

State: Arkansas **Filing Company:** Allstate Indemnity Company
TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners
Product Name: AI REN
Project Name/Number: Renters - Rate Change/1238126

Filing at a Glance

Company: Allstate Indemnity Company
 Product Name: AI REN
 State: Arkansas
 TOI: 04.0 Homeowners
 Sub-TOI: 04.0004 Tenant Homeowners
 Filing Type: Rate/Rule
 Date Submitted: 03/01/2013
 SERFF Tr Num: ALSE-128922427
 SERFF Status: Closed-Filed
 State Tr Num:
 State Status:
 Co Tr Num: R25845
 Effective Date: 04/15/2013
 Requested (New):
 Effective Date: 05/30/2013
 Requested (Renewal):
 Author(s): Marisol Herrera, Andi Colosi
 Reviewer(s): Becky Harrington (primary)
 Disposition Date: 03/15/2013
 Disposition Status: Filed
 Effective Date (New): 04/15/2013
 Effective Date (Renewal): 05/30/2013

State Filing Description:
 referred to Commissioner 3/13/13; reviewed 3/15/13

State: Arkansas **Filing Company:** Allstate Indemnity Company
TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners
Product Name: AI REN
Project Name/Number: Renters - Rate Change/1238126

General Information

Project Name: Renters - Rate Change Status of Filing in Domicile:
 Project Number: 1238126 Domicile Status Comments:
 Reference Organization: Reference Number:
 Reference Title: Advisory Org. Circular:
 Filing Status Changed: 03/15/2013
 State Status Changed: 03/15/2013 Deemer Date:
 Created By: Marisol Herrera Submitted By: Andi Colosi
 Corresponding Filing Tracking Number:

Filing Description:

This filing proposes a 14.6% increase for the Arkansas Renters line of business in Allstate Indemnity Company based on an overall 23.6% indicated rate level need. This rate level change will be accomplished by revising the Rate Adjustment Factor and the Rating Group factors.

We are targeting an implementation date for new business written and renewal business processed on or after April 15, 2013 and renewal business effective on or after May 30, 2013.

Company and Contact

Filing Contact Information

Andi Colosi, State Filings Project Manager andi.colosi@allstate.com
 2775 Sanders Road 847-402-5000 [Phone] 21839 [Ext]
 Suite A2-W 847-402-9757 [FAX]
 Northbrook, IL 60062

Filing Company Information

Allstate Indemnity Company	CoCode: 19240	State of Domicile: Illinois
2775 Sanders Rd.	Group Code: 8	Company Type: Property and
Suite A2-W	Group Name: Allstate	Casualty
Northbrook, IL 60062	FEIN Number: 36-6115679	State ID Number:
(847) 402-5000 ext. [Phone]		

Filing Fees

Fee Required? Yes
 Fee Amount: \$50.00
 Retaliatory? No
 Fee Explanation:
 Per Company: No

Company	Amount	Date Processed	Transaction #
Allstate Indemnity Company	\$50.00	03/01/2013	68029191

SERFF Tracking #:

ALSE-128922427

State Tracking #:

Company Tracking #:

R25845

State:

Arkansas

Filing Company:

Allstate Indemnity Company

TOI/Sub-TOI:

04.0 Homeowners/04.0004 Tenant Homeowners

Product Name:

AI REN

Project Name/Number:

Renters - Rate Change/1238126

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	03/15/2013	03/15/2013

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	03/06/2013	03/06/2013

Response Letters

Responded By	Created On	Date Submitted
Andi Colosi	03/11/2013	03/11/2013

State: Arkansas
TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners
Product Name: AI REN
Project Name/Number: Renters - Rate Change/1238126

Filing Company: Allstate Indemnity Company

Disposition

Disposition Date: 03/15/2013
 Effective Date (New): 04/15/2013
 Effective Date (Renewal): 05/30/2013
 Status: Filed

Comment: Requested increase was reviewed by the Commissioner.

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):
Allstate Indemnity Company	23.600%	14.600%	\$183,398	5,081	\$1,256,150	24.800%	5.000%

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document (revised)	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC loss cost data entry document		Yes
Supporting Document	Filing Memo	Filed	Yes
Supporting Document	Objection Response - 3/11/13	Filed	Yes
Rate	ManualR25845	Filed	Yes
Rate	CheckList	Filed	Yes

State: Arkansas Filing Company: Allstate Indemnity Company
TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners
Product Name: AI REN
Project Name/Number: Renters - Rate Change/1238126

Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 03/06/2013
Submitted Date 03/06/2013
Respond By Date

Dear Andi Colosi,

Introduction:

This will acknowledge receipt of the captioned filing.

Objection 1

- NAIC loss cost data entry document (Supporting Document)

Comments: This form is required with all rate change filings. Please complete and submit the form.

Objection 2

- Filing Memo (Supporting Document)

Comments: Please remove the hurricane provisions. AR has not allowed this in the past and our position has not changed.

Objection 3

- Filing Memo (Supporting Document)

Comments: Please provide the documentation supporting the changes made to the rating group factors.

Objection 4

- Filing Memo (Supporting Document)

Comments: Supporting documentation regarding the contingency factor has not changed from previous filings and absent any new additional supporting documentation, the 2% factor remains unacceptable. Please reduce the factor to 1%.

Objection 5

- Filing Memo (Supporting Document)

Comments: The retained risk provision proposed does not comply with Arkansas Code Ann. 23-67-209 which required past loss experience to be considered in rating. In addition, Arkansas Code Ann. 23-67-210 requires classes to be based on actual differences in experience and expenses and they must have a probable effect on future losses or expenses. Please amend the filing to remove this provision.

Objection 6

Comments: Please provide a histogram detailing the percentage impact upon the insureds.

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

State: Arkansas
TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners
Product Name: AI REN
Project Name/Number: Renters - Rate Change/1238126

Filing Company: Allstate Indemnity Company

Response Letter

Response Letter Status Submitted to State
 Response Letter Date 03/11/2013
 Submitted Date 03/11/2013

Dear Becky Harrington,

Introduction:

Hi Becky: Thanks so much for your help with this filing. Please find our responses below and let us know if you have any additional questions or concerns.

Have a great day-
 Andi

Response 1

Comments:

The requested NAIC loss cost data entry document is attached. Please note that the Indicated % Rate Level Change has been updated to reflect the exclusion of the Retained Risk Provision, as requested in objection 5.

Related Objection 1

Applies To:

- NAIC loss cost data entry document (Supporting Document)

Comments: This form is required with all rate change filings. Please complete and submit the form.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	NAIC loss cost data entry document
Comments:	
Attachment(s):	
FORM RF-1 Rate Filing Abstract - AR REN AI.pdf	
<i>Previous Version</i>	
Bypassed - Item:	NAIC loss cost data entry document
Bypass Reason:	N/A

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

State: Arkansas
TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners
Product Name: AI REN
Project Name/Number: Renters - Rate Change/1238126

Filing Company: Allstate Indemnity Company

Response 2

Comments:

Allstate understands that Arkansas does not allow the use of hurricane models. However, looking back at previous approved Arkansas filings, such as Owners R24979 (ALSE-128442500), the department has allowed the use of actual loss experience for the development of the Hurricane Provision per AIY. To be consistent with this method, the indication in this filing uses 20 years of actual loss experience for the renters line in Arkansas to develop the 0.004 included as the Hurricane Provision per AIY. For the Departments convenience, this calculation is included in Attachment A, Exhibit 1. If modeled losses had been used, the Hurricane Provision per AIY would have been 0.015. The calculations for the Modeled Hurricane Provision per AIY are included in Attachment A, Exhibit 2 for illustration purposes.

Although Allstate believes our methodologies are appropriate and justified, the original filing included actual hurricane loss experience in order to be consistent with past Arkansas filings and with the hope of expediting review of the filing. Allstate believes that the non-modeled Hurricane Provision per AIY of 0.004 is still appropriate.

Related Objection 2

Applies To:

- Filing Memo (Supporting Document)

Comments: Please remove the hurricane provisions. AR has not allowed this in the past and our position has not changed.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 3

Comments:

The segmentation of Rating Group was based on a Countrywide Generalized Linear Model (GLM). For more information about the GLM, please see Attachment B. The current, indicated, and proposed factors are shown in the attached response document.

Related Objection 3

Applies To:

- Filing Memo (Supporting Document)

Comments: Please provide the documentation supporting the changes made to the rating group factors.

Changed Items:

State: Arkansas

Filing Company:

Allstate Indemnity Company

TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners

Product Name: AI REN

Project Name/Number: Renters - Rate Change/1238126

Supporting Document Schedule Item Changes

Satisfied - Item: Objection Response - 3/11/13

Comments:

Attachment(s):

Response to Objection 3.11.13.pdf

*No Form Schedule items changed.**No Rate/Rule Schedule items changed.***Response 4****Comments:**

Allstate provided the most updated supporting documentation regarding its contingency factor. The support includes both an Unexpected Loss Analysis and an Expected Loss Versus Actual Loss Analysis. This has changed from the previous support, which only included the Unexpected Loss Analysis. For your convenience, this updated support is included as Attachment C, Exhibit 1.

This updated analysis was sufficient support for approval of the recent Owners filing R24979 (ALSE-128442500). Allstate believes that a 2% contingency factor is still appropriate.

Related Objection 4

Applies To:

- Filing Memo (Supporting Document)

Comments: Supporting documentation regarding the contingency factor has not changed from previous filings and absent any new additional supporting documentation, the 2% factor remains unacceptable. Please reduce the factor to 1%.

Changed Items:*No Supporting Documents changed.**No Form Schedule items changed.**No Rate/Rule Schedule items changed.***Response 5****Comments:**

Please see the attached response document

Related Objection 5

Applies To:

State: Arkansas
TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners
Product Name: AI REN
Project Name/Number: Renters - Rate Change/1238126

Filing Company: Allstate Indemnity Company

- Filing Memo (Supporting Document)

Comments: The retained risk provision proposed does not comply with Arkansas Code Ann. 23-67-209 which required past loss experience to be considered in rating. In addition, Arkansas Code Ann. 23-67-210 requires classes to be based on actual differences in experience and expenses and they must have a probable effect on future losses or expenses. Please amend the filing to remove this provision.

Changed Items:

No Supporting Documents changed.
No Form Schedule items changed.
No Rate/Rule Schedule items changed.

Response 6

Comments:

Please see the attached response document

Related Objection 6

Comments: Please provide a histogram detailing the percentage impact upon the insureds.

Changed Items:

No Supporting Documents changed.
No Form Schedule items changed.
No Rate/Rule Schedule items changed.

Conclusion:

ADDITIONAL NOTE: While reviewing this filing to respond to your concerns, an error was found in the supporting memos. While our Filing Description states the correct proposed rate level change (14.6%), the table in Attachment II, Page 1 shows a different amount. Please see the attached response document for the correct information.

Sincerely,
Andi Colosi

SERFF Tracking #:

ALSE-128922427

State Tracking #:

Company Tracking #:

R25845

State: Arkansas
 TOI/Sub-TOI: 04.0 Homeowners/04.0004 Tenant Homeowners
 Product Name: AI REN
 Project Name/Number: Renters - Rate Change/1238126

Filing Company: Allstate Indemnity Company

Rate Information

Rate data applies to filing.

Filing Method: File and Use
 Rate Change Type: Increase
 Overall Percentage of Last Rate Revision: 14.700%
 Effective Date of Last Rate Revision: 12/02/2002
 Filing Method of Last Filing: File and Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Allstate Indemnity Company	23.600%	14.600%	\$183,398	5,081	\$1,256,150	24.800%	5.000%

SERFF Tracking #:

ALSE-128922427

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

R25845

State:

Arkansas

Filing Company:

Allstate Indemnity Company

TOI/Sub-TOI:

04.0 Homeowners/04.0004 Tenant Homeowners

Product Name:

AI REN

Project Name/Number:

Renters - Rate Change/1238126

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 03/15/2013	ManualR25845	See Checking List	Replacement		R25845 - Manual.pdf
2	Filed 03/15/2013	CheckList		New		R25845 - CheckingList.pdf

RULE 33 – RATING GROUP CLASSIFICATION FOR RENTERS

Each policy will be assigned a Rating Group based upon the criteria below. At each renewal, the same Rating Group will continue to apply unless the policy qualifies for a different Rating Group under Section B of this rule. This rule applies to the Renters policy form.

A. INITIAL RATING GROUP DETERMINATION

The policy will be assigned to a Rating Group based on the Insurance Score assigned when the credit report(s) ordered in connection with the policy were requested, regardless of the effective date of the policy.

For Policy Rating Group assignment on or after 03/10/2008:

<u>Insurance Score</u>	<u>Rating Group</u>	<u>Rating Factor</u>
000-396	7A	.35
397-437	7B	.45
438-479	7C	.55
480-509	7D	.70
510-999	7E	1.00

For Policy Rating Groups assigned from 05/29/2001 to 03/10/2008:

<u>Insurance Score</u>	<u>Rating Group</u>	<u>Rating Factor</u>
000-294	7A	.35
295-342	7B	.45
343-384	7C	.55
385-414	7D	.70
415-999	7E	1.00

With respect to credit reports requested on and after 03/10/2008, where a credit report cannot be obtained, or where a credit report consists only of inquiries, an Insurance Score of 420 will be assigned.

With respect to credit reports requested from 05/29/2001 to 03/10/2008, where a credit report cannot be obtained, or where a credit report consists only of inquiries, an Insurance Score of 360 will be assigned.

Rounding:

Unless otherwise noted, all premium calculations shall be rounded to the nearest dollar. A premium of \$0.50 or more shall be rounded to the next whole dollar.

The Reinsurance Charge as well as the final premium shall be rounded to the nearest penny. Amounts of \$0.005 or more shall be rounded to the next whole penny.

The following discounts, credits, and surcharges should be applied in the order listed.

1. Multiply the appropriate premium from the rate pages by a Rate Adjustment Factor of 1.465. (Note: Premiums for policies with Coverage C limits less than \$6,000 may be developed by subtracting \$1 per \$1,000 from the \$6,000 premium and then applying the Rate Adjustment Factor.)
2. \$50, \$500 or \$1,000 Deductible - Multiply \$100 Deductible premium by 1.111, .778, or .700
3. \$250 Theft Deductible - Multiply \$50 or \$100 Deductible premium by .95
4. Personal Property Reimbursement Provision - Multiply by 1.25 (Rule 4.A.16)
5. Protective Device Discount - Multiply by the appropriate factor (Rule 15)
6. 55 and Retired Discount - Multiply by .75 (Rule 16)
7. Home and Auto Discount - Multiply by the appropriate factor for Renters (Rule 17)
8. The Good Hands People® Discount - Multiply by .95 (Rule 18)
9. Rating Group Classification: Renters - Multiply by the appropriate factor (Rule 33)
10. Add the Fixed Expense Policy Fee shown on the Supplementary Rate Page
11. Add the appropriate Reinsurance Charge. Determine the charge as follows:
 - a. Determine the appropriate Base Reinsurance Charge from the Reinsurance Charge Pages.
 - b. Multiply the appropriate charge by a Reinsurance Rate Adjustment Factor of 0.000 (round to three decimals).
 - c. Multiply by the appropriate Coverage C Reinsurance Limit Factor as shown in the Reinsurance Charge Pages (penny round).
12. Add the additional premium applicable for increased limits or additional coverage and subtract any applicable credit for reduced coverage.

CHECKING LIST FOR RENTERS

Printing dates are shown on each page to facilitate identification of different editions, but have no direct connection with the effective date of the page.

RULES

Enclosed: Page IH33-1 dated 04-01-2013
Page IHRRC-1 dated 04-01-2013

Withdrawn: Page IH33-1 dated 01-02-2008
Page IHRRC-1 dated 06-01-2009

SERFF Tracking #:

ALSE-128922427

State Tracking #:

Company Tracking #:

R25845

State:

Arkansas

Filing Company:

Allstate Indemnity Company

TOI/Sub-TOI:

04.0 Homeowners/04.0004 Tenant Homeowners

Product Name:

AI REN

Project Name/Number:

Renters - Rate Change/1238126

Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	H-1 Homeowners Abstract	Filed	03/15/2013
Comments:			
Attachment(s):	AR Renters Rate Filing Abstract.pdf		

		Item Status:	Status Date:
Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey	Filed	03/15/2013
Comments:			
Attachment(s):	HO Survey FORM HPCS.pdf HO Survey FORM HPCS.xlsx		

		Item Status:	Status Date:
Satisfied - Item:	NAIC loss cost data entry document	Filed	03/15/2013
Comments:			
Attachment(s):	FORM RF-1 Rate Filing Abstract - AR REN AI.pdf		

		Item Status:	Status Date:
Satisfied - Item:	Filing Memo	Filed	03/15/2013
Comments:			
Attachment(s):	Filing Memos - AR RNT AI.pdf		

		Item Status:	Status Date:
Satisfied - Item:	Objection Response - 3/11/13	Filed	03/15/2013
Comments:			

SERFF Tracking #:

ALSE-128922427

State Tracking #:

Company Tracking #:

R25845

State:

Arkansas

Filing Company:

Allstate Indemnity Company

TOI/Sub-TOI:

04.0 Homeowners/04.0004 Tenant Homeowners

Product Name:

AI REN

Project Name/Number:

Renters - Rate Change/1238126

Attachment(s):

Response to Objection 3.11.13.pdf

ARKANSAS INSURANCE DEPARTMENT

FORM H-1 HOMEOWNERS ABSTRACT

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

Company Name Allstate Indemnity Company

NAIC # (including group #) 19240

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

There was no Insurance to Value (ITV) campaign for Arkansas Renters during the filing experience period, as ITV does not apply to the renter's product line for Allstate.

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

MSB and the former Boeckh company has been providing Allstate with a custom Allstate Renter and Condominium Owner Worksheet since the early 1990's. Its impact however cannot be estimated.

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

As the Allstate Renter's product is contents coverage only, there is no correlation to amount of insurance for the structure. Our Risk Management Guidelines require content coverage to be at least \$15,000. The Renters and Condominium Owners Personal Property Replacement Cost Estimator asks questions to determine the proper amount of insurance needed.

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

Yes, we do use MSB to calculate the annual increase to content's coverage in the Renter's product in Arkansas. The annual increase for each policy in 2013 will be 2.9%.

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

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

company

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

6. Are there any areas in the State of Arkansas In which your company will not write homeowners insurance? If so, state the areas and explain reason for not writing.

There are no areas within the state that Allstate is not writing new Renter's business.

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

Form	Premium Volume
------	----------------

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

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

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

mrufg@allstate.com	Digitally signed by mrufg@allstate.com DN: cn=mrufg@allstate.com Date: 2013.02.15 12:30:13 -0600
	Signature
Malleana Ruffin	
	Printed Name
Pricing Technician Analyst	
	Title
(847) 402 - 2708	
	Telephone Number
malleana.ruffin@allstate.com	
	Email address

NAIC Number:	19240
Company Name:	Allstate Indemnity Company
Contact Person:	Andi Colosi
Telephone No.:	(847) 402 - 1839
Email Address:	andi.colosi@allstate.com
Effective Date:	10-Apr-13

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

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

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

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

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

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

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00	\$76.00
	\$15,000	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00	\$118.00
	\$25,000	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00
6	\$5,000	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00	\$86.00
	\$15,000	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00
	\$25,000	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00	\$178.00
9	\$5,000	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00	\$96.00
	\$15,000	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00	\$154.00
	\$25,000	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00	\$205.00

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

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

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

HO3 and HO4 only

Fire Extinguisher	<input type="text"/>	%	Deadbolt Lock	<input type="text"/>	%
Burglar Alarm	<input type="text"/>	%	Window Locks	<input type="text"/>	%
Smoke Alarm	<input type="text"/>	%	\$1,000 Deductible	<input type="text"/>	%
			Other (specify)	<input type="text"/>	%
			Maximum Credit Allowed	<input type="text"/>	%

EARTHQUAKE INSURANCE

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

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	<input type="text"/>	yes	(yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	<input type="text"/>	5 or 10	%
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?		Zone	
		Brick	
		Frame	
		Highest Risk	\$ <input type="text"/>
		Lowest Risk	\$ <input type="text"/>

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	R25845
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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Company Name		Company NAIC Number		
3.	A.	Allstate Indemnity Company	B.	19240

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)		
4.	A.	Homeowners	B.	Tenant Homeowners

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Renters	21.9	14.6					
TOTAL OVERALL EFFECT	21.9	14.6					

6.		5 Year History	Rate Change History				
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2008	3,001	N/A	N/A	819	410	.50	.54
2009	3,433	N/A	N/A	933	285	.31	.49
2010	3,749	N/A	N/A	1,013	634	.63	.53
2011	4,173	N/A	N/A	1,095	799	.73	.59
2012	4,632	N/A	N/A	1,194	908	.76	.59

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	5.3%
B. General Expense	4.8%
C. Taxes, License & Fees	3.2%
D. Underwriting Profit & Contingencies	10.1%
E. Other (Commissions and Contingency)	13.7%
F. TOTAL	37.1%

- 8.** N Apply Lost Cost Factors to Future filings? (Y or N)
- 9.** 24.8% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____ 10 _____
- 10.** N/A Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

**ALLSTATE INDEMNITY COMPANY
RENTERS
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ATTACHMENT I

Summary of Disclosures

**ALLSTATE INDEMNITY COMPANY
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DEFINITIONS

Please note that within this filing, the following terms and their definitions are used:

Owners Policy – a policy which covers a freestanding dwelling or townhome that is not classified as a manufactured home.

Homeowners Policy – An owners, condo, co-op, or renters policy.

**ALLSTATE INDEMNITY COMPANY
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ACTUARIAL STANDARDS OF PRACTICE

This document confirms compliance with the following Actuarial Standards of Practices that are applicable to the preparation of statewide rate filings performed by casualty actuaries as stated in “Applicability Guidelines for Actuarial Standards of Practice” (American Academy of Actuaries, September 2004). In addition, references to relevant sections of this filing are included, where applicable.

- Actuarial Standard of Practice No. 12, *Risk Classification (for all Practice Areas)*
 - Attachment VII, Page 1: Summary of Proposed Factors
- Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*
 - Attachment II, Page 1: Summary of the Development of Statewide Rate Level Indication
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- Actuarial Standard of Practice No. 23, *Data Quality*
 - Attachment II, Page 1: Summary of the Development of Statewide Rate Level Indication
 - Attachment III, Pages 1-3: Development of Retained Risk Provision based on Modeled Exposure
- Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*
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 - Attachment II, Page 7: Adjustments to Weather Losses – Complement of Credibility
- Actuarial Standard of Practice No. 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*
 - Attachment II, Pages 8-9: Expense Provisions
- Actuarial Standard of Practice No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*
 - Attachment II, Page 10: Profit Provision, Debt Provision, and Contingency Factor
 - Attachment V, Pages 1-3: Contingency Factor Support Explanatory Memorandum
- Actuarial Standard of Practice No. 38, *Using Models Outside the Actuary’s Area of Expertise (Property and Casualty)*
 - Attachment III, Pages 1-3: Development of Retained Risk Provision based on Modeled Exposure

- Actuarial Standard of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*
 - Attachment III, Pages 1-3: Development of Retained Risk Provision based on Modeled Exposure
- Actuarial Standard of Practice No. 41, *Actuarial Communications*
 - Applies to this filing in its entirety

**ALLSTATE INDEMNITY COMPANY
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MATERIAL CHANGES IN SOURCES OF DATA, ASSUMPTIONS, OR METHODS

This document lists all material changes in sources of data, assumptions, or methods from the last Allstate Renters rate level indication filing. These changes are further described in the subsequent memos in compliance with Actuarial Standard of Practice No. 41, *Actuarial Communications*.

- Renters/Condominium Line Data
 - Renters rate level indication is now developed independent of Owners data, as described in Attachment II, Page 2

ATTACHMENT II

Summary of Rate Level Indication

**ALLSTATE INDEMNITY COMPANY
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**SUMMARY OF THE DEVELOPMENT OF STATEWIDE RATE LEVEL
INDICATION**

The data used in the calculation of the rate level indication was selected in accordance with the considerations listed in Section 3.2 of Actuarial Standard of Practice No. 23, *Data Quality*. The calculation of the rate level indication is consistent with the Statement of Principles Regarding Property and Casualty Insurance Ratemaking.

A rate level indication is a test of the adequacy of expected revenues versus expected costs during the future policy period. Therefore, to derive the indicated rate level need accurately, Allstate's historical premium and loss experience needs to be adjusted. In accordance with Section 3.1 of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*, Allstate trends the underlying historical experience for premiums, losses, and fixed expenses to appropriately reflect historical and projected changes in these components of the rate level indications. In addition, historical premiums must be adjusted to reflect the current rate level; and historical losses must be adjusted to reflect expected development over time. All hurricane and fire following earthquake losses during the experience period were removed and then replaced with a provision to reflect expected losses. Details of these necessary adjustments to the historical data used in the rate level indication are described in this memorandum. The adjustments have been applied to Arkansas's premium and loss experience in deriving the indicated rate level change.

The table below summarizes the indicated rate change, and the actual rate level change being proposed. The determination of the overall indicated change is included in **Attachment V, Exhibit 1**, and described in detail throughout this filing.

	Premium Dist. at Current Rates	Indicated Change	Selected Change*
Fixed Expense Premium	9.7%	N/A	N/C
Variable Package Premium	88.9%	N/A	24.6%
Total Renters Package	98.7%	N/A	22.2%
Additional Coverages	1.3%	N/A	N/C
Total Renters	100.0%	23.6%	21.9%

*We implicitly assume no indicated change for fixed expenses and additional coverages.

**ALLSTATE INDEMNITY COMPANY
RENTERS
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ADJUSTMENTS TO NON-WEATHER LOSSES

Base Data

In developing rate level indications for Arkansas, data from fiscal accident years ending December 31, 2007, 2008, 2009, 2010, and 2011 for Allstate Indemnity Company was used. Each of these fiscal accident years is evaluated as of March 31, 2012. This filing defines non-weather losses as those whose primary cause of loss was Fire, Theft, Liability, or All Other perils. Allocated loss adjustment expense (ALAE) is included in the losses.

Beginning with this filing, Allstate is developing the Renters rate level indication independent from the Condominium and Owners lines of insurance.

Accident Year Weights

In order to develop a credible measure of the indicated rate level, it is sometimes necessary to use more than one year of historical loss experience. Data for up to five accident years is combined to determine the indicated provision for loss and loss adjustment expense. The number of years needed to determine the formula rate level indication is derived from a credibility procedure based upon the number of paid claims and the distribution of claims. The credibility procedure that was used is more fully described in the paper "On the Credibility of the Pure Premium" (Proceedings of the Casualty Actuarial Society, Vol. LV, 1968) by Mayerson, Jones and Bowers. The analysis was completed using a k value of 0.100 and a P value of 90.0%; these parameters reflect the desire that the observed pure premium should be within 100k% of the expected pure premium with probability P .

The weights applied to the loss experience for the accident years are determined by the distribution of earned exposures over those years. The weights are based on the exposure distribution rather than the claim distribution in order to lessen the impact of volatility that can occur in the claim distribution. The initial calculated weight for a given year is limited to the weight for the subsequent year and the final weights are calculated proportionate to the limited weights to total 100%.

This approach for incorporating credibility in determination of the accident year weights is consistent with the Current Practices and Alternatives detailed in Section 3 of Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*.

Loss Development

Allstate has developed accident year losses (including allocated loss adjustment expense) to ultimate settlement levels using the Link Ratio method. The link ratio method assumes that future development is proportional to losses that have already emerged as of a given evaluation date.

To calculate estimated ultimate losses using the link ratio method, historical age-to-age link ratios are calculated, which represent loss development between different evaluation periods. An average of the historical link ratios is then used to estimate the ultimate level of paid losses

to be used in ratemaking. This method assumes that historical loss development patterns can be used to estimate future loss development on current immature claims.

Due to the limited amount of available data, Countrywide Allstate Insurance Group data is used to provide increased stability to the loss development factors. Loss development patterns for Allstate Insurance Company and Allstate Indemnity Company are expected to be similar since claims settlement practices are the same for each company.

Refer to **Exhibits 5.1 through 5.2 of Attachment V** for the loss development using the link ratio method of loss development. Please note that the actual five year average loss development factors were used for all non-weather perils.

Loss Trend

Using Countrywide Allstate Indemnity data, the past changes in actual frequency and severity on a twelve-month-moving basis (evaluated at each quarter) over a five year period were examined. After considering past results, countrywide Allstate data, credibility level of Allstate data, and actuarial judgment, annual pure premium trends were selected. The Countrywide Allstate Indemnity Company data has been adjusted as described below.

Frequency and severity amounts are calculated using the methodology in “The Effect of changing Exposure Levels on Calendar Year Loss Trends” (*Casualty Actuarial Society Forum*, Winter 2005) by Chris Styrsky This methodology helps to more consistently match losses and claims paid with the exposures that produced the claims.

The selected trends are displayed in **Attachment V, Exhibit 7**. These annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. The projection is also shown in **Attachment V, Exhibit 7**. Countrywide Allstate Indemnity Company trend data is included as **Attachment V, Exhibit 8**.

Selections were based on Countrywide Allstate Indemnity data. **Attachment V, Exhibit 8** displays the Countrywide twenty-, twelve-, and six-point paid pure premium trends for Allstate Indemnity Company. The credibility level of Allstate Non-Weather loss trend data was analyzed based on the number of Non-Weather claims paid in the latest experience year, which is consistent with the criteria for selecting a credibility procedure outlined in Section 3 of Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*.

This approach for selecting pure premium trends and projections is consistent with the Current Practices and Alternatives detailed in Appendix 1 – Background and Current Practices of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

Credibility for Losses
State Credibility:

The available accident year data used in the indication is not fully credible. Therefore, we determine the partial credibility of the provision for Non-Weather loss and LAE using the credibility procedure referenced in the Accident Year Weight section in **Attachment II, Page 2**. State accident year data is given a minimum weight of 50%. The Non-Weather loss and LAE is then weighted with a credibility complement, the development of which is included on **Attachment V, Exhibit 4**.

**ALLSTATE INDEMNITY COMPANY
RENTERS
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ADJUSTMENTS TO WEATHER LOSSES

The indicated provision for weather losses is determined based on individual frequency and severity components. We have found that separate analyses of frequency and severity for weather losses provide a better estimate of pure premium given the inherent complication of process variance in these losses. The specific base data and methodology for weather losses is explained in detail below.

Base Data

In developing rate level indications for Arkansas, data from fiscal accident years ending December 31, 2007, 2008, 2009, 2010, and 2011 for Allstate Insurance Company and Allstate Indemnity Company combined was used for the severity analysis. Each of these fiscal accident years is evaluated as of March 31, 2012. For the frequency analysis, fiscal accident years 1987 through 2011 were used; each fiscal accident year is evaluated as of March 31, 2012.

Please note that Weather losses from both Allstate Insurance Company and Allstate Indemnity Company are used in the development of the provision for Weather losses and LAE since the Allstate Indemnity Company data does not, in itself, provide a sufficiently credible basis for evaluation.

This filing defines weather losses as those whose primary cause of loss was Water, Wind, Hail, or Lightning perils. Allocated loss adjustment expense (ALAE) is included in the losses. Please note that although Water claims arise from both weather and non-weather events, data limitations currently prevent separate classifications of claims within this peril. All Water claims have been classified as weather events for purposes of this analysis.

Accident Year Weights

In order to develop a credible measure of the indicated rate level, it is sometimes necessary to use more than one year of historical loss experience. Data for up to five accident years is combined to determine the indicated provision for loss and loss adjustment expense. The number of years needed to determine the formula rate level indication is derived from a credibility procedure based upon the number of paid claims and the distribution of claims. The credibility procedure that was used is more fully described in the paper "On the Credibility of the Pure Premium" (Proceedings of the Casualty Actuarial Society, Vol. LV, 1968) by Mayerson, Jones and Bowers. The analysis was completed using a k value of 0.100 and a P value of 90.0%; these parameters reflect the desire that the observed pure premium should be within 100k% of the expected pure premium with probability P .

The weights applied to the loss experience for the accident years are determined by the distribution of earned exposures over those years. The weights are based on the exposure distribution rather than the claim distribution in order to lessen the impact of volatility that can occur in the claim distribution. The initial calculated weight for a given year is limited to the weight for the subsequent year and the final weights are calculated proportionate to the limited weights to total 100%.

This approach for incorporating credibility in determination of the accident year weights is consistent with the Current Practices and Alternatives detailed in Section 3 of Actuarial

Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*.

Severity Development

Allstate determines ultimate accident year weather severity using the link ratio method, which assumes that future development is proportional to losses that have already emerged as of a given evaluation date.

Loss development factors were based on Countrywide Allstate Insurance Group data. Loss development patterns for Allstate Insurance Company and Allstate Indemnity Company are expected to be similar, since claims settlement practices are the same for each company.

To calculate estimated ultimate severities using the link ratio method, historical age-to-age link ratios are calculated, which represent loss development between different evaluation periods. An average of the historical link ratios is then used to estimate the ultimate level of paid losses to be used in ratemaking. This method assumes that historical loss development patterns can be used to estimate future loss development on current immature claims.

Refer to **Attachment V, Exhibit 13.2** for the weather severity loss development using the link ratio method. The estimated ultimate severity is shown on **Attachment V, Exhibit 3**. Please note that the actual five year average loss development factors were used.

Severity Trend

Using Countrywide Allstate Indemnity Company data, the past changes in actual severity on a twelve-month-moving basis (evaluated at each quarter) over a five year period were examined. After considering past results, countrywide Allstate data, credibility level of Allstate data, and actuarial judgment, annual severity trends were selected.

The selected trends are displayed in **Attachment V, Exhibit 11**. These annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. The projection is also shown in **Attachment V, Exhibit 11**. Countrywide Allstate Indemnity Company trend data is included as **Attachment V, Exhibit 12**.

Selections were based on Countrywide Allstate Indemnity Company data. **Attachment V, Exhibit 12** displays the Countrywide twenty-, twelve-, and six-point paid severity trends for Allstate Indemnity Company. The credibility level of Allstate Weather loss trend data was analyzed based on the number of Weather claims paid in the latest experience year, which is consistent with the criteria for selecting a credibility procedure outlined in Section 3 of Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*.

This approach for selecting severity trends and projections is consistent with the Current Practices and Alternatives detailed in Appendix 1 – Background and Current Practices of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

Credibility for Losses
State Credibility:

The available accident year data used in the indication is not fully credible. Therefore, we determine the partial credibility of the provision for Weather loss and LAE using the credibility procedure referenced in the Accident Year Weight section in **Attachment II, Page 5**. State accident year data is given a minimum weight of 50%. The Weather loss and LAE is then weighted with a credibility complement, the development of which is included on **Attachment V, Exhibit 9**.

Frequency Estimation

Allstate used 25 years of Allstate Insurance Group data to calculate the average frequency for Arkansas for the combined Wind and Water perils (i.e., weather). Each accident year's claim frequencies are developed to ultimate. The straight average across all years is used as the state estimate of future claims frequency. Note that no trend is applied to this frequency estimate.

Claim development factors were based on Allstate Indemnity Company and Allstate Insurance Company combined data. To calculate estimated ultimate frequencies using the link ratio method, historical age-to-age link ratios are calculated, which represent claim development between different evaluation periods. An average of the historical link ratios is then used to estimate the ultimate level of frequencies to be used in ratemaking. This method assumes that historical claim development patterns can be used to estimate future claim development on current immature claims.

Refer to **Attachment V, Exhibit 13.1** for the weather frequency claim development using the link ratio method. The estimated ultimate frequency is shown on **Attachment V, Exhibit 10**. Please note that the actual five year average loss development factors were used.

**ALLSTATE INSURANCE GROUP
RENTERS
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EXPENSE PROVISIONS

The expense provisions described below were derived in accordance to Section 3.2, Determining Expense Provisions, of Actuarial Standard of Practice No. 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*.

Attachment V, Exhibit 15 shows the expense provisions used in developing the current fixed and variable expense ratios.

Fixed Expenses

General and Other Acquisition Expense

Provisions

The provisions for general expense and other acquisition expense are based on countrywide data. Since the methods and procedures that incur these expenses are uniform within each state, it is a reasonable assumption that these expense provisions are uniform across all states. To develop the provision for other acquisition and general expenses, a three-year average of countrywide, combined-lines, calendar year incurred expense divided by countrywide calendar year direct earned premium was calculated. Because premiums charged for the net cost of reinsurance (NCOR) do not include provisions for general and other acquisition expenses, the earned premium used in the development of the general and other acquisition expenses is countrywide direct earned premium less countrywide NCOR premium. The provision for other acquisition expense has been reduced by the amount of installment fees collected. In addition, the provision has been adjusted for premiums written off.

Rate Need Calculations

In developing the dollar provision for fixed expenses used in the calculation of our Arkansas rate level need, the three-year average expense ratio for fixed expenses is applied to the average earned group premium of Arkansas. The Arkansas group average earned premium is developed using the same three-year period used in the calculation of the expense ratio. The provision is then adjusted for the trend expected to occur from the midpoint of the three years used in the calculation of the average earned premium to the average earned date of the proposed policy period to derive the provision included in the rate level indications.

The expense provisions for general and other acquisition expenses are developed on **Attachment V, Exhibits 16 and 17**.

Licenses & Fees

A provision for licenses and fees that do not vary by premium size is determined by taking the arithmetic average ratio of these licenses and fees from the latest three calendar years in Arkansas. The provision for licenses and fees is considered, along with the general and other acquisition expense provisions, to be a fixed expense and is shown on **Attachment V, Exhibit 15**.

Trend (Inflation)

The method used to calculate the fixed expense trend is similar to the method used by the Insurance Services Office (I.S.O.) and other competitors to determine a fixed expense trend. The method utilizes the CPI (Consumer Price Index) and the ECI (Employment Cost Index – Insurance Carriers, Agents, Brokers, & Service) and is discussed by Geoffrey Todd Werner, FCAS, MAAA in his paper *Incorporation of Fixed Expenses*, which was published in the *CAS Forum* (Winter 2004). Based on a review of the historical indices, an annual percentage change is selected for each index. These selected annual percent changes are then weighted together using the distribution of the Allstate expenditures in the latest calendar year for the two broad expense categories that these indices represent. This method is expected to produce stable and reasonable estimates of the true trend in fixed expenses and is consistent with the Current Practices and Alternatives detailed in Appendix 1 – Background and Current Practices of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*. This trend is applied only to all fixed expenses. The factor to adjust for subsequent change in Fixed Expense is shown on **Attachment V, Exhibit 18**.

Variable Expenses

Commission and Brokerage Expense

The proposed commission and brokerage expense provision has been developed from the 2010 calendar year commission and brokerage incurred expense ratio in Arkansas. The provision is shown on **Attachment V, Exhibit 15**.

Taxes

The provision for taxes is determined by taking the currently prescribed Arkansas premium tax ratio and adding to that the arithmetic average ratio of other assessments that vary by the size of the premium from the latest three or five calendar years ending 12/31/20110 in Arkansas. The provision is shown on **Attachment V, Exhibit 15**.

Unallocated Loss Adjustment Expenses

Allocated loss adjustment expense (ALAE) is included in the losses. Losses in the experience period have been adjusted to account for non-hurricane unallocated loss adjustment expenses (ULAE). A provision is developed using countrywide Allstate Insurance Group data.

A three-year average of the ratios of countrywide, combined-lines, calendar year non-hurricane ULAE to countrywide, combined-lines, calendar year non-hurricane incurred losses and allocated loss adjustment expense is used to determine the ULAE provision. The average ratio is then applied to the losses for each year used in the formula calculation. The ULAE ratios that have been used in this filing are shown in **Attachment V, Exhibit 6**.

**ALLSTATE INSURANCE GROUP
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PROFIT PROVISION, DEBT PROVISION AND CONTINGENCY FACTOR

Attachment V, Exhibit 15 shows the underwriting profit and debt provisions.

Underwriting Profit Provision

Allstate performs two separate cost of capital analyses in the estimation of its cost of equity. The first uses the Fama-French Three-factor Model (FF3F), which reflects developments in the field of financial economics as published in the *Casualty Actuarial Society Forum, Winter, 2004* and in *Journal of Risk and Insurance, Vol. 72, No. 3, September 2005* (“Estimating the Cost of Equity Capital For Property-Liability Insurers” by J. David Cummins and Richard D. Phillips). The second is a Discounted Cash Flow (DCF) analysis, which estimates the expected future cash flows to investors in order to gauge the proper cost of equity. Once both the DCF and FF3F estimates had been calculated, Allstate selected a cost of equity of 10.0%, which reflected the outcomes of both analyses.

An analysis of premium, loss and expense cash flows is used to calculate the investment income on policyholder supplied funds (PHSF). This methodology is one of the two examples given in Actuarial Standard of Practice, No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*, as appropriate methods for recognizing investment income from insurance operations (page 4).

The calculations detailing this investment income analysis are found on **Attachment V, Exhibit 19**. The expected investment yield rate (applied as a force of interest) used to discount losses and expenses includes anticipated net investment income and anticipated capital gains, both realized and unrealized. Operating cash flows are discounted to the average time of earnings of premium and profit for the policy year, rather than to the start of the policy year.

The final pre-tax underwriting profit provision at present value is shown in **Attachment V, Exhibit 19** as well.

The underwriting profit provision will not apply to the provision for retained risk provision or the high-layer retained hurricane losses.

Debt Provision

The cost of debt is listed as a separate provision in the Variable Expense and Profit Ratio. The debt provision amount is shown on **Attachment V, Exhibit 15**.

Contingency Provision

The contingency provision of 2% is shown on **Attachment V, Exhibit 12**. Additional support on the selected contingency provision is shown throughout **Attachment IV**. Please note that the contingency provision does not apply to the retained risk provision.

**ALLSTATE INDEMNITY COMPANY
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ARKANSAS**

RETAINED RISK PROVISION

Allstate includes a retained risk provision in determining the rate level need in Arkansas. This provision is meant to provide appropriate returns on the high-layer retained hurricane and fire following earthquake exposure. **Attachment III** describes the development of the retained risk provision per Amount of Insurance Year (AIY). **Attachment V, Exhibit 14**, Development of Provision for Hurricane Loss and LAE and Retained Risk, displays the retained risk provision per AIY used in Arkansas. Please note that in developing the Provision for Hurricane Loss and LAE and Retained Risk, the Amount of Insurance Years (AIY's) are used as an exposure base. One AIY is equal to \$1,000 of Coverage in force for one year. The AIY's must be adjusted to represent the AIY's that we expect to be in force during the policy period. **Exhibit 25** shows the twelve-, six-, and four-point average AIY trends for Arkansas. We have selected a -2.0% provision to project the AIY's to the average earned date of the proposed policy period. This approach for selecting AIY projections is consistent with the Current Practices and Alternatives detailed in *Appendix 1 – Background and Current Practices* of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*. Since the retained risk provision represents an appropriate return for this high-layer retained hurricane catastrophe exposure, the underwriting profit provision for the corresponding loss and LAE is not applied.

The methodology used to develop this retained risk provision is based upon the approach detailed in the presentation “Quantifying Risk Load for Property Catastrophe Exposure” by David Appel from the 2010 Casualty Actuarial Society Ratemaking and Product Management Seminar (<http://www.casact.org/education/rpm/2010/handouts/RR3-Appel.pdf>).

**ALLSTATE INDEMNITY COMPANY
RENTERS
ARKANSAS**

ADJUSTMENTS TO PREMIUMS

Earned premium data from fiscal calendar period ending December 31, 2011 for Arkansas was used in developing the rate level indication. **Attachment V, Exhibit 21** shows the development of the projected average earned premium.

Current Rate Level

All premiums in the experience period were adjusted to current rate level in Arkansas. Allstate has calculated the factors to current rate level using the Miller-Davis-Karlinski method, which assumes that exposures are written uniformly throughout each month. The procedure is described in a discussion by Frank Karlinski of the paper entitled *A Refined Model for Premium Adjustment*, by David Miller and George Davis. (Mr. Karlinski's discussion appeared in the Proceedings of the Casualty Actuarial Society (PCAS), Vol. LXIV, 1977, and the paper by Miller and Davis appeared in the PCAS, Vol LXIII, 1976). This method (which we call "Miller-Davis-Karlinski"), more accurately calculates factors to current rate level in instances when exposures are changing throughout the year, whether through growth, shrinkage or seasonality. When exposures are, in fact, written uniformly throughout the year, this method produces approximately the same answers as the parallelogram method.

We also use the Miller-Davis-Karlinski method to bring premiums to current rate level prior to calculating the changes in average premium (the premium trends).

Premium Trend

In addition to bringing premiums to current rate level, changes in the average written premium at the current premium level were reviewed on a statewide basis. Based upon this review, historical premium trends were selected to account for shifts in the distribution of various underlying factors. Since the effects on losses caused by these shifts are reflected in the loss trends, it is important that Allstate also account for the anticipated future changes in premiums. Therefore, projected premium trend was taken into consideration when calculating the rate level need.

Selections were based on Allstate Indemnity Company data. The selected trends are displayed in **Attachment V, Exhibit 22**. These annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. This projection is also shown in **Attachment V, Exhibit 22**. Allstate Indemnity Company trend data is included as **Attachment V, Exhibit 23**.

This approach for selecting premium trends and projections is consistent with the Current Practices and Alternatives detailed in *Appendix 1 – Background and Current Practices of Actuarial Standard of Practice No. 13, Trending Procedures in Property/Casualty Insurance Ratemaking*.

**ALLSTATE INDEMNITY
RENTERS
ARKANSAS**

DEVELOPMENT OF THE HURRICANE PROVISION

Losses expected from a hurricane are significantly different than losses expected from other types of loss events. Hurricanes are unique because of the large potential impact such storms can have on the company's solvency and because of the relatively low frequency of such events.

The significant variation in the frequency of different magnitudes of hurricanes diminishes the accuracy of historical hurricane loss experience for projecting expected loss levels for the policies to which proposed rates will apply. Average expected recurrence periods for the larger, more severe storms are so long that many external variables will change in the time periods between occurrences. For example, the area of southern Florida hit by Hurricane Andrew in 1992 was last hit by a major hurricane, Hurricane Betsy, in 1965. The type, number, value, vulnerability and geographical distribution of exposed properties in the area impacted by Hurricane Andrew are very different than those of the exposed properties in 1965. Actual loss statistics from a hurricane that occurred many years ago are not easily adjusted for the type, number, value, and vulnerability of present day structures.

Since historical hurricane losses cannot be used to accurately estimate current hurricane loss potential, Allstate has contracted with an outside vendor, AIR Worldwide (AIR), which uses an alternative methodology based on Monte Carlo simulation to arrive at Allstate's expected annual hurricane losses. This approach involves the development of computer programs that describe in detail the frequency of hurricanes, their meteorological characteristics, and their effects on exposed properties. A high-speed computer then simulates a large set of hypothetical hurricanes and estimates the resulting property losses based on Allstate's exposure. Through this process Allstate believes the true hurricane provision to be \$0.012 per amount of insurance years prior to loading in loss adjustment expense (one AIY is equal to \$1000 of coverage in force for one year).

Although Allstate believes our methodologies are appropriate and justified, in order to expedite the approval of this filing, we have made the following adjustment which has been requested by the Arkansas Department of Insurance in recent filings.

Using actual Arkansas renters loss experience, Allstate has selected a hurricane provision (prior to loading in loss adjustment expense) of \$0.003 per amount of insurance year based on the methodology described below.

- (1) Calendar Year.
- (2) Amount of Insurance Years.
- (3) Hurricane Incurred Loss:
Historical Hurricane incurred loss.

(4) Hurricane Provision:

The average provision for hurricane losses in state.
(The sum of column 3 divided by the sum of column 2)

(5) Hurricane Provision with LAE:

The Hurricane Provision increased by 17% to account for loss adjustment
expense.
(Row 4*1.17)

Attachment V, Exhibit 24 displays the development of the Allstate Insurance Group Renters hurricane provision in Arkansas.

ATTACHMENT III

Retained Risk Provision

**ALLSTATE INSURANCE GROUP
RENTERS
ARKANSAS**

**DEVELOPMENT OF RETAINED RISK PROVISION DUE TO
CATASTROPHE EXPOSURE**

Allstate includes a provision in the rates to cover the risk of exposing its capital to large catastrophic events. This retained risk provision (RRP) is intended to provide appropriate compensation to Allstate relative to its retained, high-layer modeled risk. The provision described below is consistent with the rules and procedures set forth in the Actuarial Standard of Practice No. 38, *Using Models Outside the Actuary's Area of Expertise (Property and Casualty)* and Actuarial Standard of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*.

The procedure for developing the RRP calls for identifying the portion of catastrophic losses that will be retained by Allstate and then estimating the cost to Allstate of holding the capital required to pay such losses. To measure the amount of retained losses, Allstate's actual reinsurance contracts are applied to the modeled losses based on the 2011/2010 AIR Version 13.0 Hurricane and Earthquake Model for Arkansas. This provides an estimate of the portion of the losses that will be covered by Allstate's reinsurance contracts and the amounts that will be retained by Allstate. Once the retained losses in excess of a 1-in-5-year event (i.e., 20% annual occurrence probability) have been determined, we then calculate the appropriate compensation for exposure to such losses by using data from capital markets – specifically the market for catastrophe bonds. The details of the procedures used to determine the magnitude of retained losses at various occurrence probabilities, and the investor-required compensation for bearing the risk of those losses, are explained in more detail below.

Catastrophe bonds are one of a class of financial instruments known collectively as “insurance linked securities (ILS).” ILS have payoffs conditional on future contingent events, such as the occurrence of hurricanes. While there are a variety of ILS traded in today's capital markets, the most common and prominent of these are catastrophe bonds, which are bonds that may default on both principal and interest if a specific catastrophic event occurs.

Typically a catastrophe bond is issued by an insurance company with a provision that if a specified catastrophic event (e.g., hurricane in Florida, earthquake in California, winter storm in Europe, etc.) of a particular magnitude occurs, the issuer may default on the payment of principal and/or interest on the bond. In that respect, the bond functions similarly to reinsurance – once the “attachment point” is breached, the insurer receives a benefit that at maximum is equal to the face amount of the bond. When catastrophe bonds are sold, investors naturally demand a yield premium as compensation for the risk of default.

Mechanically, when catastrophe bonds are sold, the issuer deposits the proceeds of the sale into a segregated account which pays interest at the risk free rate. However, because of the default risk, the yields on such bonds must be higher than the risk free rate. Thus, the interest in excess of the risk free rate is an excellent basis for measuring the risk premium that the marketplace has established for bearing catastrophe exposure. Furthermore, since insurers face the same risk of catastrophic loss as investors, the risk premiums paid in capital markets provide an appropriate measure of the compensation required for the insurer as well.

There are several reasons why this is a particularly useful way to quantify a RRP in ratemaking. First, the data are drawn directly from capital markets, meaning they reflect the consensus of all investors as to the compensation required for bearing catastrophe risk. Second, they reflect exactly the types of risks to which insurers are exposed when they write property coverage in catastrophe prone states; as such they represent an appropriate estimate of the return demanded for the catastrophe exposure. Third, the entire analysis is free of assumptions regarding insurer-specific factors such as cost of capital, leverage, and investment income. Finally, the data required to adapt this information to insurance ratemaking is readily available and reported regularly at annual (or more frequent) intervals.

The data used in the calculation of the rate retained risk provision was selected in accordance with the considerations listed in Section 3.2 of Actuarial Standard of Practice No. 23, *Data Quality*. As regards the data, the sources Allstate relies upon are the annual publications of Lane Financial LLC, the most prominent analyst of the ILS market in the US. Annually, Lane Financial provides a summary of all newly issued catastrophe bonds, which includes information on the following critical variables:

- Face amount of bond
- Insured peril
- Yield spread to risk free rate (the excess return or risk premium on the bond)
- Probability of first loss (the probability that the insured event will cause any loss of principal or interest)
- Probability of exhaustion (the probability that the loss will be large enough to exhaust the entire principal of the bond)
- Expected value of loss (the annual average loss given the probability of attachment and exhaustion, expressed as a percent of the face amount of the bond)

Allstate uses this data to develop the appropriate RRP by state, line, and company in the following manner. First, profit multiples are calculated, which are obtained by subtracting the expected value of loss from the excess return on the bond, and then dividing that quantity by the expected loss. This profit multiple is essentially a measure of the profit an investor expects per dollar of expected loss on the bond. However, as might be expected, the amount of profit that investors require per dollar of loss depends on the riskiness of the losses themselves. For bonds that are extremely risky (i.e., that have very low probabilities of attachment) the profit multiples are considerably higher than for less risky instruments. Therefore, when the data are compiled, the profit multiples are computed for each bond, and a regression curve is fit to the profit multiple data. The average profit multiples for each layer are then determined using the fitted curve, for the following layers: those with attachment probabilities of 20% - 10%, 10% - 5%, 5% - 2%, 2% - 1%, 1% - 0.4%, and less than 0.4%. As expected, these profit multiples increase as the attachment probabilities decrease. The selected profit multiples used in the calculation of the Retained Risk Provision for Arkansas Allstate Indemnity Company Renters are shown in **Exhibit 1** of this attachment.

The next step is to apply these profit multiples to the amount of modeled losses retained by Allstate. To do this, the amount of retained modeled losses are compiled by layer, where the layers are defined by occurrence probabilities in the same ranges as the profit multiples described above. Given the expected retained losses within each layer and the required profit per dollar of loss as measured by the profit multiples, the RRP (in dollars) is calculated by multiplying the expected retained losses within each layer by the corresponding profit multiple and summing across the layers. This result can be used to estimate the appropriate compensation to Allstate for its retained modeled exposure.

These calculations are performed using annual aggregate modeled losses since Allstate's surplus is exposed to multiple events in the same year. The aggregate annual occurrence probabilities are determined by using all modeled losses in Arkansas using the AIR model event sets.

The AIR model produces 50,000 years of modeled losses, which are initially ranked from high to low. The loss sizes are determined for each of the occurrence probabilities that are used to define the loss layers (0.4%, 1%, 2%, 5%, 10%, and 20%). For example, the 1-in-100-year loss (1% probability) is the amount of catastrophe loss in the 500th largest year (1% of 50,000), the 1-in-250-year loss (0.4% probability) is the amount of catastrophe loss in the 200th largest year, etc. Once the loss sizes are determined for the boundaries of each layer, all expected losses from the AIR model are distributed into these layers of loss.

Next, the amount of losses in each layer that are covered by Allstate's reinsurance contracts is determined by applying Allstate's reinsurance contracts to the modeled losses. The following items need to be considered when applying Allstate's reinsurance contracts:

- For events that impact more than one state, the reinsured losses are allocated to each affected state proportional to those events' expected losses in each state.
- Allstate's nationwide (excluding New Jersey and Florida) reinsurance contract is a per occurrence excess-of-loss contract that covers catastrophe losses in a year, subject to the terms and limits of that contract.
- The reinsurance coverage provided by the nationwide contract is applied to each state proportional to each state's expected losses in the reinsured layer.
- Some states have multiple reinsurance contracts that provide coverage for various types of catastrophe losses – these may include state-specific reinsurance contracts in addition to the nationwide contract.
- Additional considerations are required when there are multiple events in a year to ensure that the reinsured losses are allocated properly to each state.

Allstate's retained losses for each event are derived by subtracting the losses covered by reinsurance from the total expected losses. In some years, the retained losses exceed the total amount of Allstate's statutory surplus. Those years with retained losses in excess of Allstate's surplus are identified and Arkansas's portion of the excess losses is determined proportional to the retained losses in that year. The losses in excess of Allstate's statutory surplus are subtracted from the retained losses to determine the exposed losses covered by Allstate's surplus.

The indicated RRP is then developed by applying the profit multiple indicated by capital markets to the exposed Arkansas losses covered by surplus in each layer. The dollars of RRP are summed across the layers, and a diversification factor is applied to account for the fact that Allstate is a multi-line, multi-state company, to determine the total RRP. The calculation of the total diversified RRP for Arkansas Allstate Indemnity Company Renters is shown on **Exhibit 2** of this attachment.

Finally, the dollars of calculated RRP are divided by Amount of Insurance Years (AIYs) to develop a per-AIY charge that is included in the rate level indication.

ALLSTATE INSURANCE GROUP

Summary of Catastrophe Bond Profit Multiples

Based on Short-Term Cat Bonds issued between 2006 and 2012

for All U.S. bonds with a probability of loss between 0.05% and 20.00%

		Average Size of Issue	
<u>Probability</u>	<u># of Cat Bonds</u>	<u>(\$ Millions)</u>	<u>Profit Multiple</u> ¹
1 less than 0.4%	4	\$49.4	18.30
2 0.4% to 1%	25	180.1	8.22
3 1% to 2%	41	134.1	5.35
4 2% to 5%	65	91.3	3.54
5 5% to 10%	24	59.6	2.16
6 10% to 20%	7	27.1	1.55
Total	166	\$106.9	4.76

Source: Lane Financial LLC, Annual Securitization Reviews

¹ Based on fitted regression of all cat bonds selected

Allstate Indemnity Company
Renters
Arkansas

Development of Retained Risk Provision
All Perils excl. EQ-Shake Peril

	(1)	(2)	(3)	= (1) - (2) - (3)	(5)	(6) = (4) x (5)	
Layer	Probability of Attaching	Expected Loss	Reinsured Loss	Exposed Losses Above Surplus	Exposed Losses Covered by Surplus	Cat Bond Profit Multiple	Retained Risk Provision by Layer
1	100.0%	\$0	\$0	\$0	\$0	0.00	\$0
2	20.0%	\$10	\$0	\$0	\$10	1.55	15
3	10.0%	\$170	\$2	\$0	\$168	2.16	363
4	5.0%	\$557	\$21	\$0	\$536	3.54	1,897
5	2.0%	\$667	\$36	\$0	\$630	5.35	3,372
6	1.0%	\$879	\$72	\$0	\$808	8.22	6,638
7	0.4%	\$2,441	\$936	\$0	\$1,505	18.30	27,544
Total		\$4,724	\$1,067	\$0	\$3,656		\$39,828

(7) Diversification Factor: 0.402

(8) Total Diversified Retained Risk Provision (in \$): \$15,996
= (6) Total * (7)

Notes: Losses include loss and 17.0% LAE

(9) Arkansas AI Renters AIYs*: 132,530

(10) Indicated Retained Risk Provision per AIY: 0.121
= (8) / (9)

*1 AIY = One Amount of Insurance Years = \$1000 of Coverage in Force for One Year

ATTACHMENT IV

Contingency Factor Support Explanatory Memorandum

**ALLSTATE INDEMNITY COMPANY
OWNERS FORMS
ARKANSAS**

**CONTINGENCY FACTOR SUPPORT
EXPLANATORY MEMORANDUM**

This memo provides explanation regarding Allstate's methodology for calculating a contingency provision to be used in its Homeowner rate level.

Actuarial Standard of Practice (ASOP) No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*, defines the contingency provision for ratemaking purposes as follows: A provision for the expected differences, if any, between the estimated costs and the average actual costs, that cannot be eliminated by changes in other components of the ratemaking process. ASOP No. 30 goes on to state that:

- The actuary should include a contingency provision in the rates if assumptions used in ratemaking produce cost estimates that are not expected to equal average actual costs, and if the difference cannot be eliminated by changes in other components of the ratemaking process.
- While estimated costs are intended to equal average actual costs over time, differences between estimated and actual risk transfer costs may be expected in any given year. If a difference persists, the difference should be reflected in the ratemaking calculations as a contingency provision. The contingency provision is not intended to measure the variability of results and is not expected to contribute to profit.

Estimating the impact of costs that “cannot be eliminated by changes in other components of the ratemaking process” can be a challenge, and there has not yet emerged an ideal methodology for it.¹ Steven G. Lehmann, in his paper titled *Contingency Margins in Rate Calculations* notes, “How do you measure the ‘unmeasurable’? Some may argue that measurement of the contingency factor is impossible because, by their very nature, contingencies are events which are not susceptible to treatment in the normal ratemaking approach – things you cannot plan for” (pg 227). As a result, historically, some actuaries have simply built in a provision that seemed “reasonable” using actuarial judgment. Conversely, Allstate has completed two different analyses intended to help give guidance as to what is a reasonable contingency provision. One approach is to determine what portion of historical losses came from events that were not intended to be covered. The other approach is to compare expected losses to actual losses over a long period of time to see if a difference persists. Each approach is described in detail below.

Unexpected Loss Analysis

Even if an actuary has available relevant, credible data and uses the best, state-of-the-art actuarial techniques, there may still be instances where estimated future costs differ from actual future costs. The factors causing this situation to occur are outside the actuary's ability

¹ CAS literature has been surprisingly quiet on contingency provision methodology. The most recent paper addressing the issue was written in 1985 by Steven G Lehmann.

to predict and the insurer's ability to control. Examples would include (but not be limited to) court decisions, legislative action, and media influence on the public's behavior.

In spite of the inability to foresee specific events, an insurer may look back at recent history and identify past events that triggered unexpected payments. Given the highly regulated nature of the property and casualty insurance industry and the large amounts of money that flow through an insurance organization, it is reasonable to assume that adverse court decisions and similar unexpected events will occur again in the future. Courts and regulatory bodies are likely to continue to respond to lawsuits and other attempts at unexpected application of an insurance policy's coverage. As outlined in the Actuarial Standard of Practice referenced above, these events should be accounted for in ratemaking in the form of a contingency provision.

The unexpected loss methodology for calculating a contingency provision allows for more specificity around the type of events that are included. We have reviewed loss experience and have identified a number of representative events that are appropriate to a contingency provision, due to their unanticipated nature. Considered events include the following: court decisions redefining the cause of loss for earth movement- and landslide-related loss, sinkholes, failure to disclose (in connection with sale of a home), oil tank leakage, foundation slab losses, mold, methamphetamine lab damage, legislated exceptions to policy language, flooding, lead paint poisoning, imminent collapse, terrorism, radiant floor heating systems, dog bites, and drug cartel wars. Identifying these events through Allstate claim file narratives allows us to exclude claims that are not appropriate to a contingency provision, such as normal low frequency, high severity events and regulatory delay situations. The effect of inflation is also excluded.

Some of these losses are too old to obtain reliable loss data at the claim level of detail. Some of these losses are too new to have worked into our data yet. Some events are excluded because, even with sophisticated computer programs, losses are not specifically tracked and so can't be separated from other loss data for inclusion in Allstate's computations. Some events simply did not produce a frequency of loss to materially impact our calculations. However, each event mentioned above illustrates that unforeseen loss does occur. This can be the case when a legislative or court decision expands the scope of Allstate's policy coverage, or when the media unexpectedly focuses attention on a health issue or other item of public concern. Other as-yet-unknown influences that Allstate cannot predict or price for will also likely affect claims payments in the future.

In order to estimate an appropriate contingency provision, we have selected a group of events from the above list of considered events (including oil tanks, slab losses, mold and flooding) for which we can obtain more detailed loss data. It is not our intention to price these specifically named events, but to use these events as a proxy for unforeseen events occurring in the future. Issues which triggered payments over several years cannot be considered "unexpected" for an indefinite period of time. In these cases, we have judgmentally included losses from the first three years following the initial event. After three years we assume that these losses are present in our indications data and that we have priced sufficiently for the event's exposure in our rates. Some events are of shorter duration and so fewer than three years of losses are included in the calculations. Note also that data includes some low frequency, high severity losses. Such losses are more appropriately accounted for with a long-term provision rather than in a contingency provision, and Allstate does calculate an adequate weather provision (theoretically sound and calculated over a sufficiently long period of time).

However, the legislative, media and other influences that generate unexpected losses can also affect such losses. Therefore, these losses are included in our analysis when they stem from one of the issues in question. Losses are included for Allstate's Owners, Renters and Condo forms.

Attachment V, Exhibit 20 shows the sum of all claims divided by countrywide homeowners accident year non-catastrophe losses from 1996 – 2003, adjusted for expense provisions. This time period was chosen to match the time period of losses readily available to us (our claim files older than 1996 cannot be effectively reviewed to extract specific losses). Our analysis was completed in 2004, and due to systems modifications since then, retrieving data at this level of detail would require extensive effort. Losses for some events have been adjusted downward to reflect the fact that, despite the sophistication of our analysis, some claims unrelated to the issue in question can be unintentionally included in the loss totals.

Expected Loss Versus Actual Loss Analysis

As noted above, ASOP 30 states: "While estimated costs are intended to equal average actual costs over time, differences between estimated and actual risk transfer costs may be expected in any given year. If a difference persists, the difference should be reflected in the ratemaking calculations as a contingency provision." Thus, the goal of Allstate's second analysis is to determine if there is a persistent difference between actual and expected losses.

In this approach, Allstate's rate-level indication methodology was replicated for historical non-catastrophe losses, and the estimate of a future year's losses is compared to the actual losses for that year. For example, data from 1997, 1998, and 1999 is used to calculate an estimate of losses for the year 2000. This estimate is then compared to the actual losses for the year 2000. This process was repeated using data going back to 1992. However, note that, we have opted to allow the actual losses to develop for three additional years in order to have an actual loss value that is close to its ultimate value. As a result, the most recent data used in the analysis will always lag behind the current year by approximately three years.

Attachment V, Exhibit 20 shows the results of the historical comparison of expected and actual losses. This long-term difference is then divided by total losses to get a percentage, and is then adjusted for expense provisions.

ATTACHMENT V

Rate Level Indication Exhibits

Allstate Indemnity Company
Renters
Arkansas

Attachment V
Exhibit 1

Determination of Statewide Rate Level Indication

1) Indicated Provision for Loss and Loss Adjustment Expense [(a) + (b) + (c) + (d)]	\$189.03
a) Non-Weather Loss and LAE	\$158.59
b) Weather Loss and LAE	\$30.33
c) Hurricane Loss and LAE	\$0.11
2) Current Fixed Expense Ratio	10.2 %
3) Three Year Average Earned Premium	\$256.34
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	\$26.15
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.074
6) Indicated Provision for Fixed Expense [(4) x (5)]	\$28.09
7) Variable Expense, Contingencies Ratio, and Profit Ratio [(a) + (b) + (c)]	26.9 %
a) Variable Expense Ratio (including Commissions, Taxes, and Debt Provision)	16.2 %
b) Contingencies Ratio	2.0 %
c) Profit Ratio	8.7 %
8) Indicated Retained Risk Provision	\$3.43
9) Indicated Average Premium [(a) + (b) + (c)]	\$301.11
a) Non-Weather Loss and LAE	\$297.02
Weather Loss and LAE	
Hurricane Loss and LAE	
Fixed Expense	
[(1) + (6)] / [1 -(7 Total)]	
b) Retained Risk Provision (8) / [1 - (7a)]	\$4.09
10) Projected Average Earned Premium at Current Rates	\$243.62
11) Indicated Rate Level Change [(9 Total) / (10) - 1.0]	23.6 %

Allstate Indemnity Company
Renters
Arkansas

Attachment V
Exhibit 2

Development of Provision for Non-Weather Loss and LAE
Non-Weather Peril excluding Earthquake

Fiscal Accident Year* Ending	(1) Earned Exposures	(2) Accident Year * Non-Weather Ultimate Loss	(3) Non-Weather Ultimate Loss and LAE	(4) Factor to Adjust Losses for Pure Premium Trend	(5) Projected Non- Weather Ultimate Loss and LAE	(6) Projected Average Non-Weather Loss and LAE	(7) Experience Year Weights
12/31/2007	2,778	\$191,239	\$220,307	1.357	\$298,957	\$107.62	16%
12/31/2008	3,103	323,347	372,496	1.292	481,265	155.10	18%
12/31/2009	3,541	318,581	367,005	1.231	451,783	127.59	20%
12/31/2010	3,817	550,368	634,024	1.172	743,076	194.68	22%
12/31/2011	4,258	755,488	870,322	1.116	971,279	228.11	24%
(8) Indicated Provision for Non-Weather Loss and LAE						\$168.23	
(9) State Credibility						50%	
(10) Complement of Credibility						\$148.94	
(11) Credibility Weighted Indicated Provision for Non-Weather Loss and LAE						\$158.59	

* Evaluated at 15 months

Allstate Indemnity Company
Renters
Arkansas

Development of Provision for Weather Loss and LAE
Total Weather Peril

Fiscal Accident Year* Ending	(1) Accident Year * Ultimate Severity	(2) Ultimate Severity incl. LAE	(3) Severity Trend Factor	(4) Projected Ultimate Severity incl. LAE	(7) Experience Year Weights
12/31/2007	\$3,677.00	\$4,235.90	1.527	\$6,468.22	18%
12/31/2008	\$4,069.47	\$4,688.03	1.427	\$6,689.82	18%
12/31/2009	\$1,435.89	\$1,654.15	1.333	\$2,204.98	20%
12/31/2010	\$1,248.08	\$1,437.79	1.246	\$1,791.49	21%
12/31/2011	\$1,390.77	\$1,602.17	1.165	\$1,866.53	23%
(6) Indicated Provision for Severity Including All LAE				\$3,615	
(7) Indicated Provision for Frequency				0.89%	
(8) Indicated Provision for Weather Loss and LAE				\$32.17	
(9) Indication Credibility				50%	
(10) Weather Complement of Credibility				\$28.48	
(11) Credibility-Weighted Provision for Weather Loss and LAE				\$30.33	

* Evaluated at 15 months

Allstate Indemnity Company
Renters
Arkansas

Attachment V
Exhibit 4

Complement of Credibility for Non-Weather Losses

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
							[(1)x(2)-(3)-(4)]*(5)*(7)
<u>Current Permissible Loss and Fixed Expense Ratio</u>	<u>Current Average Premium @CRL</u>	<u>Current Average Fixed Expense</u>	<u>Current Expected Hurricane Pure Premium</u>	<u>Expected Non-Weather Proportion of Pure Premium</u>	<u>Non-Weather Loss Trend Project Selection</u>	<u>Loss Trend Factor</u>	<u>Non-Weather Complement of Credibility</u>
73.1%	\$251.94	\$26.15	\$0.12	84.52%	5.0%	1.116	\$148.94

Allstate Insurance Group
Renters
Countrywide

Calculation of Loss Development Factors
Liability
Incurred Losses †

Fiscal Accident Year Ending 3/31	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months‡
2000							6,710,059
2001						8,683,485	8,680,336
2002					6,497,794	6,634,451	6,601,548
2003				5,821,161	5,992,421	6,056,644	5,938,998
2004			8,595,150	9,118,274	9,072,604	9,086,139	9,161,059
2005		8,524,086	9,091,081	9,140,294	9,197,983	9,216,150	9,199,455
2006	7,389,846	8,791,492	9,121,489	9,472,642	9,640,117	9,716,629	
2007	8,247,559	9,739,760	10,301,459	10,653,956	11,013,703		
2008	8,769,869	10,200,799	11,681,679	11,752,324			
2009	10,514,086	12,105,758	13,175,071				
2010	14,512,805	16,175,537					
2011	13,414,458						

Link Ratios

Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
4th Prior	1.190	1.067	1.061	1.029	1.021	1.000
3rd Prior	1.181	1.038	1.005	0.995	1.011	0.995
2nd Prior	1.163	1.058	1.038	1.006	1.001	0.981
1st Prior	1.151	1.145	1.034	1.018	1.002	1.008
Latest	1.115	1.088	1.006	1.034	1.008	0.998
Selected:	1.160	1.079	1.029	1.016	1.009	0.996

Selected Methodology

Link Ratio Method

Loss Development Period (months):	<u>15 - 87</u>	<u>27 - 87</u>	<u>39 - 87</u>	<u>51 - 87</u>	<u>63 - 87</u>
Loss Development Factor:	1.315	1.134	1.051	1.021	1.005

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Arkansas Allstate Indemnity Company

Year	Inc. Loss	Factor to Ultimate	Ultimate Loss & ALAE
2007	\$38,747	1.005	\$38,941
2008	\$44,721	1.021	\$45,660
2009	\$100,845	1.051	\$105,988
2010	\$50,434	1.134	\$57,192
2011	\$49,655	1.315	\$65,296

Allstate Insurance Group
Renters
Countrywide

Calculation of Loss Development Factors
Non-Weather Excluding Liability
Incurred Losses †

Fiscal Accident Year Ending 3/31	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months‡
2000							40,566,868
2001						42,044,475	42,040,446
2002					34,306,737	34,335,142	34,323,543
2003				26,982,380	27,024,904	27,007,777	27,116,842
2004			27,691,057	27,620,266	27,594,887	27,582,921	27,578,638
2005		32,813,595	32,974,750	33,006,426	33,053,798	33,059,698	33,068,295
2006	32,304,631	33,002,068	33,119,596	33,086,199	33,112,014	33,107,827	
2007	39,255,946	39,035,524	39,123,294	39,376,083	39,364,299		
2008	45,933,404	45,351,702	45,431,124	45,457,442			
2009	48,695,759	49,059,043	49,009,541				
2010	54,690,741	54,875,922					
2011	66,018,958						

Link Ratios

Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
4th Prior	1.022	1.005	0.997	1.002	1.001	1.000
3rd Prior	0.994	1.004	1.001	0.999	0.999	1.000
2nd Prior	0.987	1.002	0.999	1.001	1.000	1.004
1st Prior	1.007	1.002	1.006	1.001	1.000	1.000
Latest	1.003	0.999	1.001	1.000	1.000	1.000
Selected:	1.003	1.002	1.001	1.001	1.000	1.001

Selected Methodology

Link Ratio Method

Loss Development Period (months):	<u>15 - 87</u>	<u>27 - 87</u>	<u>39 - 87</u>	<u>51 - 87</u>	<u>63 - 87</u>
Loss Development Factor:	1.008	1.005	1.003	1.002	1.001

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Arkansas Allstate Indemnity Company

Year	Inc. Loss	Factor to Ultimate	Ultimate Loss & ALAE
2007	\$152,146	1.001	\$152,298
2008	\$277,133	1.002	\$277,687
2009	\$211,957	1.003	\$212,593
2010	\$490,722	1.005	\$493,176
2011	\$684,714	1.008	\$690,192

Countrywide Expense Experience - Unallocated (Adjusting and Other Expense) Factors****2008, 2009 & 2010**

	<u>2008 - 2010</u>
1. Direct Losses and Allocated Loss Adjustment Expense Incurred excluding Earthquake and Hurricane Losses	\$ 41,320,934
2. Direct Unallocated Loss Adjustment Expense Incurred excluding Earthquake and Hurricane	\$ 6,283,405
3. Ratio (2)/(1)	0.152
4. Proposed Provision	0.152

* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company

Allstate County Mutual Insurance Company, Allstate Fire & Casualty, Northbrook Indemnity, and Allstate Texas Lloyds.

** Includes Personal Property Lines and Private Passenger Automobile Insurance

(000 Omitted)

Calculation of Non-Weather Pure Premium Trend Factor

<u>Peril</u>	Selected Annual Pure Premium Impacts	
	<u>Historical</u>	<u>Projected</u>
Non-Weather Peril excluding Earthquake	5.00%	5.00%

	<u>4th Prior Year</u>	<u>3rd Prior Year</u>	<u>2nd Prior Year</u>	<u>1st Prior Year</u>	<u>Current Year</u>
1) Loss Trend Projection Date	9/30/2013	9/30/2013	9/30/2013	9/30/2013	9/30/2013
2) Mid-Point of Current Year's Experience Period	6/30/2011	6/30/2011	6/30/2011	6/30/2011	6/30/2011
3) Experience Period Ended	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011
4) Midpoint of Experience Period	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011
5) Historical: Number of Years from (4) to (2)	4.000	3.000	2.000	1.000	0.000
6) Projected: Number of Years from (2) to (1)	2.252	2.252	2.252	2.252	2.252

Calculation of Trend Factors

(a) Historical Pure Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)

(b) Projected Pure Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)

(c) Factor to Adjust Losses for Pure Premium Trend = (a) x (b)

Allstate Indemnity Company
Renters
Countrywide

Loss Trends - Pure Premium
Non-Weather Peril excluding Earthquake

Year Ending	Actual Paid Pure		Exponential Curve of Best Fit		
	Premium	Annual Change	20 pt.	12 pt.	6 pt.
06/07	58.57	-6.58 %	61.06		
09/07	60.41	-1.29	61.80		
12/07	61.43	2.34	62.55		
03/08	65.00	12.44	63.31		
06/08	64.32	9.81	64.08		
09/08	67.37	11.52	64.86		
12/08	68.04	10.76	65.65		
03/09	69.07	6.26	66.44		
06/09	70.91	10.25	67.25	66.65	
09/09	69.69	3.44	68.07	67.51	
12/09	70.25	3.25	68.89	68.38	
03/10	66.61	-3.56	69.73	69.26	
06/10	65.66	-7.40	70.58	70.15	
09/10	65.92	-5.41	71.44	71.05	
12/10	69.45	-1.15	72.30	71.97	70.98
03/11	72.97	9.54	73.18	72.89	72.58
06/11	74.97	14.18	74.07	73.83	74.21
09/11	78.05	18.40	74.97	74.78	75.88
12/11	77.64	11.80	75.88	75.74	77.60
03/12	77.58	6.33	76.80	76.72	79.34
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			4.95 %	5.25 %	9.33 %

Allstate Indemnity Company
Renters
Arkansas

Attachment V
Exhibit 9

Complement of Credibility for Weather Losses

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
							[(1)x(2)-(3)-(4)]*(5)*(7)
<u>Current Permissible Loss and Fixed Expense Ratio</u>	<u>Current Average Premium @CRL</u>	<u>Current Average Fixed Expense</u>	<u>Current Expected Hurricane Pure Premium</u>	<u>Expected Weather Proportion of Pure Premium</u>	<u>Weather Loss Trend Project Selection</u>	<u>Loss Trend Factor</u>	<u>Weather Complement of Credibility</u>
73.1%	\$251.94	\$26.15	\$0.12	15.48%	7.0%	1.165	\$28.48

Allstate Insurance Group
Renters
Arkansas

Provision for Weather Frequency

(1) Accident Year Ending	(2) Earned Exposures	(3) Accident Year * Paid Claims	(4) Accident Year Paid Frequency	(5) Accident Year Ultimate Paid Frequency
1987	3,562	45	1.26%	1.26%
1988	3,750	33	0.88%	0.88%
1989	4,132	59	1.43%	1.43%
1990	4,619	65	1.41%	1.41%
1991	4,736	62	1.31%	1.31%
1992	3,991	45	1.13%	1.13%
1993	3,384	25	0.74%	0.74%
1994	2,982	38	1.27%	1.27%
1995	2,880	23	0.80%	0.80%
1996	2,848	30	1.05%	1.05%
1997	2,954	21	0.71%	0.71%
1998	3,202	20	0.62%	0.62%
1999	3,416	38	1.11%	1.11%
2000	3,562	73	2.05%	2.05%
2001	3,431	32	0.93%	0.93%
2002	2,917	16	0.55%	0.55%
2003	3,193	14	0.44%	0.44%
2004	3,234	10	0.31%	0.31%
2005	3,277	8	0.24%	0.24%
2006	3,367	16	0.48%	0.48%
2007	3,342	12	0.36%	0.36%
2008	3,554	20	0.56%	0.56%
2009	3,916	47	1.20%	1.20%
2010	4,129	23	0.56%	0.56%
2011	4,519	34	0.75%	0.75%
(6) Arkansas Weather Frequency Provision				0.89%

* Evaluated at 15 months

Calculation of Weather Loss Severity Trend Factor

<u>Peril</u>	<u>Selected Annual Pure Premium Impacts</u>	
	<u>Historical</u>	<u>Projected</u>
Weather Peril	7.0%	7.0%

	<u>4th Prior Year</u>	<u>3rd Prior Year</u>	<u>2nd Prior Year</u>	<u>1st Prior Year</u>	<u>Current Year</u>
1) Loss Trend Projection Date	9/30/2013	9/30/2013	9/30/2013	9/30/2013	9/30/2013
2) Mid-Point of Current Year's Experience Period	6/30/2011	6/30/2011	6/30/2011	6/30/2011	6/30/2011
3) Experience Period Ended	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011
4) Midpoint of Experience Period	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011
5) Historical: Number of Years from (4) to (2)	4.000	3.000	2.000	1.000	0.000
6) Projected: Number of Years from (2) to (1)	2.252	2.252	2.252	2.252	2.252

Calculation of Trend Factors

(a) Historical Weather Loss Severity Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)

(b) Projected Weather Loss Severity Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)

(c) Factor to Adjust Losses for Weather Loss Severity Trend = (a) x (b)

Allstate Indemnity Company
Renters
Countrywide

Loss Trends - Severity
Total Weather Peril

Year Ending	Actual Paid		Exponential Curve of Best Fit		
	Severity	Annual Change	20 pt.	12 pt.	6 pt.
06/07	2,176.66	14.58 %	2,095.67		
09/07	2,188.84	7.74	2,133.08		
12/07	2,229.17	12.40	2,171.16		
03/08	2,252.60	9.00	2,209.92		
06/08	2,246.45	3.21	2,249.38		
09/08	2,187.97	-0.04	2,289.54		
12/08	2,281.43	2.34	2,330.41		
03/09	2,309.24	2.51	2,372.02		
06/09	2,310.82	2.87	2,414.37	2,355.84	
09/09	2,522.54	15.29	2,457.47	2,408.09	
12/09	2,463.32	7.97	2,501.34	2,461.50	
03/10	2,512.92	8.82	2,546.00	2,516.10	
06/10	2,501.44	8.25	2,591.46	2,571.91	
09/10	2,505.53	-0.67	2,637.72	2,628.96	
12/10	2,643.23	7.30	2,684.81	2,687.27	2,752.83
03/11	2,723.98	8.40	2,732.75	2,746.88	2,796.06
06/11	3,030.20	21.14	2,781.53	2,807.81	2,839.97
09/11	3,091.30	23.38	2,831.19	2,870.09	2,884.56
12/11	2,856.56	8.07	2,881.74	2,933.75	2,929.86
03/12	2,853.55	4.76	2,933.19	2,998.82	2,975.87
Regression			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			7.33 %	9.17 %	6.43 %

Allstate Insurance Group
Renters
Countrywide

Calculation of Frequency Development Factors
Weather Peril
Paid Frequency

Fiscal Accident Year Ending 12/31	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
2000							0.57%
2001						0.48%	0.48%
2002					0.44%	0.44%	0.44%
2003				0.39%	0.39%	0.39%	0.39%
2004			0.32%	0.32%	0.32%	0.32%	0.32%
2005		0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
2006	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	
2007	0.33%	0.33%	0.33%	0.33%	0.33%		
2008	0.38%	0.38%	0.38%	0.38%			
2009	0.38%	0.38%	0.38%				
2010	0.39%	0.39%					
2011	0.52%						

Link Ratios

Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
4th Prior	1.000	1.000	1.000	1.000	1.000	1.000
3rd Prior	1.000	1.000	1.000	1.000	1.000	1.000
2nd Prior	1.000	1.000	1.000	1.000	1.000	1.000
1st Prior	1.000	1.000	1.000	1.000	1.000	1.000
Latest	1.000	1.000	1.000	1.000	1.000	1.000
Selected:	1.000	1.000	1.000	1.000	1.000	1.000

Selected Methodology

Link Ratio Method

Development Period (months):

Frequency Development Factor:

Selected Ultimate Frequency:

15 - 87	27 - 87	39 - 87	51 - 87	63 - 87
1.000	1.000	1.000	1.000	1.000

Arkansas Allstate Insurance Group

Year	Paid Frequency	Factor to Ultimate	Ultimate Frequency	
2007	0.36%	1.000	0.36%	0.36%
2008	0.56%	1.000	0.56%	0.56%
2009	1.20%	1.000	1.20%	1.20%
2010	0.56%	1.000	0.56%	0.56%
2011	0.75%	1.000	0.75%	0.75%

Allstate Insurance Group
Renters
Countrywide

Calculation of Severity Development Factors
Weather Peril
Paid Severity

Fiscal Accident Year Ending 12/31	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
2000							1,599
2001						1,804	1,804
2002					1,745	1,745	1,745
2003				1,851	1,853	1,854	1,854
2004			2,078	2,079	2,079	2,079	2,079
2005		1,932	1,925	1,933	1,936	1,938	1,938
2006	1,961	1,986	1,991	1,991	1,990	1,990	
2007	2,185	2,239	2,248	2,291	2,302		
2008	2,323	2,330	2,338	2,337			
2009	2,514	2,548	2,549				
2010	2,661	2,654					
2011	2,779						

Link Ratios

Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
4th Prior	1.013	0.996	1.000	1.001	1.000	1.000
3rd Prior	1.024	1.003	1.004	1.000	1.000	1.000
2nd Prior	1.003	1.004	1.000	1.002	1.000	1.000
1st Prior	1.013	1.003	1.019	1.000	1.001	1.000
Latest	0.997	1.000	1.000	1.005	1.000	1.000
Selected:	1.010	1.001	1.005	1.002	1.000	1.000

Selected Methodology

Link Ratio Method

Development Period (months):	<u>15 - 87</u>	<u>27 - 87</u>	<u>39 - 87</u>	<u>51 - 87</u>	<u>63 - 87</u>
Severity Development Factor:	1.018	1.008	1.007	1.002	1.000

Arkansas Allstate Insurance Group

Year	Paid Severity	Factor to Ultimate	Ultimate Severity
2007	\$3,677	1.000	\$3,677
2008	\$4,061	1.002	\$4,069
2009	\$1,426	1.007	\$1,436
2010	\$1,238	1.008	\$1,248
2011	\$1,366	1.018	\$1,391

Development of Provision for Hurricane Loss and Retained Risk

1) Hurricane Provision Per AIY Including All LAE	0.004
2) Retained Risk Provision Per AIY	0.121
3) Earned Exposures	4,258
4) Earned AIY	126,252
5) Average Earned AIY (4)/(3)	29.65
6) Factor to Adjust to Projected Average AIY Level	0.956
7) Average AIY Projected to 9/30/13 (5)*(6)	28.35
8) Expected Hurricane Pure Premium (1)*(7)	\$0.11
9) Expected Retained Risk Provision (2)*(7)	\$3.43

*1 AIY = One Amount of Insurance Years = \$1000 of Coverage in Force for One Year

Allstate Insurance Group
Renters
Arkansas

Summary of Expense Provisions

	<u>Percent Fixed</u>	<u>Expense Provision</u>
Commissions	0 %	11.7 %
Taxes †	0	3.1
Licenses and Fees	100	0.1
Other Acquisition	100	5.3
General Expense	100	4.8
Debt Provision	0	1.4
Contingency Provision	0	2.0
Profit Provision	0	8.7

† State Taxes - Does not include Federal Income Tax

Countrywide Experience for General Expenses

	General Expense**		
	2008	2009	2010
1. Direct Premium Earned Less Reinsurance Premium***	\$22,179,653	\$21,698,432	\$21,675,897
2. General Expense Incurred	1,103,876	1,011,399	1,018,249
3. Ratio (2)/(1)	0.0498	0.0466	0.0470
4. Three Year Average			0.048
5. Proposed Provision			0.048

* Allstate Insurance Company, Allstate Property and Casualty Insurance Company, Allstate Indemnity Company, Northbrook Indemnity Company, Allstate Fire & Casualty Insurance Company and Allstate County Mutual

** Data includes Personal Property Lines (excluding Earthquake) and Private Passenger Automobile Insurance

*** Premiums for Net Cost of Reinsurance (NCOR) do not include provisions for General Expenses. Therefore, direct premiums must be reduced by NCOR premiums to get the premium base upon which the general expense provision is applied.

(000's) omitted

Personal Property Lines

Countrywide Experience for Other Acquisition Expenses*

	Other Acquisition Expense		
	2008	2009	2010
1. Direct Premium Earned Less Reinsurance Premium**	\$22,179,653	\$21,698,432	\$21,675,897
2. Other Acquisition Expense Incurred	1,286,955	1,259,684	1,459,795
3. Ratio (2)/(1)	0.0580	0.0581	0.0673
4. Three Year Average			0.0611
5. Adjusted Three Year Average***			0.0528
6. Proposed Provision			0.053

* Allstate Insurance Company, Allstate Property and Casualty Insurance Company, Allstate Indemnity Company, Northbrook Indemnity Company, Allstate Fire & Casualty and Allstate County Mutual. Data includes Personal Property Lines and Private Passenger Automobile Insurance

** Premiums for Net Cost of Reinsurance (NCOR) do not include provisions for General and Other Acquisition expenses. Therefore, direct premiums must be reduced by NCOR premiums to get the premium base upon which general and other acquisition expense provisions are applied.

*** Reduced by 1.02% to reflect the amount of Installment Fees collected for Allstate Insurance Group Personal Property Lines and includes a 0.19% provision for Allstate Insurance Group Personal Property Lines premiums written off.

(000's) omitted

Allstate Indemnity Company
Renters
Arkansas

Attachment V
Exhibit 18

Factor to Adjust for Subsequent Change in Fixed Expense
(For calendar years 2008-2010)

1) Average Earned Date of Experience Period	6/30/2009
2) Average Earned Date of Proposed Policy Period	9/30/2013
3) Number of Years from (1) to (2)	4.252
4) Selected Annual Impact	1.70%
5) Factor to Adjust for Subsequent Change in Fixed Expense [1.0 + (4)] ^ (3)	1.074

Allstate Insurance Group
Renters
Arkansas

Investment Income

Calculation of Present Value, as of the Average Earning Date of a
Policy Year, of all Income and Outgo @ 2.6% †force of interest,
assuming an Operating Profit of 7.00% and twelve month Policy
Terms

Years From Start of Policy Year	Cumulative Percent of Losses Paid	Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted‡ to Average Time of Profit @ 2.6%	Discounted Payments
1	28.8 %	28.80 %	0.70	1.008	29.0 %
2	94.5	65.70	1.40	0.990	65.0
3	98.4	3.90	2.40	0.964	3.8
4	99.1	0.70	3.40	0.940	0.7
5	99.7	0.60	4.40	0.915	0.5
Subsequent	100.0	0.30	6.90	0.858	0.3
Total					99.3 %
Expected Losses and Loss Expense Ratio					62.9 %
Present Value of Loss and Loss Expense Payments					62.5 %
General Expense		4.8 %	0.75	1.007	4.8 %
Other Acquisition		5.3 %	0.63	1.010	5.4 %
Taxes		3.1 %	0.63	1.010	3.1 %
Licenses and Fees		0.1 %	0.63	1.010	0.1 %
Commissions		11.7 %	0.58	1.011	11.8 %
Debt Provision		1.4 %	1.00	1.000	1.4 %
Contingency Provision		2.0 %	1.00	1.000	2.0 %
Profit		8.7 %	1.00	1.000	8.7 %
Total Present Value of Outgo					99.8 %
Premiums		100.0 %	0.57	1.011	101.1 %
Difference, Present Value of Income Less Present Value of Outgo					1.3 %

†Discount rate from Investment Department forecast

‡exp (force of interest x (timing of profit being earned – timing of cash flow))

ALLSTATE INSURANCE GROUP

Personal Property Lines
Contingency Provision Analysis

Unexpected Event Analysis (1996 - 2003)

1) Total estimated loss from unexpected events:	\$388,265,584
2) Total countrywide ex-cat accident year losses:	\$14,082,669,021
3) Indicated contingency provision as percentage of ex-cat loss:	2.8%
4) Indicated contingency provisions as percentage of total loss:	2.1%
5) Indicated contingency provision adjusted for expenses:	1.8%

Variance From Expectation Analysis (1992 - 2008)

1) Total expected losses:	\$27,812,571,837
2) Total actual losses:	\$29,008,300,190
3) Difference of actual loss and expected loss:	\$1,195,728,354
4) Percentage difference of actual loss and expected loss:	4.1%
5) Percent difference adjusted for expenses	3.6%

Selected Contingency Provision:	2.0%
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Allstate Indemnity Company
Renters
Arkansas

Attachment V
Exhibit 21

Development of Projected Average Earned Premium

Fiscal Year Ending	(1) Earned Exposures	(2) Earned Premium at Current Rates	(3) Factor to Adjust to Projected Premium Level	(4) Projected Earned Premium at Current Rates (2) x (3)	(5) Projected Average Earned Premium at Current Rates (4) / (1)	(6) Experience Year Weights
12/31/2011	4,258	\$1,072,753	0.967	\$1,037,352	\$243.62	100 %
		(7) Projected Average Earned Premium at Current Rates			\$243.62	

Calculation of Premium Trend Factor

<u>Peril</u>	<u>Selected Annual Premium Impacts</u>
Total All Peril excluding EQ	<u>Projected</u> -1.50%
	<u>Current Year</u>
1) Average Earned Date of Proposed Policy Period	9/30/2013
2) Mid-Point of Current Year's Experience Period	6/30/2011
3) Experience Period Ended	12/31/2011
4) Midpoint of Experience Period	6/30/2011
5) Historical: Number of Years from (4) to (2)	0.000
6) Projected: Number of Years from (2) to (1)	2.252

Calculation of Trend Factors

- (a) Historical Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)
- (b) Projected Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)
- (c) Factor to Adjust to Projected Premium Level = (a) x (b)

Allstate Indemnity Company
Renters
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Premium Trends

Exponential Curve of Best Fit

Year Ending	Average Written		Exponential Curve of Best Fit		
	Premium @ CRL	Annual Change	12 pt.	6 pt.	4 pt.
06/09	261.02	-1.03 %	\$263.33		
09/09	261.01	-1.19	261.91		
12/09	262.00	-0.52	260.49		
03/10	260.49	-1.25	259.08		
06/10	260.34	-0.26	257.68		
09/10	257.05	-1.52	256.29		
12/10	254.49	-2.87	254.91	\$253.56	
03/11	251.10	-3.60	253.53	252.52	
06/11	251.75	-3.30	252.16	251.48	\$251.69
09/11	250.85	-2.41	250.79	250.45	250.6
12/11	248.86	-2.21	249.44	249.42	249.52
03/12	248.79	-0.92	248.09	248.40	248.43
Regression			12 pt.	6 pt.	4 pt.
Avg Annual Percent Change Based on Best Fit:			-2.15%	-1.63%	-1.72%

Allstate Insurance Group
Renters
Arkansas

Development of the Hurricane Provision

(1) Calendar <u>Year</u>	(2) Amount of Insurance <u>Years</u>	(3) Hurricane Incurred <u>Loss</u>
1992	81,652	0
1993	72,232	0
1994	63,989	0
1995	61,888	0
1996	64,401	0
1997	70,457	0
1998	80,618	0
1999	89,088	0
2000	92,644	0
2001	92,068	0
2002	91,871	0
2003	89,879	0
2004	91,411	0
2005	95,186	0
2006	101,562	0
2007	103,108	0
2008	110,813	7,063
2009	122,041	-1,000
2010	126,543	0
2011	134,095	0
Total	1,835,546	6,063

(4) Hurricane Provision Per AIY 0.003

(5) Hurricane Provision Per AIY Including LAE 0.004

Allstate Indemnity Company
Renters
Arkansas

Attachment V
Exhibit 25

AIY Trends

Exponential Curve of Best Fit

Year Ending	AIY	Annual Change	12 pt.	6 pt.	4 pt.
06/09	30.76	-1.69 %	31.10		
09/09	30.76	-1.73	30.88		
12/09	30.87	-0.23	30.66		
03/10	30.53	-1.67	30.44		
06/10	30.56	-0.65	30.22		
09/10	30.20	-1.82	30.00		
12/10	29.84	-3.34	29.79	29.67	
03/11	29.39	-3.73	29.57	29.48	
06/11	29.14	-4.65	29.36	29.29	29.16
09/11	29.07	-3.74	29.15	29.10	29.04
12/11	28.93	-3.05	28.94	28.91	28.93
03/12	28.81	-1.97	28.74	28.73	28.82
Regression			12 pt.	6 pt.	4 pt.
Avg Annual Percent Change Based on Best Fit:			-2.83%	-2.54%	-1.55%

Allstate Indemnity Company
Renters
Arkansas

Attachment V
Exhibit 25

Determination of Statewide Rate Level Indication

1) Indicated Provision for Loss and Loss Adjustment Expense [(a) + (b) + (c) + (d)]	\$188.92
a) Non-Weather Loss and LAE	\$158.59
b) Weather Loss and LAE	\$30.33
2) Current Fixed Expense Ratio	10.2 %
3) Three Year Average Earned Premium	\$256.34
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	\$26.15
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.074
6) Indicated Provision for Fixed Expense [(4) x (5)]	\$28.09
7) Variable Expense, Contingencies Ratio, and Profit Ratio	26.9 %
8) Indicated Average Premium [(1) + (6)] / [1 - (7)]	\$296.87
9) Projected Average Earned Premium at Current Rates	\$243.62
10) Indicated Rate Level Change [(8) / (9) - 1.0]	21.9 %

ATTACHMENT VI

Summary of Manual Changes

**ALLSTATE INDEMNITY COMPANY
RENTERS
ARKANSAS**

SUMMARY OF MANUAL CHANGES

RATE PAGES

N/A

RULE PAGES

Page IHRRC-1: Updated the Rate Adjustment Factor

Page IH33-1: Updated the Rating Group factors

ATTACHMENT VII

Summary of Proposed Factors

**ALLSTATE INDEMNITY COMPANY
RENTERS
ARKANSAS**

SUMMARY OF PROPOSED FACTORS

Below are the current and proposed factors for the Allstate Indemnity Company Renters program in Arkansas. The segmentation of Rating Group was based on a Countrywide Generalized Linear Model that uses 10 years of data. The all-peril Arkansas factors are calculated using the Countrywide by-peril factors and the Arkansas state-specific peril distribution. Arkansas loss ratio relativities were also considered.

Rate Adjustment Factor

Current Factor	Proposed Factor
1.169	1.465

Rating Group

	Current Factor	Proposed Factor
7A	0.40	0.35
7B	0.50	0.45
7C	0.60	0.55
7D	0.75	0.70
7E	1.00	1.00

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Response to 3/6/2013 Objections

1. NAIC loss cost data entry document (Supporting Document)

This form is required with all rate change filings. Please complete and submit the form.

The requested NAIC loss cost data entry document is attached. Please note that the “Indicated % Rate Level Change” has been updated to reflect the exclusion of the Retained Risk Provision, as requested in objection 5.

2. Filing Memo (Supporting Document)

Please remove the hurricane provisions. AR has not allowed this in the past and our position has not changed.

Allstate understands that Arkansas does not allow the use of hurricane models. However, looking back at previous approved Arkansas filings, such as Owners R24979, the department has allowed the use of actual loss experience for the development of the Hurricane Provision per AIY. To be consistent with this method, the indication in this filing uses 20 years of actual loss experience for the renters line in Arkansas to develop the 0.004 included as the Hurricane Provision per AIY. For the Department’s convenience, this calculation is included in **Attachment A, Exhibit 1**. If modeled losses had been used, the Hurricane Provision per AIY would have been 0.015. The calculations for the Modeled Hurricane Provision per AIY are included in **Attachment A, Exhibit 2** for illustration purposes.

Although Allstate believes our methodologies are appropriate and justified, the original filing included actual hurricane loss experience in order to be consistent with past Arkansas filings and with the hope of expediting review of the filing. Allstate believes that the non-modeled Hurricane Provision per AIY of 0.004 is still appropriate.

3. Filing Memo (Supporting Document) Please provide the documentation supporting the changes made to the rating group factors.

The segmentation of Rating Group was based on a Countrywide Generalized Linear Model (GLM). For more information about the GLM, please see **Attachment B**. The current, indicated, and proposed factors are shown below.

Rating Group	Current Factor	GLM Indicated	Proposed
1	0.40	0.21	0.35
2	0.50	0.29	0.45
3	0.60	0.41	0.55
4	0.75	0.63	0.70
5	1.00	1.00	1.00

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4. Filing Memo (Supporting Document)

Supporting documentation regarding the contingency factor has not changed from previous filings and absent any new additional supporting documentation, the 2% factor remains unacceptable. Please reduce the factor to 1%.

Allstate provided the most updated supporting documentation regarding its contingency factor. The support includes both an Unexpected Loss Analysis and an Expected Loss Versus Actual Loss Analysis. This has changed from the previous support, which only included the Unexpected Loss Analysis. For your convenience, this updated support is included as **Attachment C, Exhibit 1**.

This updated analysis was sufficient support for approval of the recent Owners filing R24979. Allstate believes that a 2% contingency factor is still appropriate.

5. Filing Memo (Supporting Document)

The retained risk provision proposed does not comply with Arkansas Code Ann. 23-67-209 which required past loss experience to be considered in rating. In addition, Arkansas Code Ann. 23-67-210 requires classes to be based on actual differences in experience and expenses and they must have a probable effect on future losses or expenses. Please amend the filing to remove this provision.

The retained risk provision that Allstate proposes to introduce in the determination of its indicated rate level need is specifically meant to provide an appropriate return on its high-layer retained hurricane and fire following earthquake catastrophe exposure. It is not a provision to account for future expected losses. Arkansas Code Ann. 23-67-207(d) states that rate may contain “an allowance for permitting a reasonable profit”. Allstate believes its retained risk provision provides this for its high-layer retained hurricane and fire following earthquake catastrophe exposure, while the underwriting profit provision remains appropriate for the remaining exposures.

Allstate continues to believe its retained risk provision is appropriate given the fire following earthquake and hurricane catastrophe exposure that it retains in the state of Arkansas. This provision is intended to provide Allstate an appropriate return commensurate with the risks that it retains. Please note that this methodology has been filed by Allstate in several states across the country. Allstate believes that the combination of the profit provision and the retained risk provision provide the correct return for Allstate based on the risk of its portfolio of business.

First, note that in Allstate’s ratemaking calculations, in the portion of the rate that is for hurricane catastrophe risk, the typical underwriting profit provision is replaced by the retained risk provision. It is not included in addition to the underwriting profit provision.

Second, Allstate’s current cost of capital estimation methodology includes the use of the Fama-French Three-Factor Method (FF3F), which is similar to the Capital Asset Pricing Model (CAPM) in that it calculates betas for a given company, reflecting the relationship of that company’s returns to the returns for the overall market. Theoretically, betas can be calculated for

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each specific company. However, in practice there tends to be a significant amount of volatility in the results when a single company's information is used to calculate betas.

Thus, in Allstate's approach, betas are calculated using information from the entire P&C industry. This helps give the beta calculations more stability. However, in doing so, it also generalizes the results in some ways. Instead of reflecting risks and expectations of Allstate specifically, the betas are more reflective of the P&C industry as a whole (not counting the portions of FF3F that take into account company-specific information).

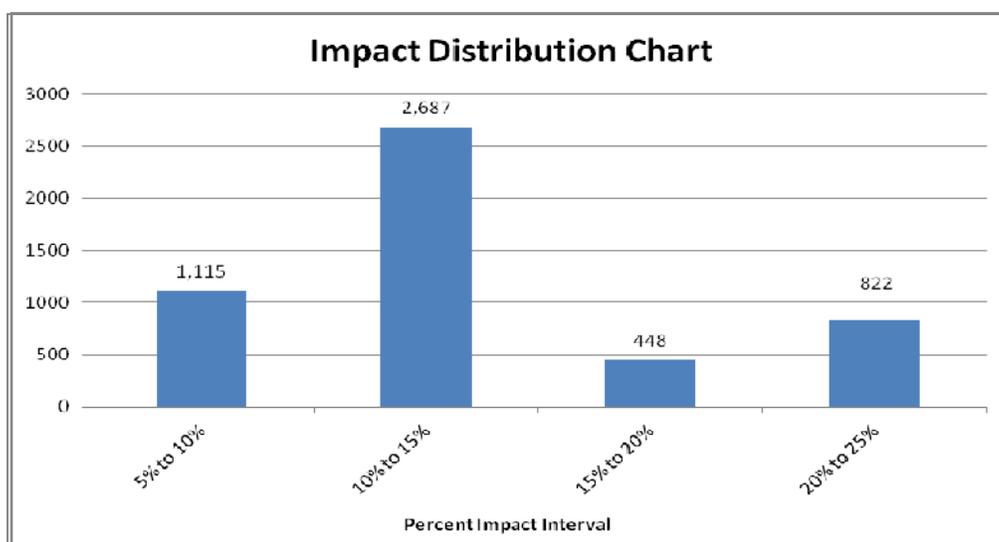
Allstate's portfolio of risks represents a unique distribution of lines and states (as do all companies'). Allstate writes almost 25% of its business in homeowners line, some of which is highly volatile coastal business. Many of Allstate's biggest and most comparable multi-line competitors are mutual companies and are, as such, not included in the FF3F P&C industry composite. As a result, Allstate has a much higher proportion of business in the homeowners line than most of the companies included in the P&C composite.

Because of this, the betas calculated using industry information fail to completely reflect the volatility and risk associated with Allstate's mix of business, particularly as it relates to its homeowners business. Therefore, again, Allstate believes that the retained risk provision is appropriate in combination with its underwriting profit provision.

However, Allstate proposes to remove the retained risk provision from this filing in order to comply with comments from the Arkansas Insurance Department. Additionally, Allstate hopes that the removal of the retained risk provision from the filing will help expedite the filing review process. The portions of the filing that were adjusted with the removal of the retained risk provision are included in **Attachment D, Exhibits 1 and 2**.

Please note that the updated indication of 21.9% is still greater than the original proposed rate change of 14.6%.

6. Please provide a histogram detailing the percentage impact upon the insureds.



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ADDITIONAL NOTE: While reviewing this filing to respond to your concerns, an error was found in the supporting memos. While our Filing Description states the correct proposed rate level change (14.6%), the table in Attachment II, Page 1 shows a different amount.

The correct information is shown in the table below.

	Premium Dist. at Current Rates	Indicated Change	Selected Change*
Fixed Expense Premium	9.7%	N/A	N/C
Variable Package Premium	88.9%	N/A	16.4%
Total Renters Package	98.7%	N/A	14.8%
Additional Coverages	1.3%	N/A	N/C
Total Renters	100.0%	23.6%	14.6%

*We implicitly assume no indicated change for fixed expenses and additional coverages.

Attachment A
Hurricane Provision Support

Allstate Insurance Group
Exhibit 1
Renters

Arkansas

Development of the
Hurricane Provision Using Actual Loss

(1) Calendar Year	(2) Amount of Insurance Years	(3) Hurricane Incurred Loss
1992	81,652	0
1993	72,232	0
1994	63,989	0
1995	61,888	0
1996	64,401	0
1997	70,457	0
1998	80,618	0
1999	89,088	0
2000	92,644	0
2001	92,068	0
2002	91,871	0
2003	89,879	0
2004	91,411	0
2005	95,186	0
2006	101,562	0
2007	103,108	0
2008	110,813	7,063
2009	122,041	-1,000
2010	126,543	0
2011	134,095	0
Total	1,835,546	6,063

(4) Hurricane Provision Per AIY 0.003

(5) Hurricane Provision Per AIY Including LAE 0.004

Allstate Insurance Group

Exhibit 2

Renters

Arkansas

Development of the
Hurricane Provision Using Modeled Loss

1) Written Amount of Insurance Years @ 6/12	140,664
2) Expected Annual Hurricane Losses	1,760
3) Hurricane Catastrophe Factor Excluding LAE	0.013
4) Hurricane Catastrophe Factor	0.015

*1 AIY = One Amount of Insurance Years = \$1000 of Coverage in Force for One Year

Attachment B
Generalized Linear Model Support

GENERALIZED LINEAR MODEL SUPPORT

Allstate has updated the methodology used to determine rating plan factors for Allstate Indemnity Company.

Methodology

A multivariate analysis using Generalized Linear Models (GLMs) is used to determine indicated factors for each peril. Four models are developed for this analysis; one GLM for each of Liability, Theft, Fire, and Other perils.

For more information on GLMs and usage in insurance ratemaking, please see the following references:

1. Anderson, D.; Feldblum, S; Modlin, C; Schirmacher, D. Schirmacher, E.; and Thandi, N., "A Practitioner's Guide to Generalized Linear Models" (Third Edition), CAS Study Note, February 2007.
<http://www.casact.org/library/studynotes/anderson9.pdf>
2. McCullagh, P. and Nelder, J., Generalized Linear Models (Second Edition), Chapman and Hall, London, 1989.

Data

- The data used in the analysis is countrywide open-company, all Number of Times Renewed (NTR) renters policies from accident years 2006-2010, evaluated at March 31, 2011. No inflation or trend factors were applied.
- By peril, policy losses were capped at the 99th percentile to limit the influence of extreme losses, similarly, exposures were floored at 0.1 to avoid excessively extrapolated pure premiums.
- Hurricanes and catastrophe losses were excluded to enhance future out-of-sample performance

Model

During the modeling phase, only current rating variables were analyzed since this is a refit of the current rating plan with updated years of data. Variables were included in the model based on standard errors, consistency over time, consistent performance on holdout data, and multivariate signal. The geographic signal in the modeling data was accounted for by including indicators for State and Urban/Rural classification. However, the indicated relativities for these variables are not used in the rating plan.

Attachment C
Contingency Provision Support

ALLSTATE INSURANCE GROUP

Personal Property Lines
Contingency Provision Analysis

Unexpected Event Analysis (1996 - 2003)

1) Total estimated loss from unexpected events:	\$388,265,584
2) Total countrywide ex-cat accident year losses:	\$14,082,669,021
3) Indicated contingency provision as percentage of ex-cat loss:	2.8%
4) Indicated contingency provisions as percentage of total loss:	2.1%
5) Indicated contingency provision adjusted for expenses:	1.8%

Variance From Expectation Analysis (1992 - 2008)

1) Total expected losses:	\$27,812,571,837
2) Total actual losses:	\$29,008,300,190
3) Difference of actual loss and expected loss:	\$1,195,728,354
4) Percentage difference of actual loss and expected loss:	4.1%
5) Percent difference adjusted for expenses	3.6%

Selected Contingency Provision:	2.0%
--	-------------

Attachment D
Revised Indication Excluding RRP

Determination of Statewide Rate Level Indication

1) Indicated Provision for Loss and Loss Adjustment Expense [(a) + (b) + (c) + (d)]	\$189.03
a) Non-Weather Loss and LAE	\$158.59
b) Weather Loss and LAE	\$30.33
c) Hurricane Loss and LAE	\$0.11
2) Current Fixed Expense Ratio	10.2 %
3) Three Year Average Earned Premium	\$256.34
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	\$26.15
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.074
6) Indicated Provision for Fixed Expense [(4) x (5)]	\$28.09
7) Variable Expense, Contingencies Ratio, and Profit Ratio	26.9 %
a) Variable Expense Ratio (including Commissions, Taxes, and Debt Provision)	16.2 %
b) Contingencies Ratio	2.0 %
c) Profit Ratio	8.7 %
8) Indicated Retained Risk Provision	\$0.00
9) Indicated Average Premium [(a) + (b)]	\$297.02
a) Non-Weather Loss and LAE	\$297.02
Weather Loss and LAE	
Hurricane Loss and LAE	
Fixed Expense	
[(1) + (6)] / [1 -(7 Total)]	\$0.00
b) Retained Risk Provision (8) / [1 - (7a)]	\$243.62
10) Projected Average Earned Premium at Current Rates	21.9 %

Allstate Indemnity Company
Renters

Arkansas

Development of Provision for Hurricane Loss and Retained Risk

1) Hurricane Provision Per AIY Including All LAE	0.004
2) Retained Risk Provision Per AIY	0.000
3) Earned Exposures	4,258
4) Earned AIY	126,252
5) Average Earned AIY (4)/(3)	29.65
6) Factor to Adjust to Projected Average AIY Level	0.956
7) Average AIY Projected to 9/30/13 (5)*(6)	28.35
8) Expected Hurricane Pure Premium (1)*(7)	\$0.11
9) Expected Retained Risk Provision (2)*(7)	\$0.00

*1 AIY = One Amount of Insurance Years = \$1000 of Coverage in Force for One Year

SERFF Tracking #:

ALSE-128922427

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

R25845

State:

Arkansas

Filing Company:

Allstate Indemnity Company

TOI/Sub-TOI:

04.0 Homeowners/04.0004 Tenant Homeowners

Product Name:

AI REN

Project Name/Number:

Renters - Rate Change/1238126

Superseded Schedule Items

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

Creation Date	Schedule Item Status	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
03/01/2013		Supporting Document	NAIC loss cost data entry document	03/11/2013	