses & ALAE are used in the rate indication; therefore, losses for each year may not be fully developed. The Loss & ALAE Development Factor estimates the further development of these losses by analyzing historical patterns of American Modern Insurance Group non-catastrophe losses. We calculate quarterly factors and weight them together using each year's latest incurred losses to obtain annual numbers. Please see Exhibit 6.
  - d. A ULAE Factor is applied to the Incurred Loss & ALAE to obtain Incurred Losses & LAE. The factor is calculated based on the average ratio of historical ULAE to historical Incurred Loss & ALAE in the latest 2 years. Please see Exhibit 8.
  - e. The Catastrophe Load allows us to use a longer experience period to control our response to unpredictable large loss events. We rely on ISO to identify catastrophes. That definition is any event that causes a loss of at least \$25 million to the insurance industry and has a sufficient number of claims. Our adjustment involves removing such losses and applying a historical average. This provides incurred losses indicative of normal catastrophic activity for our experience period. Please see Exhibit 7 for a further description of the method used.
  - f. The Cat Factor is applied to the Trended, Adjusted Non-Cat IL & LAE to obtain the Catastrophe IL & LAE.
  - g. The Total Adjusted Incurred Loss and LAE is the sum of the Trended Adjusted IL & LAE Excl Cat and the Trended Adjusted Cat Incurred Loss & LAE .
4. The Adjusted Loss and LAE Ratio is the Total Trended Adjusted Incurred Loss & LAE divided by the Trended Current Level Earned Premium.
  5. Normally, Accident Year weights are judgmentally selected to place greater weight on the more recent year's experience. However, when a program is growing rapidly, accident year weights may be based on Earned Premiums to avoid having an earlier year affecting the indication more than it should. Consideration may also be given to using even weights on all years when the Adjusted Loss and LAE Ratio are extremely volatile by year.
  6. The Weighted Experience Loss and LAE Ratio is the weighted average of the individual years Adjusted Loss and LAE Ratios and the Accident Year Weights.

## **Explanatory Memorandum**

7. The Permissible Loss and LAE Ratio Fixed Expense Ratio and Variable Permissible Loss Ratio Calculations may be found in Exhibit 9. This calculation includes determination of a profit provision.
  - a. The derivation of the Pre-Paid Commissions and Taxes, Licenses and Fees may be found at the bottom of this exhibit. Other Acquisition and General Expenses are based on Countrywide, Company Data for the Program being evaluated. The Reinsurance Expense is designed to cover the cost of our catastrophe and excess of loss experience contracts. It is a net provision determined by reinsurance premium minus estimated reinsurance recoveries.
  - b. The Profit Provision is based on a 15% Targeted After Tax Return on Equity and a 1.8:1 Targeted Premium to Surplus Ratio.
  - c. Return on Investment Income is based on the Clifford/Sterling Formula. This calculation, and an explanation of the calculation, may be found in Exhibit 10.
8. The Complement of Credibility is the Trended Permissible Loss Ratio. A Loss Ratio Trend is determined based on the prospective premium and loss trends. A time exponent based on the time from our last revision to the proposed effective date, capped at 1 years, is applied. Exhibit 11 contains the calculations.
9. Credibility is based on the square root rule, with full credibility at 25000 Earned Exposures.
10. The Credibility Weighted Loss and LAE Ratio is calculated by credibility weighting the Weighted Experience Loss & LAE Ratio and the Complement of Credibility - Trended Permissible.
11. The Indicated Rate Level Change is calculated as the  $((\text{Credibility Weighted Loss \& LAE Ratio} + \text{Fixed Expense Ratio}) / \text{Variable Expense Ratio}) - 1$

**Rate Level Indications**

	<b>Accident Year Ending</b>				
	<b>3/31/2009</b>	<b>3/31/2010</b>	<b>3/31/2011</b>	<b>3/31/2012</b>	<b>3/31/2013</b>
(1) Earned Exposures	313	258	303	384	401
(2) Earned Premium	317,870	240,050	282,207	376,700	374,163
(3) Rate Level Adjustment Factor	0.793	0.806	0.887	0.896	0.988
(4) Current Level Earned Premium	252,125	193,413	250,215	337,550	369,558
(5) Premium Trend Factor	1.003	1.000	0.997	0.993	0.990
(6) Trended Current Level Earned Premium	252,881	193,413	249,465	335,187	365,862
(7) Total Incurred Losses & ALAE	136,820	75,496	61,894	249,465	49,091
(8) Catastrophe Incurred Losses and ALAE	95,267	31,359	8,084	79,345	452
(9) IL & ALAE Excl Cat	41,553	44,137	53,810	170,120	48,638
(10) Incurred Loss & ALAE Trend Factor	1.481	1.381	1.289	1.202	1.121
(11) Incurred Loss & ALAE Development Factor	1.000	1.000	1.002	1.006	1.043
(12) ULAE Factor (to IL & ALAE)	1.011	1.011	1.011	1.011	1.011
(13) Trended Adjusted IL & LAE Excl Cat	62,217	61,623	70,265	207,974	57,494
(14) Catastrophe Factor	0.289	0.289	0.289	0.289	0.289
(15) Trended Adjusted Cat Incurred Loss & LAE	17,981	17,809	20,307	60,105	16,616
(16) Total Trended Adjusted Incurred Loss & LAE	80,198	79,432	90,572	268,079	74,110
(17) Adjusted Loss & LAE Ratio *	0.317	0.411	0.363	0.800	0.203
(18) Accident Year Weights	0.10	0.15	0.20	0.25	0.30
(19) Non-Catastrophe Reported Claim Counts	17	11	14	29	22
(20) Weighted Experience Loss & LAE Ratio					0.427
(21) Permissible Loss & LAE Ratio					0.517
(22) Fixed Expense Ratio					0.006
(23) Variable Expense Ratio					0.477
(24) Complement of Credibility - Trended Permissible					0.546
(25) Credibility (Square Root Rule, Full Credibility = 25000 Earned Exposures)					0.258
(26) Credibility Weighted Loss & LAE Ratio					0.515
(27) <b>Credibility Weighted Indicated Rate Level Change</b>					<b>-0.4%</b>

Rate History

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Rate Changes

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Effective Date	VACANT
12/24/2011	-11.0%
11/1/2009	-10.8%
12/15/2007	-1.5%

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Rate Level Adjustment Factor

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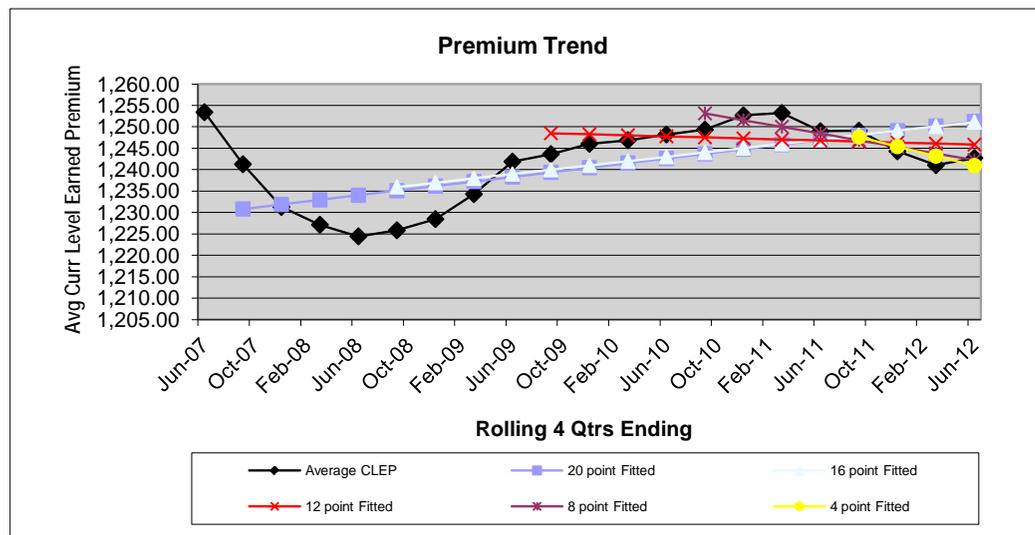
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Accident Year Ending	VACANT
3/31/2009	0.793
3/31/2010	0.806
3/31/2011	0.887
3/31/2012	0.896
3/31/2013	0.988

Premium Trend

4 Qtrs Ending	Current Level Earned Premium	Earned Exposures	Average CLEP	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
6/30/2007	7,014,923	5,597	1,253.40					
9/30/2007	7,622,175	6,141	1,241.26	1,230.81				
12/31/2007	8,283,305	6,727	1,231.28	1,231.88				
3/31/2008	9,079,584	7,399	1,227.12	1,232.95				
6/30/2008	9,927,540	8,108	1,224.42	1,234.02				
9/30/2008	10,862,114	8,861	1,225.85	1,235.09	1,235.96			
12/31/2008	11,804,128	9,609	1,228.46	1,236.16	1,236.96			
3/31/2009	12,824,872	10,391	1,234.27	1,237.23	1,237.97			
6/30/2009	13,942,611	11,227	1,241.88	1,238.31	1,238.97			
9/30/2009	14,996,291	12,058	1,243.63	1,239.38	1,239.98	1,248.50		
12/31/2009	16,128,312	12,944	1,246.04	1,240.46	1,240.99	1,248.26		
3/31/2010	17,334,239	13,902	1,246.87	1,241.54	1,242.00	1,248.02		
6/30/2010	18,670,241	14,958	1,248.21	1,242.62	1,243.00	1,247.77		
9/30/2010	20,114,586	16,100	1,249.33	1,243.69	1,244.01	1,247.53	1,253.14	
12/31/2010	21,738,139	17,353	1,252.67	1,244.77	1,245.02	1,247.29	1,251.57	
3/31/2011	23,406,740	18,677	1,253.22	1,245.86	1,246.04	1,247.05	1,250.00	
6/30/2011	24,966,566	19,990	1,248.97	1,246.94	1,247.05	1,246.80	1,248.44	
9/30/2011	26,521,919	21,233	1,249.09	1,248.02	1,248.06	1,246.56	1,246.88	1,247.63
12/31/2011	27,837,024	22,372	1,244.27	1,249.10	1,249.07	1,246.32	1,245.32	1,245.40
3/31/2012	29,091,593	23,441	1,241.04	1,250.19	1,250.09	1,246.08	1,243.76	1,243.17
6/30/2012	30,321,841	24,399	1,242.73	1,251.27	1,251.10	1,245.83	1,242.21	1,240.94

Annual Premium Trend	
20 point fit	0.3%
16 point fit	0.3%
12 point fit	-0.1%
8 point fit	-0.5%
4 point fit	-0.7%
<b>Historical Selected</b>	<b>0.3%</b>
<b>Prospective Selected</b>	<b>-0.6%</b>



Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
3/31/2009	9/30/2008	2/15/2013	4.375	2/15/2013	1/1/2015	1.878	<b>1.003</b>
3/31/2010	9/30/2009	2/15/2013	3.375	2/15/2013	1/1/2015	1.878	<b>1.000</b>
3/31/2011	9/30/2010	2/15/2013	2.375	2/15/2013	1/1/2015	1.878	<b>0.997</b>
3/31/2012	9/30/2011	2/15/2013	1.375	2/15/2013	1/1/2015	1.878	<b>0.993</b>
3/31/2013	9/30/2012	2/15/2013	0.375	2/15/2013	1/1/2015	1.878	<b>0.990</b>

Loss Trend

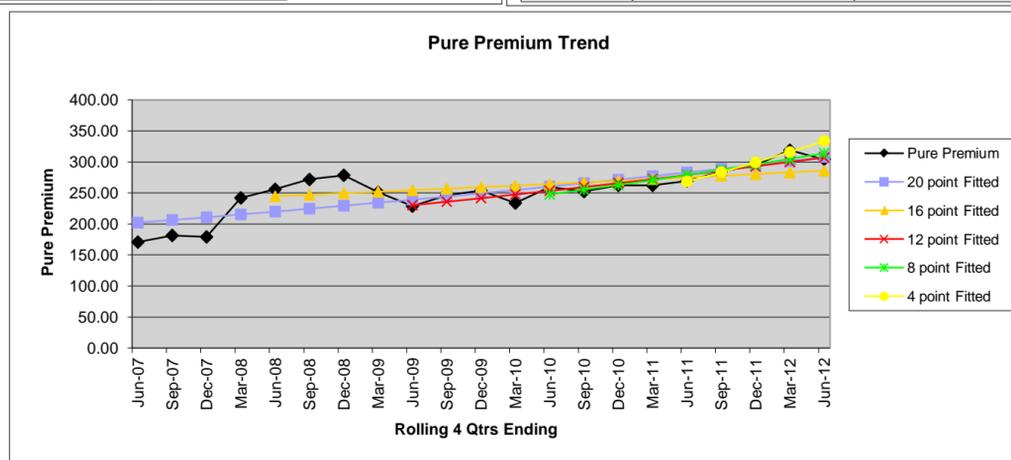
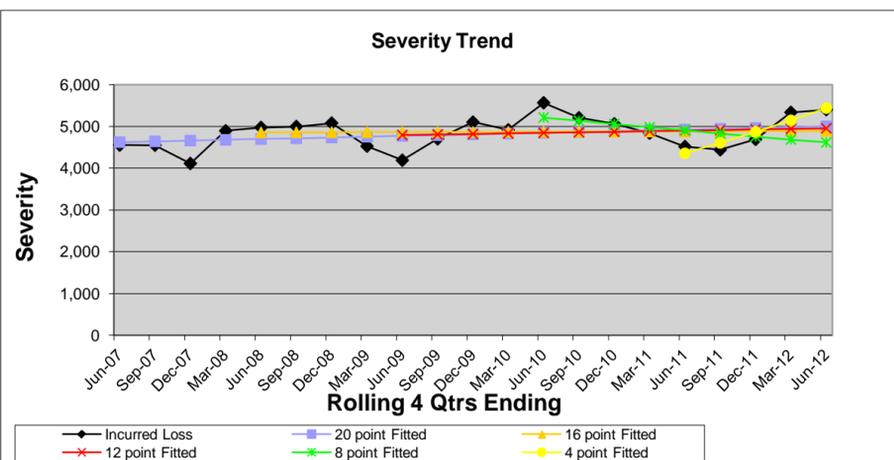
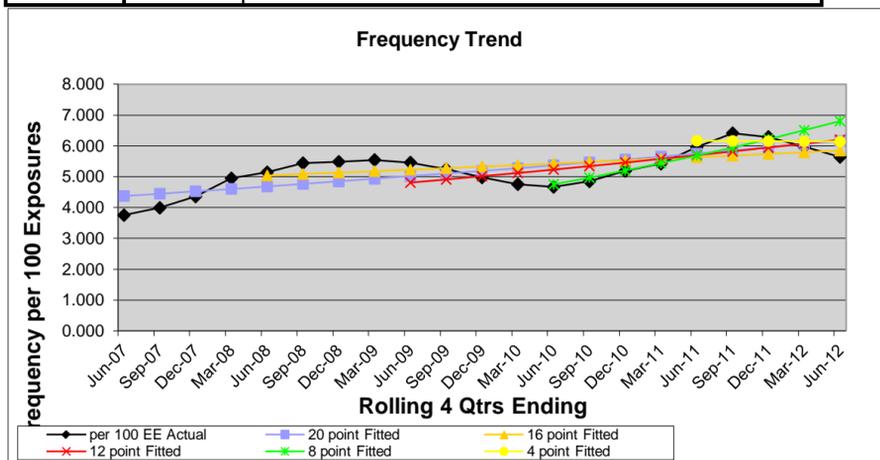
Loss Trend Based on Countrywide - American Modern Insurance Group Data Excluding Catastrophe Losses

Accident Period 4 Qtrs Ending	Ultimate Reported Claim Counts	Ultimate Non-Cat Incurred Loss & ALAE	Earned Exposures	Frequency					Severity						
				Frequency per 100 EE Actual	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted	Average Incurred Loss	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
				6/30/2007	210	955,833	5,597	3.752	4.374					4,552	4,623
9/30/2007	245	1,114,619	6,141	3.990	4.449					4,549	4,641				
12/31/2007	293	1,205,070	6,727	4.355	4.526					4,113	4,659				
3/31/2008	366	1,791,039	7,399	4.947	4.604					4,894	4,678				
6/30/2008	417	2,074,259	8,108	5.143	4.684	5.039				4,974	4,696	4,855			
9/30/2008	482	2,407,926	8,861	5.440	4.765	5.086				4,996	4,714	4,858			
12/31/2008	527	2,676,441	9,609	5.484	4.847	5.133				5,079	4,733	4,860			
3/31/2009	576	2,607,372	10,391	5.543	4.930	5.181				4,527	4,751	4,862			
6/30/2009	613	2,567,841	11,227	5.460	5.015	5.229	4.808			4,189	4,770	4,864	4,791		
9/30/2009	632	2,972,186	12,058	5.241	5.102	5.278	4.911			4,703	4,789	4,866	4,805		
12/31/2009	644	3,284,775	12,944	4.975	5.190	5.327	5.016			5,101	4,808	4,868	4,818		
3/31/2010	661	3,249,692	13,902	4.755	5.280	5.377	5.124			4,916	4,826	4,870	4,831		
6/30/2010	698	3,883,965	14,958	4.667	5.371	5.427	5.233	4.752		5,564	4,845	4,872	4,845	5,212	
9/30/2010	780	4,061,219	16,100	4.846	5.463	5.477	5.345	4.970		5,205	4,864	4,874	4,858	5,134	
12/31/2010	900	4,553,385	17,353	5.185	5.558	5.528	5.460	5.198		5,061	4,884	4,876	4,872	5,056	
3/31/2011	1,012	4,898,601	18,677	5.420	5.654	5.580	5.577	5.436		4,839	4,903	4,878	4,885	4,980	
6/30/2011	1,191	5,380,226	19,990	5.959	5.751	5.632	5.696	5.686	6.166	4,517	4,922	4,880	4,899	4,904	4,355
9/30/2011	1,361	6,043,110	21,233	6.411	5.850	5.684	5.818	5.946	6.159	4,440	4,941	4,882	4,912	4,830	4,603
12/31/2011	1,407	6,599,046	22,372	6.291	5.951	5.737	5.942	6.219	6.153	4,689	4,961	4,884	4,926	4,757	4,865
3/31/2012	1,401	7,472,320	23,441	5.975	6.054	5.791	6.069	6.504	6.146	5,335	4,980	4,886	4,939	4,685	5,143
6/30/2012	1,376	7,429,479	24,399	5.639	6.158	5.845	6.199	6.802	6.139	5,400	5,000	4,888	4,953	4,615	5,436

Accident Period 4 Qtrs Ending	Pure Premium					
	Pure Premium	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
6/30/2007	170.79	202.20				
9/30/2007	181.51	206.50				
12/31/2007	179.13	210.89				
3/31/2008	242.06	215.37				
6/30/2008	255.83	219.94	244.66			
9/30/2008	271.75	224.62	247.05			
12/31/2008	278.54	229.39	249.45			
3/31/2009	250.93	234.27	251.88			
6/30/2009	228.72	239.24	254.34	230.40		
9/30/2009	246.48	244.33	256.81	235.98		
12/31/2009	253.77	249.52	259.32	241.69		
3/31/2010	233.75	254.82	261.84	247.55		
6/30/2010	259.66	260.24	264.39	253.54	247.69	
9/30/2010	252.25	265.76	266.97	259.68	255.14	
12/31/2010	262.39	271.41	269.57	265.98	262.81	
3/31/2011	262.28	277.18	272.19	272.42	270.71	
6/30/2011	269.15	283.07	274.84	279.02	278.84	268.52
9/30/2011	284.61	289.08	277.52	285.77	287.22	283.51
12/31/2011	294.97	295.23	280.22	292.70	295.86	299.34
3/31/2012	318.77	301.50	282.95	299.79	304.75	316.06
6/30/2012	304.49	307.91	285.71	307.05	313.91	333.71

Annual Loss Trend			
	Frequency	Severity	Pure Premium
20 point fit	7.1%	1.6%	8.8%
16 point fit	3.8%	0.2%	4.0%
12 point fit	8.8%	1.1%	10.0%
8 point fit	19.6%	-5.9%	12.6%
4 point fit	-0.4%	24.8%	24.3%
Historical Selected	5.5%	1.6%	7.2%
Prospective Selected	3.0%	2.0%	5.1%

Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
3/31/2009	9/30/2008	11/15/2012	4.125	11/15/2012	1/1/2015	2.128	1.481
3/31/2010	9/30/2009	11/15/2012	3.125	11/15/2012	1/1/2015	2.128	1.381
3/31/2011	9/30/2010	11/15/2012	2.125	11/15/2012	1/1/2015	2.128	1.289
3/31/2012	9/30/2011	11/15/2012	1.125	11/15/2012	1/1/2015	2.128	1.202
3/31/2013	9/30/2012	11/15/2012	0.125	11/15/2012	1/1/2015	2.128	1.121





**American Modern Select Insurance Company**  
**Arkansas**  
**Dwelling Vacant**  
**All Classes**

Exhibit 7

Page 1

**Catastrophe Factor**

Data shown is Arkansas American Modern Insurance Group - Site Built Dwelling & Homeowners

Accident Year Ending	(1) Catastrophe Losses*	(2) All Losses*	(3)=(2)-(1) All Losses* Less Catastrophe	(4)=(1)/(3) Catastrophe Ratio	(5) Capped Catastrophe Ratio **	(6)=(4)-(5) Excess Spread to 50 Years
6/30/1993	-	188,472	188,472	0.000	0.000	0.000
6/30/1994	4,407	260,325	255,918	0.017	0.017	0.000
6/30/1995	7,956	322,472	314,516	0.025	0.025	0.000
6/30/1996	18,236	170,684	152,448	0.120	0.120	0.000
6/30/1997	50,599	271,066	220,467	0.230	0.230	0.000
6/30/1998	3,260	142,036	138,776	0.023	0.023	0.000
6/30/1999	171,098	337,798	166,700	1.026	1.026	0.000
6/30/2000	3,191	94,583	91,393	0.035	0.035	0.000
6/30/2001	5,375	108,371	102,995	0.052	0.052	0.000
6/30/2002	10,735	82,023	71,288	0.151	0.151	0.000
6/30/2003	7,547	639,930	632,383	0.012	0.012	0.000
6/30/2004	47,763	435,321	387,558	0.123	0.123	0.000
6/30/2005	3,135	527,712	524,577	0.006	0.006	0.000
6/30/2006	63,040	424,905	361,865	0.174	0.174	0.000
6/30/2007	4,794	385,242	380,448	0.013	0.013	0.000
6/30/2008	828,515	1,339,396	510,881	1.622	1.180	0.442
6/30/2009	564,557	1,223,203	658,647	0.857	0.857	0.000
6/30/2010	42,715	670,384	627,668	0.068	0.068	0.000
6/30/2011	623,543	1,421,622	798,079	0.781	0.781	0.000
6/30/2012	-	1,381,323	1,381,323	0.000	0.000	0.000

Weighted Average\*\*\* 0.289

**Selected Catastrophe Factor:** 0.289

\* Losses shown are Undeveloped Accident Year Incurred Losses and ALAE.

\*\*\* Capped at 1.18 (2 standard deviations above the mean) with excess spread to 50 years.

**American Modern Select Insurance Company  
Arkansas  
Dwelling Vacant**

**Exhibit 8**

**Unallocated Loss Adjustment Expense**

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The ULAE Factor is calculated as a ratio to Incurred Loss and ALAE and is considered in the "loss" side of the indication.

**Consolidated American Modern Insurance Group Data**

<b>Calendar Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>ULAE Incurred</b>	12,288,732	8,611,126	2,723,316
<b>Adjusted Loss and ALAE Incurred</b>	521,315,563	501,701,035	686,413,201
<b>Ratio of ULAE to Incurred Loss &amp; ALAE</b>	2.4%	1.7%	0.4%
<b>2 Year Average</b>			1.1%
<b>Selected ULAE Factor</b>			<b>1.011</b>

**Determination of Permissible Loss Ratio**

	Calendar Year			Budget	Selected
	2009	2010	2011	2012	
(1) Pre-Paid Commissions	16.7%	16.6%	16.2%	16.8%	16.8%
(2) Contingent Commissions	2.9%	1.9%	1.5%	1.5%	1.5%
(3) Other Acquisition Expense	5.1%	4.4%	3.6%	4.4%	4.4%
(4) General Expense	13.1%	11.5%	9.5%	11.6%	11.6%
(5) Taxes, Licenses and Fees	2.8%	2.8%	3.1%		2.9%
(6) Reinsurance Expense				0.6%	0.6%
(7) Total Expense					37.8%

Profit Loading Provision		
(8a) After Tax Return on Equity Goal		15.0%
(8b) Target Premium to Surplus Ratio		1.8:1
(8c) After Tax Return on Premium [(a)/(b)]		8.3%
(8d) After Tax Return Generated by Inv Income		1.5%
(8e) After Tax Return Needed From Underwriting Profit [(c) - (d)]		6.9%
(8f) Before Tax Return Needed from Underwriting Profit [(e)/(1.00 - .35)]		10.5%
(8g) Selected Profit Provision		10.5%

(9) Total Expenses and Profit Provision [(7) + (8)]	48.3%
(10) Permissible Loss & LAE Ratio [(1.000 - (9))]	51.7%
(11) Fixed Expense Ratio (100% of Reins Expense)	0.6%
(12) Variable Expense Ratio	47.7%

Data applied to calculate commission ratio:	Calendar Year		
	2009	2010	2011
AMS Arkansas Dwelling Vacant Wr Prem	251,812	319,718	382,308
AMS Arkansas Dwelling Vacant Pd Comm	42,016	53,103	61,886

Data applied to calculate Taxes, Licenses and Fees:	Calendar Year		
	2009	2010	2011
AMS Arkansas Written Premium from all AS Lines	1,324,449	1,797,927	2,159,118
AMS Arkansas Taxes, Licenses & Fees from all AS Lines	36,952	50,702	67,364

**Investment Income Calculation**

**Estimated Investment Earnings on Unearned Premium and Loss Reserves**

<b>A. Unearned Premium Reserve</b>		
(1)	Direct Earned Premium for 2011	\$ 452,518,807
(2)	Mean Unearned Premium Reserve Ratio	48.3%
(3)	Mean Unearned Premium Reserve (1) x (2)	\$ 218,698,028
(4)	Deduction for Prepaid Expenses and Federal Taxes Payable	
(a)	Commission	18.3%
(b)	50% of Other Acquisition	2.2%
(c)	50% of General Expenses	5.8%
(d)	Taxes, Licenses, and Fees	2.9%
(e)	Reinsurance Expense	0.6%
(f)	Subtotal	29.8%
(g)	Federal Taxes Payable	7.0%
(4T)	Total Deductions	36.8%
(5)	Unearned Premium Reserve Subject to Investment (3) x [1.0 - (4T)]	\$ 138,217,154
<b>B. Delayed Remission of Premium (Agent's Balances)</b>		
(1)	Agent's Balance or Uncollected Premium to Unearned Premium	
(a)	Average Agent's Balance	\$ 185,476,434
(b)	Direct Unearned Premium 2011 (All Lines)	\$ 502,468,432
(c)	Ratio (a) / (b)	36.9%
(d)	Direct Unearned Premium 2011 (ASLOB 1 & 2.1 - Fire & Allied Lines)	\$ 137,722,186
(2)	Delayed Remission (1c) x (1d)	\$ 50,837,462
<b>C. Loss and Loss Adjustment Expense Reserve</b>		
(1)	Expected Loss and Loss Adjustment Expense Ratio	51.7%
(2)	Expected Losses and Loss Adjustment Expenses (A.1) x (C.1)	\$ 233,952,223
(3)	Percent of Mean Loss & ALAE Reserves to Incurred Loss & ALAE	
(a)	2011 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	24.7%
(b)	2010 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	33.4%
(c)	Average of Mean Loss Reserve to Incurred Loss Ratios 1/2 x [(a) + (b)]	29.0%
(4)	Expected Mean Loss Reserves (2) x (3c) x .958	\$ 65,101,850
<b>D.</b>	<b>Net Subject to Investment</b>	\$ 152,481,542
	(A.5) - (B.2) + (C.4)	
<b>E.</b>	<b>Before Tax Rate of Return</b>	2.5%
	[Exhibit 10, Page 2]	
<b>F.</b>	<b>Average Rate of Return as a % of Direct Earned Premium</b>	0.8%
	[(D) x (E)] / (A.1)]	
<b>G.</b>	<b>Before Tax Investment Income Return (Including Surplus)</b>	2.2%
	(F) + [(E) x (1.0/Premium to Surplus Ratio)]	
<b>H.</b>	<b>After Tax Average Rate of Return as a Percent of Direct Earned Premium</b>	
(1)	Average Federal Tax Rate on Inv. Inc. (Exhibit 10, Page 2)	33.7%
(2)	After Tax Return Generated by Investment Income (G) x [1.0 - (H.1)]	1.5%

**Investment Income Calculation**

**Average Federal Tax Rate on Investment Income**

	(1) Investment Income 2009 - 2011 (A)	(2) Allocation	(3) Current Tax Rate (B)	(4) Total Tax (2)x(3)
Bonds				
- Taxable	\$79,106,546	93.9%	35.0%	32.9%
- Tax Exempt Municipal	\$3,369,190	4.0%	5.3%	0.2%
Stocks				
- Acquired Prior to 1987	\$0	0.0%	10.5%	0.0%
- Acquired After 1987	\$578,537	0.7%	14.2%	0.1%
Short Term Investments	\$1,167,269	1.4%	35.0%	0.5%
<b>Total</b>	<b>\$84,221,542</b>	<b>100.0%</b>		<b>33.7%</b>

Notes:

- (A) From American Modern Insurance Group Annual Statement, Part 1
- (B) Under the 1986 Tax Reform Act, 15% of formerly tax-exempt income from securities purchased after August 7, 1986 is now taxable. Thus the estimated effective tax rates in 2012 will be:

Ordinary Income =	35.0%
Tax Exempt Municipal - 35.0% x 15.0% =	5.3%
Stock Dividends (Acquired after 1987) - 40.5% x 35.0% =	14.2%
Stock Dividends (Acquired before 1987) - 30.0% x 35.0% =	10.5%

**Investment Income as a Percentage of Invested Assets**

2000	5.0%
2001	5.2%
2002	5.2%
2003	4.5%
2004	4.3%
2005	4.4%
2006	4.5%
2007	4.6%
2008	4.4%
2009	2.6%
2010	3.2%
2011	3.0%
Twelve Year Average	4.2%
Latest Six Year Average	3.7%
Latest Year	3.0%
Projected 2012 (12 Year Trend)	2.9%
Projected 2012 ( 6 Year Trend)	2.4%

**Selected 2012 Rate of Return**

Before Tax	2.5% *
After Tax [(1-0.337) x 2.5%]	1.7%

\* 2.5% selected based on change in investment philosophy due to the purchase of the American Modern Insurance Group by Munich Re. Specifically, Munich Re requires that investments for companies owned should not have "risk". This leads to a lower rate of return than we've seen in the past.

## By Line Explanation of Investment Income Calculation

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### Line A-1

Direct Earned Premium is total limits earned premium for the captioned program written by the American Modern Insurance Group for the latest accident year.

### Line A-2, A-3

The mean unearned premium reserve is determined by the average of the latest two years unearned premiums for the American Modern Insurance Group.

### Line A-4

Deductions for prepaid expenses:

Production costs and a large portion of other company expenses connected with the writing and handling of insurance policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before premium is paid. Therefore, the deduction of these expenses is determined by use of provisions for expenses used in our ratemaking procedures as shown. These provisions are based on the above referenced company's data as shown in Exhibit 9.

### Line A-4 Federal Taxes Payable

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 35%, this tax equals 7.0% ( $.20 \times .35 = .070$ ) of the unearned premium reserve.

### Line B-1

Delayed remission of premium:

This deduction is necessary due to the delay in collection and remission of premium to the company beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus, and are not available for investment.

### Line B-1(c)

Average agent's balances as a percentage of 2011 Direct Unearned Premium (All Lines)

### Line C-1

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing. See Exhibit 9.

### Line C-3

Mean loss reserve are determined by averaging the reserves at the beginning and ending of the year in question, and dividing by that year's loss and loss adjustment expenses. This ratio is based on countrywide data for the American Modern Insurance Group countrywide data for the American Modern Insurance Group.

### Line C-4

The expected mean loss reserve is determined by multiplying the expected incurred losses in Line C-2 by the average ratio of the mean loss & loss adjustment reserves to the incurred losses & loss adjustment expenses from Line C-4. Then an adjustment for the estimated Federal Income Taxes payable due to discounting of loss reserves is added. The estimated reserve discount is 12% (based on all company data provided by the A.M. Best Company), the federal taxes payable (expressed as a % of reserves) is 4.2% ( $.12 \times .35 = .042$ ), and the appropriate adjustment is .958 ( $1.000 - .042 = .958$ ).

### Line E

This rate of return in the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends and real estate income due and accrued) for the American Modern Insurance Group.

### Line H-1

The average rate of Federal Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2009 - 2011 for the American Modern Insurance Group. See Page 2 of this exhibit.

Complement of Credibility Calculation

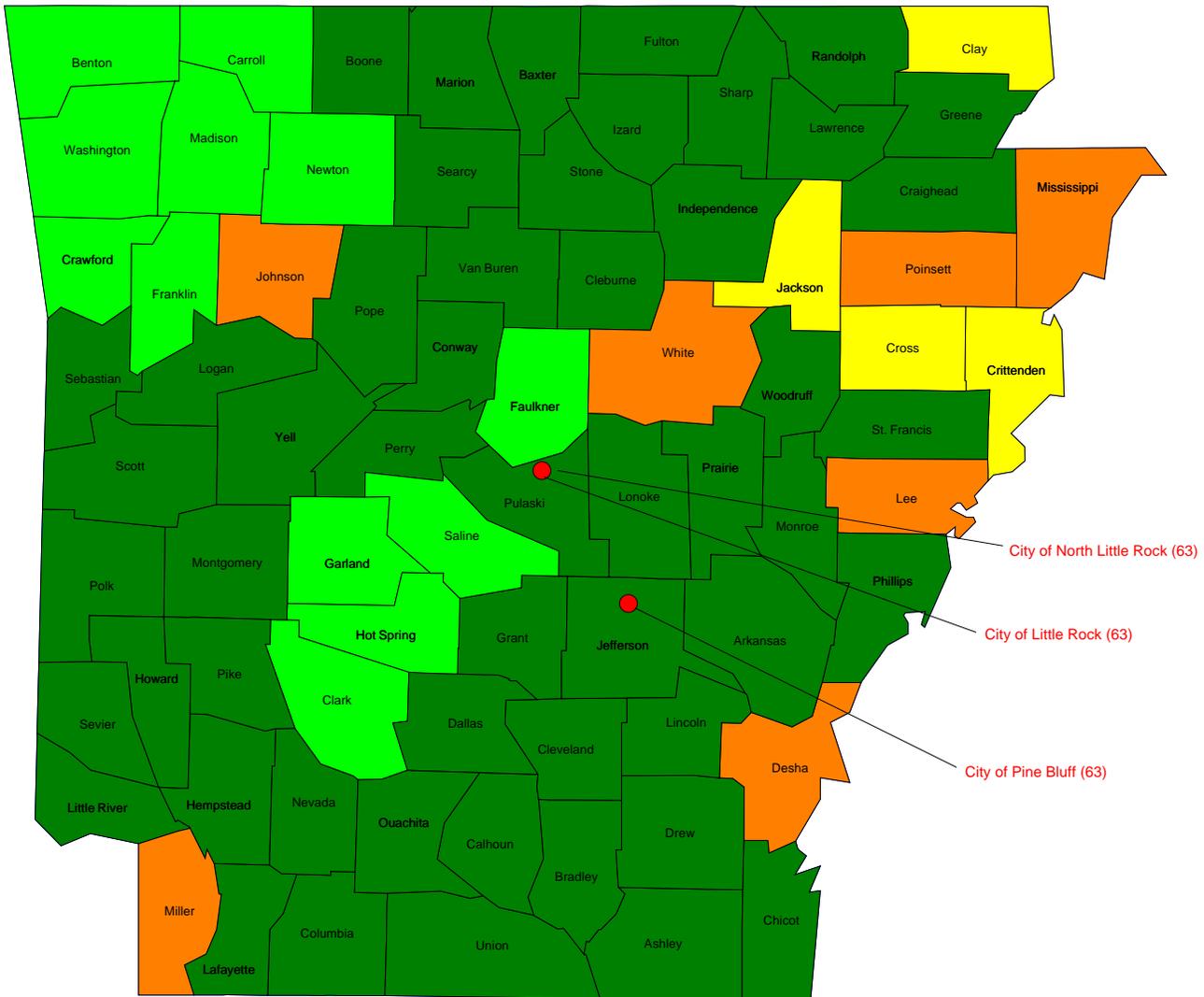
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	VACANT
(1) Permissible Loss & LAE Ratio	0.517
(2) Proposed Renewal Effective Date	1/1/2014
(3) Effective Date of Current Rates	12/24/2011
(4) Time Period in Years $\{[(2) - (3)] / 365\}$ **	1.000
(5) Annual Premium Trend	-0.6%
(6) Annual Loss Trend	5.1%
(7) Ann Loss Ratio Trend $\{[1 + (6)] / [1 + (5)] - 1\}$	5.7%
(8) Selected Trend Factor $\{[1 + (7)] ^ (4)\}$	1.057
(9) Complement of Credibility = $\{(1) * (8)\}$	0.546

\*\* Capped at a minimum of 0.5 and a maximum of 1 year(s)

# Arkansas Dwelling 085 AMS Current Territories



## Territory Definition

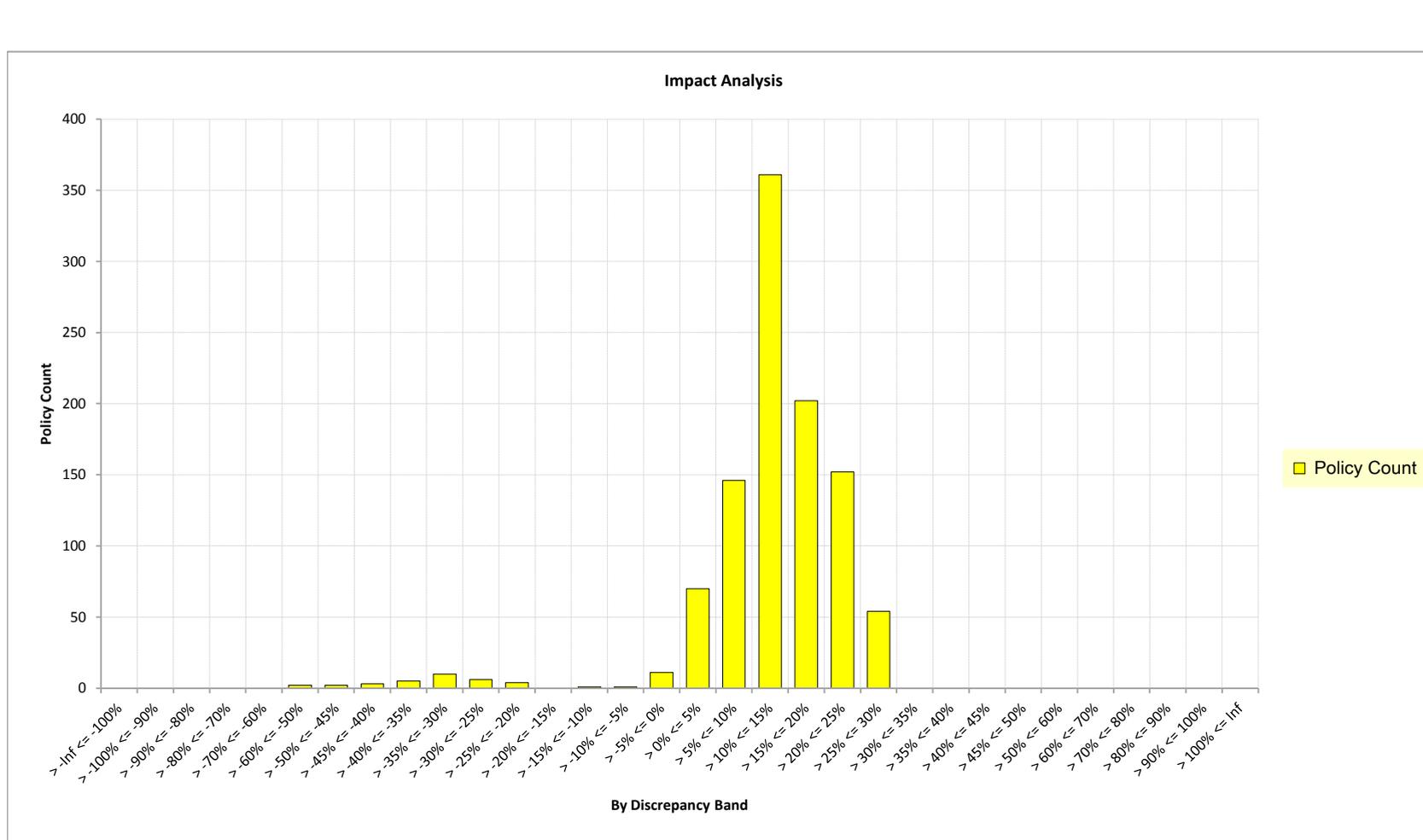
- 60
- 61
- 62
- 63
- 64



**DP-1:**

Territory Relativity Table					
60	61	62	63	64	65
1.00	0.90 / 1.00	2.30 / 1.50	2.65 / 1.50	4.60 / 1.40	1.10

Impact by Territory:      10.86%      11.28%      -21.96%      -35.67%      -12.68%      18.79% (Per objection #1)



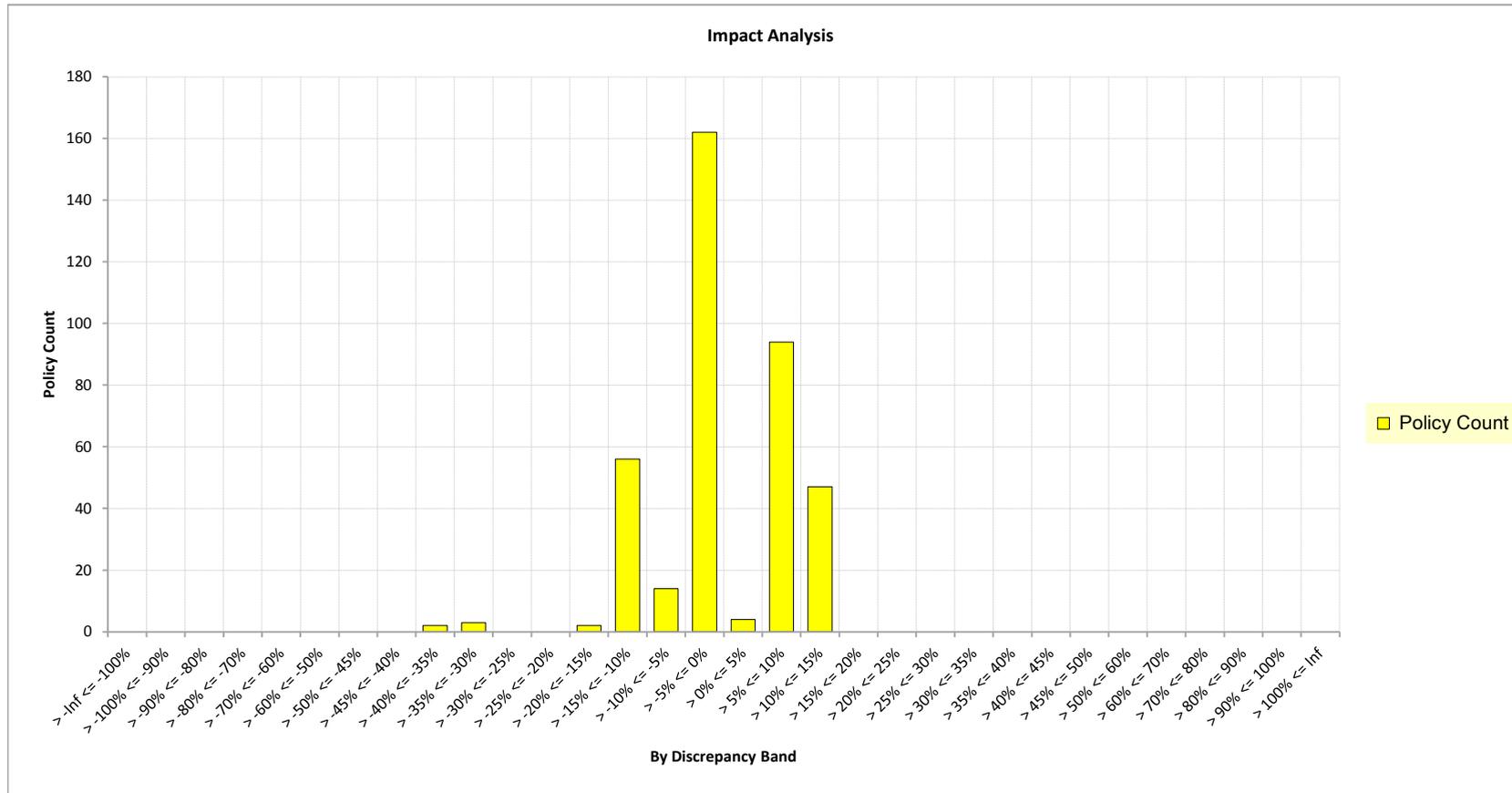
(Per objection #2)

	Policy Count
> -Inf <= -100%	0
> -100% <= -90%	0
> -90% <= -80%	0
> -80% <= -70%	0
> -70% <= -60%	0
> -60% <= -50%	2
> -50% <= -45%	2
> -45% <= -40%	3
> -40% <= -35%	5
> -35% <= -30%	10
> -30% <= -25%	6
> -25% <= -20%	4
> -20% <= -15%	0
> -15% <= -10%	1
> -10% <= -5%	1
> -5% <= 0%	11
> 0% <= 5%	70
> 5% <= 10%	146
> 10% <= 15%	361
> 15% <= 20%	202
> 20% <= 25%	152
> 25% <= 30%	54
> 30% <= 35%	0
> 35% <= 40%	0
> 40% <= 45%	0
> 45% <= 50%	0
> 50% <= 60%	0
> 60% <= 70%	0
> 70% <= 80%	0
> 80% <= 90%	0
> 90% <= 100%	0
> 100% <= Inf	0

DP-3:

Territory Relativity Table					
60	61	62	63	64	65
1.00	0.90	1.60	1.65 / 1.50	1.50 / 1.30	1.15

Impact by Territory: 1.89% -5.35% -1.89% -10.08% -15.66% 11.58% (Per objection #1)



(Per objection #2)

	Policy Count
> -Inf <= -100%	0
> -100% <= -90%	0
> -90% <= -80%	0
> -80% <= -70%	0
> -70% <= -60%	0
> -60% <= -50%	0
> -50% <= -45%	0
> -45% <= -40%	0
> -40% <= -35%	2
> -35% <= -30%	3
> -30% <= -25%	0
> -25% <= -20%	0
> -20% <= -15%	2
> -15% <= -10%	56
> -10% <= -5%	14
> -5% <= 0%	162
> 0% <= 5%	4
> 5% <= 10%	94
> 10% <= 15%	47
> 15% <= 20%	0
> 20% <= 25%	0
> 25% <= 30%	0
> 30% <= 35%	0
> 35% <= 40%	0
> 40% <= 45%	0
> 45% <= 50%	0
> 50% <= 60%	0
> 60% <= 70%	0
> 70% <= 80%	0
> 80% <= 90%	0
> 90% <= 100%	0
> 100% <= Inf	0